SM Energy Co
Form 424B3
December 12, 2011

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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-177997

PROSPECTUS

$350,000,000

SM ENERGY COMPANY

Offer to Exchange

All outstanding 6 5/8% senior notes due 2019 (CUSIP Nos. 78454L AA8 and U83067 AA3) for new 6 5/8% senior notes due 2019 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 January 11, 2012, unless extended.

The Exchange Notes:

The terms of the 6 5/8% senior notes due 2019 to be issued in the exchange offer (the "exchange notes") are substantially identical to the terms of the outstanding 6 5/8% senior notes due 2019 (the "outstanding notes"), except for the elimination of some 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 January 11, 2012, 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Upon expiration of the exchange offer, all outstanding notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of the applicable series of exchange notes.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, 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 17 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 December 12, 2011.

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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 and the initial purchasers 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, or 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 on 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. You can also obtain information about us at the offices of the New York Stock Exchange, 20 Broad Street, 17th 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 the following documents that we have previously filed with the SEC. This means that we are disclosing important information to you without actually including the specific 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:

- our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 25, 2011 (our "2010 10-K");

- the information included in our definitive proxy statement on Schedule 14A filed with the SEC on April 12, 2011, under the headings "Proposal 1 Election of Directors," "Corporate Governance," "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Compensation," "Director Compensation," "Security Ownership of Certain Beneficial Owners

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and Management," "Certain Relationships and Related Transactions," "Independent Registered Public Accounting Firm" and "Audit Committee Preapproval Policy and Procedures";

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, filed with the SEC on May 3, 2011 (our "2011 First Quarter 10-Q"), June 30, 2011, filed with the SEC on August 3, 2011 (our "2011 Second Quarter 10-Q") and September 30, 2011, filed with the SEC on November 2, 2011 (our "2011 Third Quarter 10-Q," and collectively with our 2011 First Quarter 10-Q and our 2011 Second Quarter 10-Q, our "2011 10-Qs"); and

our Current Reports on Form 8-K filed with the SEC on February 1, 2011, February 10, 2011, March 24, 2011, April 4, 2011, April 11, 2011, May 27, 2011, June 3, 2011, June 14, 2011, July 5, 2011, August 5, 2011, October 3, 2011, October 18, 2011 and November 10, 2011.

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 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, 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 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 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 associated liquids production estimates;

our outlook on future crude oil, natural 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

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other similar matters such as those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2010 10-K and our 2011 10-Qs.

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. These risks are described in this prospectus under "Risk Factors" or incorporated by reference herein and include such factors as:

- the volatility of crude oil, natural gas and NGL prices, and the affect it may have on our profitability, financial condition, cash flows, access to capital, and ability to grow;
- the continued weakness in economic conditions and uncertainty in financial markets;
- our ability to replace reserves in order to sustain production;
- 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;
- the imprecise estimations of our actual quantities and present values of proved crude oil, natural gas, and NGL reserves;
- the uncertainty in evaluating recoverable reserves and other expected benefits or liabilities;
- the possibility that exploration and development drilling may not result in commercially producible reserves;
- 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 our reported anticipated divestiture, joint venture, farm-down, 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 hedging activities may result in financial losses or may limit the prices that we receive for oil, natural gas, and NGL sales;

the inability of one or more of our customers or hedge counterparties to meet their obligations;

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

the impact that lower crude oil, natural gas, or NGL prices could have on our ability 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;

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

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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 crude oil, natural gas, and NGLs;
- new technologies may cause our current exploration and drilling methods to become obsolete; and
- litigation, environmental matters, the potential impact of 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 *http://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.

Bcfe. Billion 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.

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.

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.

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MBbl. One thousand barrels of oil or other liquid hydrocarbons.

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

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.

MMBtu. One million British thermal units.

MMcf. One thousand Mcf.

MMcfe. One million 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.

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, 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 in 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.

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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 undrilled 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. and Netherland, Sewell & Associates, Inc., each a firm of independent petroleum engineers. Such information is included and incorporated herein in reliance on the authority of such firms as experts in petroleum engineering.

SM Energy Company

We are an independent energy company engaged in the acquisition, exploration, exploitation, development, and production of crude oil, natural gas, and NGLs in onshore North America. Our assets include leading positions in the Eagle Ford shale and Bakken/Three Forks resource plays, as well as meaningful positions in the Granite Wash, Haynesville shale, Niobrara chalk, and Woodford shale resource plays. We have built a portfolio of onshore properties in the contiguous United States primarily through early entrance 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 allows for stable and predictable production and reserves growth. Furthermore, by entering these plays early, we believe that we can capture larger resource potential at lower costs.

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

- Our Eagle Ford shale program is in our South Texas & Gulf Coast region, which consists primarily of onshore Texas and Louisiana properties. Our operated and non-operated Eagle Ford shale program is our most significant asset and currently our exclusive focus in our South Texas & Gulf Coast region. Our Eagle Ford shale program accounts for approximately 40.9% of our consolidated third quarter 2011 production.

- Our Bakken/Three Forks program is in our Rocky Mountain region, which is comprised primarily of properties in the Williston Basin in eastern Montana and western North Dakota. Our recent activity in this region has focused primarily on the development of assets targeting the Bakken and Three Forks formations, primarily in McKenzie and Divide Counties of North Dakota. Our Bakken and Three Forks program accounts for approximately 7.0% of our consolidated third quarter 2011 production.

- Our Granite Wash program is in our Mid-Continent region, which is comprised of properties in the Anadarko Basin of Oklahoma and the Texas Panhandle. Our current activity in this play is focused on horizontal exploitation of the oilier and richer gas intervals of this multi-pay basin. The Mid-Continent region also manages our Woodford shale program in the Arkoma Basin.

- Our ArkLaTex region spans eastern Texas, northern Louisiana and southern Arkansas. We have exposure to a number of natural gas-focused plays in this region, including the Haynesville shale, the Cotton Valley sandstone, and the James Lime interval. Our focus in recent years has been on the development of our Haynesville shale position in East Texas. Our current plan is to

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achieve held by production status across our acreage position, which we believe we can achieve by the second half of 2012 with a one drilling rig program. This plan will allow us to hold not only our interests in the Haynesville shale, but also the Bossier shale, which we believe could have potential for commercial development.

Our Permian Basin region is comprised of assets in western Texas and eastern New Mexico. The focus in this region recently has been on testing the down spacing potential of our operated Wolfberry assets, and a number of exploration concepts targeting the Mississippian and Wolfcamp intervals in the basin.

Business Strategy

Our business strategy is to increase net asset value through attractive oil and gas investment activities, while maintaining a conservative capital structure and optimizing our capital expenditures. We focus our efforts on the exploration for and development of onshore, lower-risk resource plays in North America. We believe our inventory of resource plays is well suited for lower-risk reserve and production growth due to the more predictable geologic profile of these types of assets. Furthermore, several of our assets produce significant volumes of crude oil and NGLs that limit our exposure to the current low natural gas price environment. Our strategy is based on the following:

- leveraging our core competencies in replicating resource play success in the drilling, completion, and development of crude oil, natural gas, and NGL reserves;
- focusing on resource plays with lower geologic risk and high liquids content;
- exploiting our legacy assets and optimizing our asset base;
- selectively acquiring leasehold positions in new and emerging resource plays; and
- maintaining a strong balance sheet while funding the growth of our business.

Business Strengths

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

- *Quality positions in attractive unconventional plays.* We have meaningful acreage positions in attractive unconventional resource plays in North America. Assuming the consummation of our previously announced transaction with Mitsui E&P Texas LP, a subsidiary of Mitsui & Co., Ltd., we would have approximately 196,000 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 North Dakota portion of the Williston Basin, we have approximately 204,000 net acres that are prospective in the Bakken/Three Forks formations. We believe that these two plays are large enough to allow us to gain economies of scale and improve our operational efficiency. Additionally, we have attractive positions in the Granite Wash play in the Anadarko basin of western Oklahoma and the Texas Panhandle, as well as positions in the Woodford shale, Haynesville shale, and Niobrara chalk. We believe these programs provide us with a large, multi-year inventory of drilling projects with lower geological risk from which we can build development programs that optimize our capital investments.
- *Significant oil and high Btu gas reserves and production.* A large portion of our Eagle Ford shale acreage generates production that contains richer, high Btu natural gas and condensate, which improve the economics of this asset. Additionally, our Bakken/Three Forks assets produce crude oil with some associated natural gas. We also have positions in other liquid-rich plays, such as the Granite Wash in the Anadarko Basin and the Wolfberry tight oil play in the Permian Basin of west Texas.

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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. At September 30, 2011, and after giving effect to the issuance and sale on November 8, 2011 of the $350.0 million principal amount of our 6.50% Senior Notes, we would have had approximately $1.4 billion of liquidity in the form of cash and cash equivalents and additional borrowing capacity under our credit facility. We seek to consistently hedge approximately 50% of our expected volumes from estimated proved developed producing reserves to mitigate the effect of volatility of crude 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 25 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 geological knowledge and reduce operational risk, we maintain regional offices in Billings, Montana; 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.

