

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

Commission file number: 001-31539

ST. MARY LAND & EXPLORATION
COMPANY (Exact name of registrant as
specified in its charter)

Delaware 41-0518430
(State or other jurisdiction (I.R.S. Employer Identification No.)
of incorporation or organization)

1776 Lincoln Street, Suite 700, Denver, Colorado 80203
(Address of principal executive offices) (Zip Code)

(303) 861-8140
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [] No []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [] No []

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

As of August 8, 2003, the registrant had 31,525,297 shares of common stock, \$.01 par value, outstanding.

ST. MARY LAND & EXPLORATION COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share amounts)

	June 30,	December 31,
	2003	2002
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents	\$ 10,846	\$ 11,154
Short term investments	2,281	1,933
Accounts receivable	57,952	35,399
Prepaid expenses and other	6,684	6,510
Accrued derivative asset	288	-
Refundable income taxes	-	1,031
Deferred income taxes	8,204	3,520
	-----	-----
Total current assets	86,255	59,547

Property and equipment (successful efforts method), at cost:		
Proved oil and gas properties	806,587	683,752
Less accumulated depletion, depreciation and amortization	(283,828)	(263,436)
Unproved oil and gas properties, net of impairment allowance of \$9,838 in 2003 and \$8,865 in 2002	65,350	47,984
Other property and equipment, net of accumulated depreciation of \$4,026 in 2003 and \$3,586 in 2002	4,263	3,639
Total property and equipment	592,372	471,939

Other noncurrent assets	6,577	5,653
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Total Assets	\$ 685,204	\$ 537,139
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 63,050	\$ 48,790
Accrued hedge liability	21,239	8,707
Total current liabilities	84,289	57,497

Noncurrent liabilities:		
Long-term credit facility	44,000	14,000
Convertible notes	99,649	99,601
Deferred income taxes	71,538	60,156
Asset retirement obligation liability	24,603	-
Other noncurrent liabilities	12,375	5,727
Total noncurrent liabilities	252,165	179,484

Commitments and contingencies

Minority interest	562	645
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Temporary equity (Note 8):

Common stock subject to put and call options, \$0.01 par value issued and outstanding - 3,380,818 shares in 2003 and -0- shares in 2002	71,594	-
Note receivable from Flying J	(71,594)	-
Total Temporary Equity	-	-

Stockholders' equity:

Common stock, \$0.01 par value: authorized - 100,000,000 shares; issued - 29,147,179 shares in 2003 and 28,983,110 shares in 2002; outstanding, net of treasury shares - 28,144,479 shares in 2003 and 27,973,210 shares in 2002	291	290
Additional paid-in capital	143,662	140,688
Treasury stock - at cost: 1,002,700 shares in 2003 and 1,009,900 shares in 2002	(16,057)	(16,210)
Retained earnings	238,053	182,512
Accumulated other comprehensive income (loss)	(17,761)	(7,767)
Total stockholders' equity	348,188	299,513

Total Liabilities, Temporary Equity and Stockholders' Equity	\$ 685,204	\$ 537,139
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The accompanying notes are an integral part of these consolidated financial statements.

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ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Operating revenues:				
Oil and gas production	\$ 96,134	\$ 46,197	\$ 191,822	\$ 87,290
Gain on sale of proved properties	86	449	122	413
Marketed gas system revenue	3,333	2,939	7,108	3,444
Other oil and gas revenue	595	397	2,040	747
Derivative gain	-	2,327	33	1,975
Other revenues	3,638	46	3,783	907
Total operating revenues	103,786	52,355	204,908	94,776
Operating expenses:				
Oil and gas production	23,260	11,531	44,390	25,561
Depletion, depreciation and amortization	21,601	13,279	40,486	26,333
Exploration	6,635	4,297	10,785	11,213
Abandonment and impairment of unproved properties	784	622	1,703	1,319
General and administrative	6,018	3,015	12,164	6,156
Derivative loss	-	82	-	-
Marketed gas system operating expense	3,098	2,662	6,457	3,086
Minority interest and other	299	243	495	620
Total operating expenses	61,777	35,649	116,480	74,288
Income from operations	42,009	16,706	88,428	20,488
Nonoperating income (expense):				
Interest income	344	170	574	280
Interest expense	(2,367)	(1,018)	(4,583)	(1,470)
Income before income taxes and cumulative effect of change in accounting principle	39,986	15,858	84,419	19,298
Income tax expense	15,669	5,269	32,740	6,391
Income before cumulative effect of change in accounting principle	24,317	10,589	51,679	12,907
Cumulative effect of change in accounting principle, net	-	-	5,435	-
Net income	\$ 24,317	\$ 10,589	\$ 57,114	\$ 12,907
Basic earnings per common share:				
Income before cumulative effect of change in accounting principle	\$ 0.77	\$ 0.38	\$ 1.67	\$ 0.46
Cumulative effect of change in accounting principle	-	-	0.18	-
Basic net income per common share	\$ 0.77	\$ 0.38	\$ 1.85	\$ 0.46