Recent Developments

6.50% Senior Notes. On November 8, 2011, we issued $350.0 million in aggregate principal amount of 6.50% Senior Notes (the "6.50% Senior Notes") in a private placement. These notes were issued at par value and have a maturity date of November 15, 2021. We used the net proceeds from this offering of approximately $343.1 million to repay outstanding borrowings under our credit facility and for general corporate purposes. General corporate purposes may in the future include funding the redemption of $287.5 million principal amount of our 3.50% Senior Convertible Notes, which are able to be redeemed on or after April 6, 2012. However, we may choose to use the proceeds for other corporate purposes depending on market conditions and other factors.

Corporate Information

We were founded in 1908, incorporated in 1915, and have been a publicly-traded entity 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.

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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 \$350 million $6^{5}/_{8}$% senior notes due 2019, all of which were issued on February 7, 2011. The term "exchange notes" refers collectively to our \$350,000,000 $6^{5}/_{8}$% senior notes due 2019 offered by this prospectus, which have been registered under the Securities Act of 1933, as amended (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, \$350.0 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 them 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 January 11, 2012, 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.

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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: 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."

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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. 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 January 11, 2012. 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 February 7, 2011, with the initial purchasers of the outstanding notes.

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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

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."

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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.
Material U.S. Federal Income Tax Considerations	The exchange of your outstanding notes for exchange notes should not be a taxable exchange for United States 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 Considerations."

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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	\$350 million aggregate principal amount of $6^{5}/_{8}$% senior notes due 2019
Maturity Date	February 15, 2019
Interest Payment Dates	Interest is payable on the exchange notes on February 15 and August 15 of each year, beginning on February 15, 2012.
Interest	Interest on the exchange notes will accrue at a rate of 6.625% 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 that our subsidiaries guarantee the exchange notes as provided herein. At September 30, 2011, after giving effect to the issuance and sale of our 6.50% Senior Notes and the application of the net proceeds therefrom, we would have had total consolidated indebtedness of \$987.5 million, consisting of \$287.5 million of our outstanding 3.50% Senior Convertible Notes due 2027 (our "3.50% Senior Convertible Notes"); \$350.0 million of our outstanding 6.50% Senior Notes due 2021, and \$350.0 million of the outstanding notes to be exchanged hereunder, and we would have been able to incur an additional \$999.4 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 less than 5% of our revenues for the nine months ended September 30, 2011, and held less than 0.5% 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 February 15, 2015, 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 February 15, 2015, 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 February 15, 2014, 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. 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.

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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. For more information about our use of proceeds, see "Use of Proceeds."
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 CONDENSED CONSOLIDATED HISTORICAL FINANCIAL DATA

We derived the following summary selected historical financial data as of December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, 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 2010 10-K, which is also incorporated by reference herein. The following financial data at December 31, 2008, 2007, and 2006, and for the years ended December 31, 2007 and 2006 has been prepared from our accounting records. The financial data for the nine months ended September 30, 2010 and 2011, respectively, was derived from our unaudited consolidated financial statements included in our 2011 Third Quarter 10-Q, which is incorporated by reference in this prospectus, and should be read in

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conjunction with Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part I, Item 1, "Financial Statements" of the Third Quarter 10-Q.

	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30,	
	2006	**2007**	**2008**	**2009**	**2010**	**2010**	**2011**
				(in thousands)			
Operating revenues and other income:							
Oil, gas and NGL production revenue(1)	$ 730,737	$ 912,093	$ 1,259,400	$ 615,953	$ 836,288	$ 586,128	$ 935,478
Realized oil and gas hedge gain (loss)	28,176	24,484	(101,096)	140,648	23,465	20,771	(14,548)
Marketed gas system revenue	20,936	45,149	77,350	58,459	70,110	54,027	56,268
Gain (loss) on divestiture activity	6,910	(367)	63,557	11,444	155,277	132,183	245,662
Other revenue	942	8,735	2,090	5,697	7,694	5,607	916
Total operating revenues and other income	787,701	990,094	1,301,301	832,201	1,092,834	798,716	1,223,776
Operating expenses:							
Oil, gas and NGL production expense	176,590	218,208	271,355	206,800	195,075	138,114	196,907
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	154,522	227,596	314,330	304,201	336,141	241,335	343,805
Exploration	51,889	58,686	60,121	62,235	63,860	42,833	33,587
Impairment of proved properties	7,232		302,230	174,813	6,127		48,525
Abandonment and impairment of unproved properties	4,301	4,756	39,049	45,447	1,986	4,998	4,316
Impairment of materials inventory				14,223			
Impairment of goodwill			9,452				
General and administrative	38,873	60,149	79,503	76,036	106,663	75,103	82,958
Bad debt expense (recovery)			16,735	(5,189)			
Change in Net Profits Plan liability	23,759	50,823	(34,040)	(7,075)	(34,441)	(29,785)	(24,719)
Marketed gas system expense	18,526	42,485	72,159	57,587	66,726	52,550	51,596
Unrealized and realized derivative (gain) loss	7,094	5,458	(11,209)	20,469	8,899	(4,095)	(83,872)
Other expense	2,649	2,522	10,415	13,489	3,027	2,071	6,150
Total operating expenses	485,435	670,683	1,130,100	963,036	754,063	523,124	659,253
	302,266	319,411	171,201	(130,835)	338,771	275,592	564,523

Income (loss) from operations							
Nonoperating income (expense):							
Interest income	1,576	746	485	227	321	268	382
Interest expense	(8,521)	(24,046)	(26,950)	(28,856)	(24,196)	(19,469)	(33,636)
Income (loss) before income taxes	295,321	296,111	144,736	(159,464)	314,896	256,391	531,269
Income tax benefit (expense)	(105,306)	(109,013)	(57,388)	60,094	(118,059)	(96,693)	(195,142)
Net income (loss)	$ 190,015	$ 187,098	$ 87,348	$ (99,370)	$ 196,837	$ 159,698	$ 336,127
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 1,464	$ 43,510	$ 6,131	$ 10,649	$ 5,077	$ 7,089	$ 29,923
Total assets	1,899,097	2,572,942	2,697,247	2,360,936	2,744,321	2,518,997	3,456,280
Total noncurrent liabilities	951,653	1,307,823	1,238,137	1,090,695	1,023,742	945,492	1,445,001
Total stockholders' equity	743,374	902,574	1,162,509	973,570	1,218,526	1,202,451	1,587,753

(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. Prior year NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of NGL volumes in prior periods. 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 crude oil and natural gas reserves as of the dates indicated. Our reserve estimates as of December 31, 2008, 2009 and 2010 are based primarily on reserve reports prepared by SM Energy and audited by Ryder Scott Company, L.P., and, for certain properties we owned in 2008, reserve reports prepared by Netherland, Sewell & Associates, Inc., each of which is a firm of independent reserve engineers. Our estimated proved reserves and related PV-10 value at December 31, 2009 and 2010 were determined in accordance with the new reserve disclosure rules of the SEC using the 12-month unweighted arithmetic average of the first-day-of-the-month price for the period January 2009 through December 2009 and January 2010 through December 2010, respectively, without giving effect to derivative transactions, and were held constant throughout the life of the properties. These prices were $61.18 per Bbl for oil and oil equivalents and $3.87 per MMBTU for natural gas at December 31, 2009, and $79.43 per Bbl for oil and oil equivalents and $4.38 per MMBTU for natural gas at December 31, 2010. Calculations of estimated net proved reserves for the year ended December 31, 2008, have been made in accordance with the rules and regulations of the SEC applicable during that year. For a discussion of the impact of the new reserve disclosure rules on estimated net proved reserves and comparisons with historical estimated net proved reserves, please see Note 1 of the Notes to Consolidated Financial Statements in our 2010 10-K, which is incorporated by reference in this prospectus.

	As of and for the Years Ended December 31,		
	2008	**2009**	**2010**
Reserve Information:			
Estimated proved reserves:			
Oil (MBbl)	51,363	53,784	57,412
Natural gas (MMcf)	557,366	449,545	640,047
Natural gas equivalents (MMcfe)	865,544	772,247	984,517
Percentage proved developed	83	82	70
Standardized measure of discounted future net cash flows (in thousands)	$ 1,059,069	$ 1,015,967	$ 1,666,367
PV-10 (in thousands)	$ 1,265,385	$ 1,284,085	$ 2,344,331
Estimated reserve life (in years)	7.6	7.1	8.9
Costs incurred in oil and natural gas producing activities (in thousands)	$ 857,666	$ 418,983	$ 877,380

The following table reconciles the standardized measure of discounted future net cash flows (GAAP) to the PV-10 value (Non-GAAP). The difference has to do with the PV-10 value measure excluding 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.

	As of and for the Years Ended December 31,		
	2008	**2009**	**2010**
		(in thousands)	
Standardized measure of discounted future net cash flows	$ 1,059,069	$ 1,015,967	$ 1,666,367
Add: 10 percent annual discount, net of income taxes	724,840	732,997	1,294,632
Add: future income taxes	419,544	515,953	1,335,576
Undiscounted future net cash flows	$ 2,203,453	$ 2,264,917	$ 4,296,575
Less: 10 percent annual discount without tax effect	(938,068)	(980,832)	(1,952,244)
PV-10 value	$ 1,265,385	$ 1,284,085	$ 2,344,331

Prior to 2011, we reported our natural gas production as a single stream of rich gas measured at the well head. As a result, we historically reported realized prices for our natural gas production for

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periods through December 31, 2010, that were higher than industry benchmarks due to the price uplift associated with incremental value contained in the higher BTU content of our produced gas stream. 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. Projected rapid production growth from our rich gas assets with plant product sales contracts necessitated a change in our reporting of production volumes. Prior period production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the NGL volumes produced in prior periods. 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 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,			For the Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
Production and operating data:					
Production:					
Oil (MMBbl)	6.6	6.3	6.4	4.5	5.6
Natural gas (Bcf)	74.9	71.1	71.9	51.2	71.5
Natural gas liquids (MMBbl)					2.2
Equivalents (Bcfe)	114.6	109.1	110.0	78.3	118.4
Realized sales prices (before derivative settlements)					
Oil ($/Bbl)	$ 92.99	$ 54.40	$ 72.65	$ 70.70	$ 88.54
Natural gas ($/Mcf)	$ 8.60	$ 3.82	$ 5.21	$ 5.20	$ 4.51
Natural gas liquids ($/Bbl)					$ 52.71
Equivalent ($/Mcfe)	$ 10.99	$ 5.65	$ 7.60	$ 7.48	$ 7.90
Realized sales prices (after impact of derivative settlements)					
Oil ($/Bbl)	$ 75.59	$ 56.74	$ 66.85	$ 65.46	$ 78.13
Natural gas ($/Mcf)	$ 8.79	$ 5.59	$ 6.05	$ 6.07	$ 4.97
Natural gas liquids ($/Bbl)					$ 46.45
Equivalent ($/Mcfe)	$ 10.11	$ 6.94	$ 7.82	$ 7.75	$ 7.57
Average costs per Mcfe					
Production expense	$ 1.65	$ 1.52	$ 1.29	$ 1.30	$ 1.37
Production tax	$ 0.71	$ 0.37	$ 0.48	$ 0.46	$ 0.29
Depreciation, depletion, amortization, and accretion	$ 2.74	$ 2.79	$ 3.06	$ 3.08	$ 2.90
General and administrative	$ 0.69	$ 0.70	$ 0.97	$ 0.96	$ 0.70

Note: Prior year NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the NGL volumes in prior periods. Please refer to additional discussion above.

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RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for SM Energy for each of the periods indicated is as follows:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	2009	2008	2007	2006
Ratio of earnings to fixed charges(1)	13.8x	11.6x	(2)	7.0x	12.4x	24.2x

(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, 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 risk factors set forth below and included in our 2010 10-K and 2011 10-Qs, which are incorporated by reference in this prospectus, together with all of the other information in this prospectus and the documents incorporated by reference herein. If any of the risks discussed below or in the foregoing documents were actually to occur, our business, prospects, financial condition, 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 liquidity of any trading market in the exchange notes, and the market prices quoted for the exchange notes, may be adversely affected by changes in the overall market for these types of securities, and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that you will be able to sell the exchange notes or that, if you can sell your exchange notes, you will be able to sell them at an acceptable price.

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.

You must follow the appropriate procedures to tender your outstanding notes or they will not be exchanged.

The exchange notes will be issued in exchange for the outstanding notes only after timely receipt by the exchange agent of the outstanding notes or a book-entry confirmation related thereto, a properly completed and executed letter of transmittal or an agent's message and all other required documentation. If you want to tender your outstanding notes in exchange for exchange notes, you should allow sufficient time to ensure timely delivery. Neither we nor the exchange agent are under any duty to give you notification of defects or irregularities with respect to tenders of outstanding notes for exchange.

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The consummation of the exchange offer may not occur.

We are not obligated to complete the exchange offer under certain circumstances. See "The Exchange Offer Conditions to the Exchange Offer." Even if the exchange offer is completed, it may not be completed on the schedule described in this prospectus. Accordingly, holders participating in the exchange offer may have to wait longer than expected to receive their exchange notes.

Risks Related to the Notes

The agreements governing our debt contain various covenants that limit our discretion in the operation of our business, could prohibit us from engaging in transactions we believe to be beneficial and could lead to the acceleration of our debt.

Our existing debt agreements, including the indenture governing the notes, contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our ability to borrow under our credit facility is subject to compliance with certain financial covenants, including (i) maintenance of a quarterly ratio of total debt to consolidated net income before interest, taxes, depreciation, depletion, amortization, exploration, non-cash abandonment, non-cash impairment charges and other non-cash charges to be no greater than 4.0 to 1.0, and (ii) maintenance of a current ratio of consolidated assets to consolidated liabilities to be no less than 1.0 to 1.0, each as defined in our credit facility. Our credit agreement also requires us to comply with certain financial covenants, including requirements that limit our annual dividend payments to no more than $50.0 million. These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financings, mergers and acquisitions, and other corporate opportunities.

The indenture governing the notes also 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.

See "Description of Notes." Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness. We do not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our indebtedness, including the notes offered hereby, and to refinance our indebtedness and fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, industry, regulatory and other factors that are beyond our control.

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We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facility in an amount sufficient to enable us to pay our indebtedness, including the notes offered hereby, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the notes, on or before maturity, sell assets, reduce or delay capital expenditures or seek additional equity financing. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The notes are not secured by any of our assets. However, our credit facility indebtedness is secured by a majority of our oil and natural gas properties. As a result, if we become insolvent, secured lenders will have a prior claim on our assets.

The notes are not secured by any of our assets. However, our credit facility is secured by a majority of our oil and natural gas properties. Additionally, the terms of our credit facility permit, and the indenture governing the notes permits, us to incur substantial additional secured debt in the future. Accordingly, the payment of principal and interest on the notes is effectively subordinated in right of payment to all of our secured debt with respect to the assets securing such debt. If we become insolvent or are liquidated, or if payment under any of the instruments governing our existing or future secured debt is accelerated, the lenders under these instruments will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to instruments governing such debt. In that event, because the notes are not secured by any of our assets, it is possible that there will be no assets remaining from which claims of holders of the notes can be satisfied or, if any assets remain, the remaining assets might be insufficient to satisfy those claims in full. As of September 30, 2011, and after giving effect to the issuance and sale of our 6.50% Senior Notes and the application of the proceeds thereform, we would have had no outstanding secured debt (other than two outstanding letters of credit in the aggregate amount of $608,000, which reduce the amount available for borrowings under the facility on a dollar-for-dollar basis), and the ability to incur up to $999.4 million of additional secured debt under our credit facility.

Failure to comply with covenants in our existing or future financing agreements could result in cross-defaults under some of our financing agreements which could jeopardize our ability to pay the notes.

Various risks, uncertainties and events beyond our control could affect our ability to comply with the covenants and maintain the financial tests and ratios required by the instruments governing our financing arrangements. Failure to comply with any of the covenants in our existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to cease to make further extensions of credit, accelerate the maturity of the debt under these agreements and foreclose upon any collateral securing that debt. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations, including our obligations under the exchange notes. In addition, the limitations imposed by financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing. We also may amend the provisions and limitations of our credit facility from time to time without the consent of the holders of the notes. Our debt instruments contain prepayment or acceleration rights at the election of the holders upon a covenant default or change in control, which rights, if exercised, could constitute an event of default under the notes. In addition, certain lenders under our credit facility are also counterparties under our hedge agreements, which have provisions whereby the lender group may declare a default under certain circumstances that could constitute an event of default under the credit facility. It is possible that we would be unable to fulfill all of these obligations and make payments on the notes simultaneously.

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We may incur substantial additional indebtedness, including indebtedness ranking equal to the notes.

Subject to the restrictions in the indenture governing the notes and in other instruments governing our other outstanding indebtedness (including our credit facility), we and our subsidiaries may incur substantial additional indebtedness (including secured indebtedness) in the future. Although the indenture governing the notes and the instruments governing our other outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial.

If we incur any additional indebtedness that ranks equally with the notes, including trade payables, the holders of that indebtedness will be entitled to share ratably with holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of proceeds paid to holders of the notes in connection with such a distribution.

Any increase in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- we will have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;

- increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and

- depending on the levels of our outstanding indebtedness, our ability to obtain additional financing for working capital, capital investment, general corporate and other purposes may be limited.

Claims of holders of the notes will be structurally subordinated to claims of creditors of any of our subsidiaries.

Subject to certain limitations, the indenture governing the notes permits our subsidiaries to acquire assets and incur indebtedness, and holders of the notes do not have any claim as a creditor against any of our subsidiaries to the assets and earnings of those subsidiaries, except to the extent such subsidiaries subsequently become guarantors of the notes. The claims of the creditors of those subsidiaries, including their trade creditors, banks and other lenders, have priority over any of our claims or those of our other subsidiaries as equity holders of such subsidiaries. Consequently, any insolvency, liquidation, reorganization, dissolution or other winding-up of any subsidiaries, creditors of those subsidiaries would be paid before any amounts would be distributed to us as equity, and thus be available to satisfy our obligations under the notes and other claims against us.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of certain change of control events, holders of the notes may require us to offer to repurchase all or any part of their notes. We may not have sufficient funds at the time of the change of control to make the required repurchases of the notes. Additionally, certain events that would constitute a Change of Control (as defined in "Certain Definitions") would constitute an event of default under our credit facility that would, if it should occur, permit the lenders to accelerate the debt outstanding under our credit facility and that, in turn, would cause an event of default under the indenture governing the notes.

The source of funds for any repurchase required as a result of any change of control will be our available cash or cash generated from oil and gas operations or other sources, including borrowings, sales of assets, sales of equity, or funds provided by a new controlling entity. We cannot assure you, however, that sufficient funds would be available at the time of any change of control to make any required repurchases of the notes tendered and to repay debt under our credit facility. Furthermore, using available cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future. Any future credit agreements or other agreements relating to debt to which we may become a party will most likely contain similar restrictions and provisions.

Many of the covenants contained in the indenture will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc.

Many of the covenants in the indenture governing the notes will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Service and Moody's Investors Service, Inc., provided at such time no default under the indenture has occurred and is continuing. These covenants will restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade or that if they are rated investment grade, that the notes will maintain such ratings. However, termination of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. Please see "Description of Notes Covenant Termination."

Risks Related to Our Business

Crude oil, natural gas and NGL prices are volatile, and declines in prices adversely affect our profitability, financial condition, cash flows, access to capital, and ability to grow.

Our revenues, operating results, profitability, future rate of growth, and the carrying value of our crude oil and natural gas properties depend heavily on the prices we receive for crude oil, natural gas and NGL sales. Crude oil, natural gas and NGL prices also affect our cash flows available for capital expenditures and other items, our borrowing capacity, and the amount and value of our crude oil, natural gas and NGL reserves. For example, the amount of our borrowing base under our credit facility is subject to periodic redeterminations based on crude oil, natural gas and NGL prices specified by our bank group at the time of redetermination. In addition, we may have crude oil and natural gas property impairments or downward revisions of estimates of proved reserves if prices fall significantly.

Historically, the markets for crude oil, natural gas and NGLs have been volatile and they are likely to continue to be volatile. Wide fluctuations in crude oil, natural gas and NGL prices may result from relatively minor changes in the supply of and demand for crude oil, natural gas and NGLs, market uncertainty, and other factors that are beyond our control, including:

- global and domestic supplies of crude oil, natural gas and NGLs, and the productive capacity of the industry as a whole;
- the level of consumer demand for crude oil, natural gas and NGLs;
- overall global and domestic economic conditions;
- weather conditions;
- the availability and capacity of gathering, transportation, processing, and/or refining facilities in regional or localized areas that may affect the realized price for crude oil, natural gas or NGLs;
- the price and level of foreign imports of crude oil, refined petroleum products, and liquefied natural gas;
- the price and availability of alternative fuels;

technological advances affecting energy consumption;

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- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain crude oil price and production controls;
- political instability or armed conflict in crude oil or natural gas producing regions;
- strengthening and weakening of the United States dollar relative to other currencies; and
- governmental regulations and taxes.

These factors and the volatility of crude oil and natural gas markets make it extremely difficult to predict future crude oil, natural gas and NGL price movements with any certainty. Declines in crude oil, natural gas and NGL prices would reduce our revenues and could also reduce the amount of crude oil, natural gas and NGLs that we can produce economically, which could have a materially adverse effect on us.

Continued weakness in economic conditions or uncertainty in financial markets may have material adverse impacts on our business that we cannot predict.

United States and global economies and financial systems have recently experienced turmoil and upheaval characterized by extreme volatility and declines in prices of securities, diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse, or sale of financial institutions, increased levels of unemployment, and an unprecedented level of intervention by the United States federal government and other governments. Although some portions of the economy appear to have stabilized and there have been signs of the beginning of recovery, the extent and timing of a recovery, and whether it can be sustained, are uncertain. Continued weakness in the United States or other large economies could materially adversely affect our business and financial condition. For example:

- the demand for crude oil, natural gas and NGLs in the United States has declined and may remain at low levels or further decline if economic conditions remain weak, and continue to negatively impact our revenues, margins, profitability, operating cash flows, liquidity, and financial condition;
- the tightening of credit or lack of credit availability to our customers could adversely affect our ability to collect our trade receivables;
- our ability to access the capital markets may be restricted at a time when we would like, or need, to raise capital for our business, including for exploration and/or development of our reserves; and
- our commodity hedging arrangements could become economically ineffective if our counterparties are unable to perform their obligations or seek bankruptcy protection.

If we are unable to replace reserves, we will not be able to sustain production.

Our future operations depend on our ability to find, develop, or acquire crude oil, natural gas and NGL reserves that are economically producible. Our properties produce crude oil, natural gas and NGLs at a declining rate over time. In order to maintain current production rates, we must locate and develop or acquire new crude oil, natural gas and NGL reserves to replace those being depleted by production. In addition, competition for the acquisition of producing crude oil and natural gas properties is intense and many of our competitors have financial, technical, human, and other resources needed to evaluate and integrate acquisitions that are substantially greater than those available to us. Therefore, we may not be able to acquire crude oil and natural gas properties that contain economically producible reserves, or we may not be able to acquire such properties at prices acceptable to us. Without successful drilling or acquisition activities, our reserves, production, and revenues will decline over time.

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Substantial capital is required to replace our reserves.

We must make substantial capital expenditures to find, acquire, develop, and produce crude oil, natural gas and NGL reserves. Future cash flows and the availability of financing are subject to a number of factors, such as the level of production from existing wells, prices received for crude oil, natural gas and NGL sales, our success in locating and developing and acquiring new reserves, and the orderly functioning of credit and capital markets. If crude oil, natural gas and NGL prices decrease or if we encounter operating difficulties that result in our cash flows from operations being less than expected, we must reduce our capital expenditures unless we can raise additional funds through debt or equity financing or the divestment of assets. Debt or equity financing may not always be available to us in sufficient amounts or on acceptable terms, and the proceeds offered to us for potential divestitures may not always be of acceptable value to us.

If our revenues decrease due to lower crude oil, natural gas or NGL prices, decreased production, or other reasons, and if we cannot obtain capital through our credit facility, other acceptable debt or equity financing arrangements, or through the sale of assets, our ability to execute development plans, replace our reserves, maintain our acreage, or maintain production levels could be greatly limited.

Competition in our industry is intense, and many of our competitors have greater financial, technical, and human resources than we do.

We face intense competition from major crude oil and gas companies, independent crude oil and natural gas exploration and production companies, financial buyers, and institutional and individual investors who seek crude oil and natural gas property investments throughout the world, as well as the equipment, expertise, labor, and materials required to operate crude oil and natural gas properties. Many of our competitors have financial, technical, and other resources vastly exceeding those available to us, and many crude oil and natural gas properties are sold in a competitive bidding process in which our competitors may be able and willing to pay more for development prospects and productive properties, or in which our competitors have technological information or expertise that is not available to us to evaluate and successfully bid for the properties. In addition, shortages of equipment, labor, or materials as a result of intense competition may result in increased costs or the inability to obtain those resources as needed. We may not be successful in acquiring and developing profitable properties in the face of this competition.

We also compete for human resources. Over the last few years, the need for talented people across all disciplines in the industry has grown, while the number of talented people available has been constrained.

The actual quantities and present values of our proved crude oil, natural gas and NGL reserves may be less than we have estimated.

This prospectus and other SEC filings by us contain estimates of our proved crude oil, natural gas and NGL reserves and the estimated future net revenues from those reserves. These estimates are based on various assumptions, including assumptions required by the SEC relating to crude oil, natural gas and NGL prices, drilling and operating expenses, capital expenditures, taxes, timing of operations, and availability of funds. The process of estimating crude oil, natural gas and NGL reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering, and economic data for each reservoir. These estimates are dependent on many variables, and therefore changes often occur as these variables evolve. Therefore, these estimates are inherently imprecise.

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Actual future production, crude oil, natural gas and NGL prices, revenues, production taxes, development expenditures, operating expenses, and quantities of producible crude oil, natural gas and NGL reserves will most likely vary from those estimated. Any significant variance could materially affect the estimated quantities of and present values related to proved reserves disclosed by us, and the actual quantities and present values may be less than we have previously estimated. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development activity, prevailing crude oil, natural gas and NGL prices, costs to develop and operate properties, and other factors, many of which are beyond our control. Our properties may also be susceptible to hydrocarbon drainage from production on adjacent properties.

As of December 31, 2010, approximately 30 percent, or 297.2 Bcfe, of our estimated proved reserves were proved undeveloped, and approximately eight percent, or 75.4 Bcfe, were proved developed non-producing. Estimates of proved undeveloped reserves and proved developed non-producing reserves are nearly always based on volumetric calculations rather than the performance data used to estimate producing reserves. In order to develop our proved undeveloped reserves, as of December 31, 2010, we estimate approximately $699 million of capital expenditures would be required. Production revenues from proved developed non-producing reserves will not be realized until sometime in the future and after some investment of capital. In order to bring production on-line for our proved developed non-producing reserves, as of December 31, 2010, we estimate capital expenditures of approximately $43 million will be deployed in future years. Although we have estimated our reserves and the costs associated with these reserves in accordance with industry standards, estimated costs may not be accurate, development may not occur as scheduled and actual results may not occur as estimated. The majority of our remaining anticipated capital expenditures for 2011 will be directed toward projects that are not yet classified within the construct of proved reserves as defined by Regulation S-X promulgated by the SEC.

You should not assume that the PV-10 value and standardized measure of discounted future net cash flows included in this prospectus represent the current market value of our estimated proved crude oil and natural gas reserves. Management has based the estimated discounted future net cash flows from proved reserves on price and cost assumptions required by the SEC, whereas actual future prices and costs may be materially higher or lower. For example, values of our reserves as of December 31, 2010, were estimated using a calculated 12-month average sales price of $4.38 per MMBtu of natural gas (NYMEX Henry Hub spot price) and $79.43 per Bbl of oil (NYMEX West Texas Intermediate spot price). We then adjust these base prices to reflect appropriate basis, quality, and location differentials over that period in estimating our proved reserves. During 2010, our monthly average realized natural gas prices, excluding the effect of hedging, were as high as $6.43 per Mcf and as low as $4.37 per Mcf. For the same period, our monthly average realized oil prices before hedging were as high as $83.40 per Bbl and as low as $66.59 per Bbl. Many other factors will affect actual future net cash flows, including:

- amount and timing of actual production;
- supply and demand for crude oil, natural gas and NGLs;
- curtailments or increases in consumption by oil purchasers and natural gas pipelines; and
- changes in government regulations or taxes.

The timing of production from crude oil and natural gas properties and of related expenses affects the timing of actual future net cash flows from proved reserves, and thus their actual present value. Our actual future net cash flows could be less than the estimated future net cash flows for purposes of computing PV-10 values. In addition, the ten percent discount factor required by the SEC to be used to calculate PV-10 values for reporting purposes is not necessarily the most appropriate discount factor given actual interest rates, costs of capital, and other risks to which our business and the crude oil and natural gas industry in general are subject.

Reserve estimates as of December 31, 2010 and 2009 have been prepared under the SEC's new rules for oil and gas reporting that were effective for fiscal years ending on or after December 31, 2009. These new rules require SEC reporting companies to prepare their reserve estimates using, among other things, revised reserve definitions and revised pricing based on 12-month unweighted first-day-of-the-month average pricing, instead of the prior requirement to use pricing at the end of the period. The SEC has released only limited interpretive guidance regarding reporting of reserve estimates under the new rules and may not issue further interpretive guidance on the new rules in the near future. The interpretation of these rules and their applicability in different situations remains unclear in many respects. Changing interpretations of the rules or disagreements with our interpretations could result in revisions to our reserve estimates, which could be significant.

Our property acquisitions may not be worth what we paid due to uncertainties in evaluating recoverable reserves and other expected benefits, as well as potential liabilities.

Successful property acquisitions require an assessment of a number of factors beyond our control. These factors include exploration potential, future crude oil, natural gas and NGL prices, operating costs, and potential environmental and other liabilities. These assessments are not precise and their accuracy is inherently uncertain.

In connection with our acquisitions, we typically perform a customary review of the acquired properties that will not necessarily reveal all existing or potential problems. In addition, our review may not allow us to fully assess the potential deficiencies of the properties. We do not inspect every well, and even when we inspect a well, we may not discover structural, subsurface, or environmental problems that may exist or arise. We may not be entitled to contractual indemnification for pre-closing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an "as is" basis with limited remedies for breaches of representations and warranties.

In addition, significant acquisitions can change the nature of our operations and business if the acquired properties have substantially different operating and geological characteristics or are in different geographic locations than our existing properties. To the extent acquired properties are substantially different than our existing properties, our ability to efficiently realize the expected economic benefits of such acquisitions may be limited.

Integrating acquired properties and businesses involves a number of other special risks, including the risk that management may be distracted from normal business concerns by the need to integrate operations and systems as well as retain and assimilate additional employees. Therefore, we may not be able to realize all of the anticipated benefits of our acquisitions.

Exploration and development drilling may not result in commercially producible reserves.

Crude oil and natural gas drilling and production activities are subject to numerous risks, including the risk that no commercially producible crude oil, natural gas or associated liquids will be found. The cost of drilling and completing wells is often uncertain, and crude oil and natural gas drilling and production activities may be shortened, delayed, or canceled as a result of a variety of factors, many of which are beyond our control. These factors include:

- unexpected drilling conditions;
- title problems;
- pressure or geologic irregularities in formations;
- equipment failures or accidents;

- hurricanes or other adverse weather conditions;
- compliance with environmental and other governmental requirements; and
- shortages or delays in the availability of or increases in the cost of drilling rigs and crews, fracture stimulation crews and equipment, pipe, chemicals, water, sand and other supplies.

The prevailing prices of crude oil, natural gas and NGLs affect the cost of and the demand for drilling rigs, completion and production equipment, and other related services. However, changes in costs may not occur simultaneously with corresponding changes in commodity prices. The availability of drilling rigs can vary significantly from region to region at any particular time. Although land drilling rigs can be moved from one region to another in response to changes in levels of demand, an undersupply of rigs in any region may result in drilling delays and higher drilling costs for the rigs that are available in that region. In addition, the recent economic and financial downturn has adversely affected the financial condition of some drilling contractors, which may constrain the availability of drilling services in some areas.

Another significant risk inherent in our drilling plans is the need to obtain drilling permits from state, local, and other governmental authorities. Delays in obtaining regulatory approvals and drilling permits, including delays that jeopardize our ability to realize the potential benefits from leased properties within the applicable lease periods, the failure to obtain a drilling permit for a well, or the receipt of a permit with unreasonable conditions or costs could have a materially adverse effect on our ability to explore on or develop our properties.

The wells we drill may not be productive and we may not recover all or any portion of our investment in such wells. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well if crude oil, natural gas or associated liquids are present, or whether they can be produced economically. The cost of drilling, completing, and operating a well is often uncertain, and cost factors can adversely affect the economics of a project. Drilling activities can result in dry holes or wells that are productive but do not produce sufficient net revenues after operating and other costs to cover initial drilling and completion costs.

Drilling results in our newer shale plays, such as the Eagle Ford and Haynesville shales, may be more uncertain than in shale plays that are more developed and have longer established production histories. For example, our experience with horizontal drilling in these shales, as well as the industry's drilling and production history, is more limited than in the Woodford shale play, and we have less information with respect to the ultimate recoverable reserves and the production decline rates in these shales than we have in other areas in which we operate. Completion techniques that have proven to be successful in other shale formations to maximize recoveries are being used in the early development of these new shales; however, we can provide no assurance of the ultimate success of these drilling and completion techniques. As a result, we may face significant opposition to our operations in that area that may make it difficult to obtain permits and other needed authorizations to operate or otherwise make operating more costly or difficult than operating elsewhere.

In addition, a significant part of our strategy involves increasing our inventory of drilling locations. Such multi-year drilling inventories can be more susceptible to long-term horizon uncertainties that could materially alter the occurrence or timing of actual drilling. Because of these uncertainties, we do not know if the potential drilling locations we have identified will ever be drilled, although we have the present intent to do so, or if we will be able to produce crude oil, natural gas or associated liquids from these or any other potential drilling locations.

Our future drilling activities may not be successful. Our overall drilling success rate or our drilling success rate within a particular area may decline. In addition, we may not be able to obtain any options or lease rights in potential drilling locations that we identify. Although we have identified numerous

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potential drilling locations, we may not be able to economically produce crude oil or natural gas from all of them.

Part of our strategy involves drilling in existing or emerging shale plays using some of the latest available horizontal drilling and completion techniques. The results of our planned exploratory drilling in these plays are subject to drilling and completion technique risks and drilling results may not meet our expectations for reserves or production. As a result, we may incur material write-downs and the value of our undeveloped acreage could decline if drilling results are unsuccessful.

Many of our operations involve utilizing the latest drilling and completion techniques as developed by ourselves and our service providers in order to maximize cumulative recoveries and therefore generate the highest possible returns. Risks that we face while drilling include, but are not limited to, landing our well bore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running our casing the entire length of the well bore, and being able to run tools and other equipment consistently through the horizontal well bore. Risks that we face while completing our wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the well bore during completion operations, and successfully cleaning out the well bore after completion of the final fracture stimulation stage.

Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling results are less than anticipated or we are unable to execute our drilling program because of capital constraints, lease expirations, limited access to gathering systems and takeaway capacity, and/or crude oil, natural gas and NGL prices decline, the return on our investment for a particular project may not be as attractive as we anticipated and we could incur material write-downs of unevaluated properties and the value of our undeveloped acreage could decline in the future.

Uncertainties associated with enhanced recovery methods may result in us not realizing an acceptable return on our investments in such projects.

We inject water into formations on some of our properties to increase the production of crude oil, natural gas and associated liquids. We may in the future expand these efforts to more of our properties or employ other enhanced recovery methods in our operations. The additional production and reserves, if any, attributable to the use of enhanced recovery methods are inherently difficult to predict. If our enhanced recovery methods do not allow for the extraction of crude oil, natural gas and associated liquids in a manner or to the extent that we anticipate, we may not realize an acceptable return on our investments in such projects. In addition, if proposed legislation and regulatory initiatives relating to hydraulic fracturing become law, the cost of some of these enhanced recovery methods could increase substantially.

Our hedging activities may result in financial losses or may limit the prices that we receive for crude oil, natural gas and NGL sales.

To manage our exposure to price risks in the sale of our crude oil, natural gas and NGL production, we enter into commodity price risk management arrangements periodically with respect to a portion of our current or future production. We have hedged a portion of anticipated future production from our currently producing properties using zero-cost collars and swaps. As of September 30, 2011, we were in a net accrued asset position of approximately $70.3 million with respect to our oil, natural gas and NGL hedging activities. These activities may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected;

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- one or more counterparties to our hedge contracts default on their contractual obligations; or

- there is a widening of price differentials between delivery points for our production and the delivery point assumed in the hedge arrangement.

The risk of one or more counterparties defaulting on their obligations is heightened by the recent global and domestic economic and financial downturn affecting many banks and other financial institutions, including our counterparties and their affiliates. These circumstances may adversely affect the ability of our counterparties to meet their obligations to us pursuant to hedge transactions, which could reduce our revenues and cash flows from realized hedge settlements. As a result, our financial condition, results of operations, and cash flows could be materially affected in an adverse way if our counterparties default on their contractual obligations under our hedge contracts.

In addition, commodity price hedging may limit the prices that we receive for our crude oil, natural gas and NGL sales if crude oil, natural gas or NGL prices rise substantially over the price established by the hedge. Some of our hedging transactions use derivative instruments that may involve basis risk. Basis risk in a hedging contract can occur when the change in the index upon which the hedge is based does not correlate well to the change in the index upon which the hedged production is valued, thereby making the hedge less effective. For example, a change in the NYMEX price used for hedging certain volumes of production may not correlate exactly to the change in the regional price used for the sale of that production.

The inability of one or more of our customers to meet their obligations may adversely affect our financial results.

Substantially all of our accounts receivable result from crude oil, natural gas and NGL sales or joint interest billings to third parties in the oil and natural gas industry. This concentration of customers and joint interest owners may impact our overall credit risk in that these entities may be similarly affected by various economic and other conditions, including the recent global and domestic economic and financial downturn.

Future crude oil, natural gas and NGL price declines or unsuccessful exploration efforts may result in write-downs of our asset carrying values.

We follow the successful efforts method of accounting for our crude oil and natural gas properties. All property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending the determination of whether proved reserves have been discovered. If proved reserves are not discovered with an exploratory well, the costs of drilling the well are expensed.

The capitalized costs of our oil and natural gas properties, on a field basis, cannot exceed the estimated undiscounted future net cash flows of that field. If net capitalized costs exceed undiscounted future net revenues, we generally must write down the costs of each such field to the estimated discounted future net cash flows of that field. Unproved properties are evaluated at the lower of cost or fair market value. As a result of significant crude oil and natural gas price declines in the second half of 2008, we incurred impairment of proved property write-downs, impairment of unproved properties, and goodwill impairment totaling $302.2 million, $39.0 million, and $9.5 million, respectively, during 2008. In addition, we incurred impairment of proved property write-downs and impairment of unproved properties totaling $174.8 million and $45.4 million, respectively, during 2009, and $6.1 million and $2.0 million, respectively, during 2010. For 2011, as of September 30, 2011, we incurred impairment of proved property write-downs totaling $48.5 million. Significant further declines in crude oil, natural gas and NGL prices in the future or unsuccessful exploration efforts could cause further impairment write-downs of capitalized costs.

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We review the carrying value of our properties for indicators of impairment on a quarterly basis using the prices in effect as of the end of each such quarter. Once incurred, a write-down of properties cannot be reversed at a later date, even if crude oil, natural gas or NGL prices increase.

Lower crude oil, natural gas or NGL prices could limit our ability to borrow under our credit facility.

Our credit facility has a maximum commitment amount of $2.5 billion, subject to a borrowing base that the lenders periodically redetermine based on the bank group's assessment of the value of our oil and natural gas properties, which in turn is based in part on crude oil, natural gas and NGL prices. The current borrowing base under our credit facility is approximately $1.3 billion. Declines in crude oil, natural gas or NGL prices in the future could limit our borrowing base and reduce our ability to borrow under our credit facility. Additionally, divestitures of properties could result in a reduction of our borrowing base.

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.

As of September 30, 2011, after giving effect to the issuance and sale of our 6.50% Senior Notes and the application of the net proceeds therefrom, we would have had $282.6 million, net of debt discount, of long-term senior unsecured debt outstanding under our 3.50% Senior Convertible Notes; $350 million outstanding of our 6.50% Senior Notes; the outstanding notes to be exchanged hereunder; and no secured debt outstanding under our credit facility (other than two outstanding letters of credit in the aggregate amount of $608,000, which reduce the amount available for borrowings under the facility on a dollar-for-dollar basis), resulting in $999.4 million of available debt capacity under our credit facility, assuming the borrowing conditions of this facility were met. Our long-term debt represented approximately 28 percent of our total book capitalization as of September 30, 2011. After giving effect to the issuance and sale of our 6.50% Senior Notes, our long-term debt would have represented approximately 38 percent of our total book capitalization as of September 30, 2011.

Our amount of debt could have important consequences for our operations, including:

- making it more difficult for us to obtain additional financing in the future for our operations and potential acquisitions, working capital requirements, capital expenditures, debt service, or other general corporate requirements;

- requiring us to dedicate a substantial portion of our cash flows from operations to the repayment of our debt and the service of interest costs associated with our debt, rather than to productive investments;

- limiting our operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt, making acquisitions, and paying dividends;

- placing us at a competitive disadvantage compared to our competitors that have less debt; and

- making us more vulnerable in the event of adverse economic or industry conditions or a downturn in our business.

Our ability to make payments on our debt and to refinance our debt and fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations or future sufficient borrowings are not available to us under our credit facility or from other sources, we might not be able to service our debt or fund our other liquidity needs. If we are unable to service our debt, due to inadequate liquidity or otherwise, we may have to delay or cancel acquisitions, defer capital expenditures, sell equity securities, sell assets, or restructure or refinance our debt. We might not be able to sell our equity securities, sell our assets, or restructure or refinance our debt on a timely basis or on satisfactory terms or at all. In addition, the terms of our existing or future debt agreements, including our existing and future credit agreements, may prohibit us from pursuing any of these alternatives. Further, changes in the credit ratings of our debt may negatively affect the cost, terms, conditions, and availability of future financing. The indenture for our 3.50% Senior Convertible Notes provides that under certain circumstances we have the option to settle our obligations under these Senior Convertible Notes through the issuance of shares of our common stock if we so elect.

Our debt instruments, including the credit agreement governing our credit facility, also permit us to incur additional debt in the future. In addition, entities we may acquire in the future could have significant amounts of debt outstanding, which we could be required to assume, and in some cases accelerate repayment thereof, in connection with the acquisition. We may also incur our own significant indebtedness to consummate an acquisition.

As discussed below, our credit facility is subject to periodic borrowing base redeterminations. We could be forced to repay a portion of our bank borrowings in the event of a downward redetermination of our borrowing base, and we may not have sufficient funds to make such repayment at that time. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowing base or arrange new financing, we may be forced to sell significant assets to raise funds sufficient to repay our lenders.

We are subject to operating and environmental risks and hazards that could result in substantial losses.

Crude oil and natural gas operations are subject to many risks, including well blowouts, craterings, explosions, uncontrollable flows of crude oil, natural gas, and associated liquids or other well fluids, fires, adverse weather, such as hurricanes in the South Texas & Gulf Coast region, freezing conditions in our various regions, floods, droughts, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic gas, and other environmental risks and hazards. If any of these types of events occurs, we could sustain substantial losses.

Under certain limited circumstances we may be liable for environmental damage caused by previous owners or operators of properties that we own, lease, or operate. As a result, we may incur substantial liabilities to third parties or governmental entities, which could reduce or eliminate funds available for exploration, development, or acquisitions, or cause us to incur losses.

We maintain insurance against some, but not all, of these potential risks and losses. We have significant but limited coverage for sudden environmental damages. We do not believe that insurance coverage for the full potential liability that could be caused by sudden environmental damages or insurance coverage for environmental damage that occurs over time is available at a reasonable cost. In addition, pollution and environmental risks generally are not fully insurable. Further, we may elect not to obtain other insurance coverage under circumstances where we believe that the cost of available insurance is excessive relative to the risks to which we are subject. Accordingly, we may be subject to liability or may lose substantial assets in the event of environmental or other damages. If a significant accident or other event occurs and is not fully covered by insurance, we could suffer a material loss.

Following the severe Atlantic hurricanes in 2004, 2005, and 2008, the insurance markets suffered significant losses. As a result, insurance coverage for wind storms has become substantially more expensive, and future availability and costs of coverage are uncertain.

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Our operations are subject to complex laws and regulations, including environmental regulations that result in substantial costs and other risks.

Federal, state, and local authorities extensively regulate the oil and natural gas industry. Legislation and regulations affecting the industry are under constant review for amendment or expansion, raising the possibility of changes that may affect, among other things, the pricing or marketing of crude oil, natural gas and NGL production. Noncompliance with statutes and regulations may lead to substantial penalties and the overall regulatory burden on the industry increases the cost of doing business and, in turn, decreases profitability.

Governmental authorities regulate various aspects of crude oil and natural gas drilling and production, including the drilling of wells (through permit and bonding requirements), the spacing of wells, the unitization or pooling of interests in crude oil and natural gas properties, environmental matters, occupational health and safety, the sharing of markets, production limitations, plugging and abandonment standards, and restoration. Under certain circumstances, federal authorities may require any of our ongoing or planned operations on federal leases to be delayed, suspended, or terminated. Any such delay, suspension, or termination could have a materially adverse effect on our operations.

Our operations are also subject to complex and constantly changing environmental laws and regulations adopted by federal, state, and local governmental authorities in jurisdictions where we are engaged in exploration or production operations. New laws or regulations, or changes to current requirements, could result in material costs or claims with respect to properties we own or have owned. We will continue to be subject to uncertainty associated with new regulatory interpretations and inconsistent interpretations between state and federal agencies. Under existing or future environmental laws and regulations, we could face significant liability to governmental authorities and third parties, including joint and several as well as strict liability, for discharges of crude oil, natural gas, associated liquids, or other pollutants into the air, soil, or water, and we could be required to spend substantial amounts on investigations, litigation, and remediation. Existing environmental laws or regulations, as currently interpreted or enforced, or as they may be interpreted, enforced, or altered in the future, may have a materially adverse effect on us.

Proposed federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Hydraulic-fracturing is an essential and common practice in the oil and gas industry used to stimulate production of oil, natural gas, and associated liquids from dense subsurface rock formations. We routinely apply hydraulic-fracturing techniques to many of our oil and natural gas properties, including our unconventional resource plays in the Granite Wash of Texas and Oklahoma, the Eagle Ford shale of south Texas, and the Bakken/Three Forks resource play in North Dakota. Hydraulic-fracturing involves using water, sand, and certain chemicals to fracture the hydrocarbon-bearing rock formation to allow the flow of hydrocarbons into the wellbore. The process is typically regulated by state oil and natural gas commissions; however, the EPA has asserted federal regulatory authority over certain hydraulic-fracturing activities involving diesel under the Safe Drinking Water Act and has begun the process of drafting guidance documents related to this newly asserted regulatory authority. In addition, legislation has been introduced before Congress, called the Fracturing Responsibility and Awareness of Chemicals Act, to provide for federal regulation of hydraulic-fracturing and to require disclosure of the chemicals used in the hydraulic-fracturing process.

Certain states in which we operate, including Pennsylvania, Texas and Wyoming, have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, public disclosure, waste disposal and well construction requirements on hydraulic-fracturing operations or otherwise seek to ban fracturing activities altogether. For example, Texas adopted a law in June 2011 requiring disclosure to the Railroad Commission of Texas (RCT) and the public of certain information

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regarding the components used in the hydraulic-fracturing process. In addition to state laws, local land use restrictions, such as city ordinances, may restrict or prohibit the performance of well drilling in general and/or hydraulic fracturing in particular. In the event state, local, or municipal legal restrictions are adopted in areas where we are currently conducting, or in the future plan to conduct operations, we may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling and/or completion of wells.

There are certain governmental reviews either underway or being proposed that focus on environmental aspects of hydraulic-fracturing practices. The White House Council on Environmental Quality is coordinating a review of hydraulic-fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic-fracturing practices. Furthermore, a number of federal agencies are analyzing, or have been requested to review, a variety of environmental issues associated with hydraulic fracturing. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with initial results expected to be available by late 2012 and final results by 2014. In addition, the U.S. Department of Energy is conducting an investigation into practices the agency could recommend to better protect the environment from drilling using hydraulic-fracturing completion methods. Also, the U.S. Department of the Interior is considering disclosure requirements or other mandates for hydraulic fracturing on federal lands.

Additionally, certain members of the Congress have called upon the U.S. Government Accountability Office to investigate how hydraulic fracturing might adversely affect water resources, the U.S. Securities and Exchange Commission to investigate the natural gas industry and any possible misleading of investors or the public regarding the economic feasibility of pursuing natural gas deposits in shales by means of hydraulic fracturing, and the U.S. Energy Information Administration to provide a better understanding of that agency's estimates regarding natural gas reserves, including reserves from shale formations, as well as uncertainties associated with those estimates. These ongoing or proposed studies, depending on their course and results obtained, could spur initiatives to further regulate hydraulic fracturing under the Safe Drinking Water Act or other regulatory processes.

Further, on July 28, 2011, the EPA issued proposed rules that would subject all oil and gas operations (production, processing, transmission, storage and distribution) to regulation under the New Source Performance Standards (NSPS) and National Emission Standards for Hazardous Air Pollutants (NESHAPS) programs. The EPA proposed rules also include NSPS standards for completions of hydraulically fractured gas wells. These standards include the reduced emission completion (REC) techniques developed in EPA's Natural Gas STAR program along with the pit flaring of gas not sent to the gathering line. The standards would be applicable to newly drilled and fractured wells as well as existing wells that are refractured. Further, the proposed regulations under NESHAPS include maximum achievable control technology (MACT) standards for those glycol dehydrators and storage vessels at major sources of hazardous air pollutants not currently subject to MACT standards. We are currently evaluating the effect these proposed rules could have on our business. Final action on the proposed rules is expected no later than February 28, 2012.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil, natural gas, and associated liquids including from the development of shale plays, or could make it more difficult to perform hydraulic fracturing. The adoption of additional federal, state or local laws or the implementation of regulations regarding hydraulic fracturing could potentially cause a decrease in the completion of new oil and gas wells, increased compliance costs and time, which could adversely affect our financial position, results of operations and cash flows.

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On October 20, 2011, EPA announced a schedule for development of standards for disposal of wastewater produced from shale gas operations to publicly owned treatment works (POTWs). The regulations will be developed under EPA's Effluent Guidelines Program under the authority of the Clean Water Act. EPA anticipates issuing the proposed rules in 2014.

Our ability to produce crude oil, natural gas and associated liquids economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations and/or completions or are unable to dispose of or recycle the water we use at a reasonable cost and in accordance with applicable environmental rules.

The hydraulic fracturing process on which we depend to produce commercial quantities of crude oil, natural gas and associated liquids from many reservoirs requires the use and disposal of significant quantities of water.

Our inability to secure sufficient amounts of water, or to dispose of or recycle the water used in our operations, could adversely impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as hydraulic fracturing or disposal of wastes, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of natural gas.

Compliance with environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase our operating costs and cause delays, interruptions or termination of our operations, the extent of which cannot be predicted, all of which could have an adverse effect on our operations and financial condition.

Certain U.S. federal income tax deductions currently available with respect to oil and natural gas exploration and production may be eliminated as a result of future legislation.

On September 12, 2011, President Obama sent to Congress a legislative package that included proposed legislation that, if enacted into law, would eliminate certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, among other proposals:

- the repeal of the percentage depletion allowance for oil and natural gas properties;
- the elimination of current deductions for intangible drilling and development costs;
- the elimination of the deduction for certain domestic production activities; and
- an extension of the amortization period for certain geological and geophysical expenditures.

These proposals also were included in President Obama's Proposed Fiscal Year 2012 Budget. It is unclear whether these or similar changes will be enacted. The passage of this legislation or any similar changes in federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development. Any such changes could have an adverse effect on our financial position, results of operations and cash flows.

Legislative and regulatory initiatives related to global warming and climate change could have an adverse effect on our operations and the demand for crude oil, natural gas and NGLs.

In December 2009, the EPA determined that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act, or CAA. The

EPA recently adopted two sets of rules regulating greenhouse gas emissions under the CAA, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources, effective January 2, 2011. The EPA has also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including petroleum refineries, on an annual basis, beginning in 2011 for emissions occurring after January 1, 2010, as well as certain onshore oil and natural gas production facilities, on an annual basis, beginning in 2012 for emissions occurring in 2011.

In addition, the United States Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is reduced each year in an effort to achieve the overall greenhouse gas emission reduction goal.

The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the crude oil, natural gas and NGLs we produce. Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have an adverse effect on our business, financial condition and results of operations. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

The recent adoption of derivatives legislation by the United States Congress could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

The United States Congress recently adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (HR 4173), which, among other provisions, establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The new legislation was signed into law the President on July 21, 2010, and requires the Commodities Futures Trading Commission (the "CFTC"), and the SEC to promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. The CFTC has also proposed regulations to set position limits for certain futures and option contracts in the major energy markets, although it is not possible at this time to predict whether or when the CFTC will adopt those rules or include comparable provisions in its rulemaking under the new legislation. The financial reform legislation may also require us to comply with margin requirements and with certain clearing and trade execution requirements in connection with its derivative activities, although the application of those provisions to us is uncertain at this time. The financial reform legislation may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties.

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The new legislation and any new regulations could significantly increase the cost of derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, the legislation was intended, in part, to reduce the volatility of crude oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to crude oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

Our ability to sell crude oil, natural gas and NGLs, and/or receive market prices for our production, may be adversely affected by constraints on gathering systems, processing facilities, pipelines and other transportation systems owned or operated by others or by other interruptions.

The marketability of our crude oil, natural gas and NGL production depends in part on the availability, proximity, and capacity of gathering systems, processing facilities and pipeline and other transportation systems owned or operated by third parties. The lack of available capacity in these systems and facilities can result in the shutting-in of producing wells, the delay or discontinuance of development plans for our properties, or lower price realizations. Although we have some contractual control over the processing and transportation of our production, material changes in these business relationships could materially affect our operations. Federal and state regulation of crude oil, natural gas and NGLs production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines, infrastructure or capacity constraints, and general economic conditions could adversely affect our ability to produce, gather, process and transport crude oil, natural gas and NGLs.

In particular, if drilling in the Eagle Ford shale, Haynesville shale, Bakken/Three Forks resource play and Granite Wash resource play continues to be successful, the amount of crude oil, natural gas and NGLs being produced by us and others could exceed the capacity of, and result in strains on, the various gathering, and transportation systems, pipelines, processing facilities, and other infrastructure available in these areas. It will be necessary for additional infrastructure, pipelines, gathering, and transportation systems and processing facilities to be expanded, built or developed to accommodate anticipated production from these areas. Because of the current economic climate, certain processing or pipeline and other gathering or transportation projects that might be, or are being, considered for these areas may not be developed timely or at all due to lack of financing or other constraints. In addition, capital and other constraints could limit our ability to build or access intrastate gathering and transportation systems necessary to transport our production to interstate pipelines or other points of sale or delivery. In such event, we might have to delay or discontinue development activities or shut in our wells to wait for sufficient infrastructure development or capacity expansion and/or sell production at significantly lower prices than those quoted on NYMEX, which would adversely affect our results of operations and cash flows.

A portion of our production in any region may be interrupted, or shut in, from time to time for numerous reasons, including as a result of weather conditions, accidents, loss of pipeline, gathering, processing or transportation system access or capacity, field labor issues or strikes, or we might voluntarily curtail production in response to market conditions. If a substantial amount of our production is interrupted at the same time, it could temporarily adversely affect our cash flows and results of operations.

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New technologies may cause our current exploration and drilling methods to become obsolete.

The oil and gas industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies. As competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement new technologies at a substantial cost. In addition, competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. One or more of the technologies that we currently use or that we may implement in the future may become obsolete. We cannot be certain that we will be able to implement technologies on a timely basis or at a cost that is acceptable to us. If we are unable to maintain technological advancements consistent with industry standards, our operations and financial condition may be adversely affected.

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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. In consideration of issuing the exchange notes in the exchange offer, we will receive an equal principal amount of outstanding notes. We will cancel and retire all outstanding notes surrendered in exchange for exchange notes. Therefore, the issuance of the exchange notes will not result in any increase or decrease in our indebtedness.

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THE EXCHANGE OFFER

Purpose of the Exchange Offer

This exchange offer is being made pursuant to the registration rights agreement we entered into with the initial purchaser of the outstanding notes on February 7, 2011. The summary of the registration rights agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the registration rights agreement. A copy of the registration rights agreement is filed as an exhibit to the registration statement of which this prospectus forms a part.

Terms of the Exchange Offer; Expiration Time

This prospectus and the accompanying letter of transmittal together constitute the exchange offer. Subject to the terms and conditions in this prospectus and the letter of transmittal, we will accept for exchange outstanding notes that are validly tendered at or before the expiration time and are not validly withdrawn as permitted below. The expiration time for the exchange offer is 5:00 p.m., New York City time, on January 11, 2012, or such later date and time to which we, in our sole discretion, extend the exchange offer.

We expressly reserve the right, in our sole discretion:

- to extend the expiration time;
- to waive any condition to the exchange offer;
- if any one of the conditions set forth below under "Conditions to the Exchange Offer" has not been satisfied, to terminate the exchange offer and not accept any outstanding notes for exchange; and
- to amend the exchange offer in any manner.

We will give oral or written notice of any extension, delay, non-acceptance, termination, or amendment as promptly as practicable by a public announcement, and in the case of an extension, no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration time.

During an extension, all outstanding notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us, upon expiration of the exchange offer, unless validly withdrawn. If the exchange offer is amended in a manner that we think constitutes a material change, or if we waive a material condition of the exchange offer, we will promptly disclose the amendment or waiver by means of a prospectus supplement that will be distributed to the registered holders of the outstanding notes, and we will extend the exchange offer to the extent required by Rule 14e-1 under the Exchange Act.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale of such exchange notes. See "Plan of Distribution."

How to Tender Outstanding Notes for Exchange

Only a record holder of outstanding notes may tender in the exchange offer. When the holder of outstanding notes tenders and we accept outstanding notes for exchange, a binding agreement between us and the tendering holder is created, subject to the terms and conditions in this prospectus and the accompanying letter of transmittal. Except as set forth below, a holder of outstanding notes who desires to tender outstanding notes for exchange must, at or prior to the expiration time:

transmit a properly completed and duly executed letter of transmittal, the outstanding notes being tendered and all other documents required by such letter of transmittal, to U.S. Bank National Association, the exchange agent, at the address set forth below under the heading " The Exchange Agent"; or

if outstanding notes are tendered pursuant to the book-entry procedures set forth below, an agent's message must be transmitted by The Depository Trust Company ("DTC"), to the exchange agent at the address set forth below under the heading " The Exchange Agent," and the exchange agent must receive, at or prior to the expiration time, a confirmation of the book-entry transfer of the outstanding notes being tendered into the exchange agent's account at DTC, along with the agent's message; or

if time will not permit the required documentation to reach the exchange agent before the expiration time, or the procedures for book-entry transfer cannot be completed by the expiration time, the holder may effect a tender by complying with the guaranteed delivery procedures described below.

The term "agent's message" means a message that:

is transmitted by DTC;

is received by the exchange agent and forms a part of a book-entry transfer;

states that DTC has received an express acknowledgement that the tendering holder has received and agrees to be bound by, and makes each of the representations and warranties contained in, the letter of transmittal; and

states that we may enforce the letter of transmittal against such holder.

The method of delivery of the outstanding notes, the letter of transmittal or agent's message, and all other required documents to the exchange agent is at the election and sole risk of the holder. If such delivery is by mail, we recommend registered mail, properly insured, with return receipt requested. In all cases, you should allow sufficient time to assure timely delivery. No letters of transmittal or outstanding notes should be sent directly to us.

Signatures on a letter of transmittal must be guaranteed unless the outstanding notes surrendered for exchange are tendered:

by a holder of outstanding notes who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

for the account of a recognized member in good standing of a Medallion Signature Guarantee Program recognized by the exchange agent, such as a firm which is a member of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, Inc., a commercial bank or trust company having an office or correspondent in the United States, or certain other eligible institutions, each of the foregoing being referred to herein as an "eligible institution."

If signatures on a letter of transmittal or notice of withdrawal are required to be guaranteed, the guarantor must be an eligible institution. If outstanding notes are registered in the name of a person other than the person who signed the letter of transmittal, the outstanding notes tendered for exchange must be endorsed by, or accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by us in our sole discretion, duly executed by the registered holder with the registered holder's signature guaranteed by an eligible institution.

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We will determine in our sole discretion all questions as to the validity, form, eligibility (including time of receipt), and acceptance of outstanding notes tendered for exchange and all other required documents. We reserve the absolute right to:

- reject any and all tenders of any outstanding note not validly tendered;
- refuse to accept any outstanding note if, in our judgment or the judgment of our counsel, acceptance of the outstanding note may be deemed unlawful;
- waive any defects or irregularities or conditions of the exchange offer, either before or after the expiration time; and
- determine the eligibility of any holder who seeks to tender outstanding notes in the exchange offer.

Our determinations, either before or after the expiration time, under, and of the terms and conditions of, the exchange offer, including the letter of transmittal and the instructions to it, or as to any questions with respect to the tender of any outstanding notes, will be final and binding on all parties. To the extent we waive any conditions to the exchange offer, we will waive such conditions as to all outstanding notes. Holders must cure any defects and irregularities in connection with tenders of outstanding notes for exchange within such reasonable period of time as we will determine, unless we waive such defects or irregularities. Neither we, the exchange agent, nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of us incur any liability for failure to give such notification.

If you beneficially own outstanding notes registered in t