	2003	2002	2001	2000
Diluted earnings per common share:				
Income before cumulative effect of change in accounting principle	\$ 0.71	\$ 0.37	\$ 1.52	\$ 0.46
Cumulative effect of change in accounting principle	-	-	0.15	-
Diluted net income per common share	\$ 0.71	\$ 0.37	\$ 1.67	\$ 0.46
Basic weighted average common shares outstanding	31,482	27,825	30,921	27,805
Diluted weighted average common shares outstanding	35,798	28,428	35,222	28,347
Cash dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05

The accompanying notes are an integral part of these consolidated financial statements.

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ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	For the Six Months Ended June 30,	
	2003	2002
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 57,114	\$ 12,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of proved properties	(122)	(413)
Depletion, depreciation and amortization	40,486	26,333
Exploratory dry hole expense	1,142	6,133
Abandonment and impairment of unproved properties	1,703	1,319
Unrealized derivative gain	(33)	(1,975)
Deferred income taxes	10,886	4,989
Minority interest and other	879	(548)
Cumulative effect of change in accounting principle, net of tax	(5,435)	-
	106,620	48,745
Changes in current assets and liabilities:		
Accounts receivable	(22,553)	12,490
Prepaid expenses and other	(174)	8,436
Refundable income taxes	1,031	-
Accounts payable and accrued expenses	5,840	6,399
Net cash provided by operating activities	90,764	76,070
Cash flows from investing activities:		
Proceeds from sale of oil and gas properties	2,635	122
Capital expenditures	(45,600)	(42,577)
Acquisition of oil and gas properties, including \$71,594 note receivable issued to Flying J	(77,677)	(13,643)
Proceeds from distribution and sale of KMOC stock	-	3,114
Deposits to short term investments available-for-sale	(1,029)	-
Proceeds from short term investments available-for-sale	950	(9,370)
Other	102	(2,122)
Net cash used in investing activities	(120,619)	(64,476)
Cash flows from financing activities:		
Proceeds from credit facility	108,811	16,000
Repayment of credit facility	(79,820)	(80,000)
Proceeds (costs) from issuance of convertible notes	(73)	96,754
Proceeds from sale of common stock	2,202	783
Dividends paid	(1,573)	(1,391)
Net cash provided by financing activities	29,547	32,146
Net change in cash and cash equivalents	(308)	43,740
Cash and cash equivalents at beginning of period	11,154	4,116
Cash and cash equivalents at end of period	\$ 10,846	\$ 47,856

The accompanying notes are an integral part of these consolidated financial statements.

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ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Continued)

Supplemental schedule of additional cash flow information and noncash investing and financing activities:

	For the Six Months Ended June 30,	
	2003	2002
	In thousands)	
Cash paid for interest, including amounts capitalized	\$ 4,851	\$ 478
Cash paid (received) for income taxes	16,275	(8,699)

In January 2003 the Company issued 7,200 shares of common stock from treasury to its non-employee directors and recorded compensation expense of \$153,000.

In January 2003 the Company issued 3,380,818 shares of restricted common stock valued at \$71,594,000 to Flying J Oil & Gas Inc. and Big West Oil & Gas Inc. in exchange for oil and gas properties and related assets and liabilities. The acquisition was accounted for as a purchase.

In June 2002 the Company issued 800 shares of common stock to a non-employee director and recorded compensation expense of \$14,763.

In April 2002 the Company accepted 9,472,562 shares of common stock in Constellation Copper Corporation ("Constellation", formerly known as Summo Minerals Corporation) in lieu of cash payment for the relief of a \$1,400,000 loan and \$15,311 in interest due to the Company.

In January 2002 the Company issued 7,200 shares of common stock to its non-employee directors and recorded compensation expense of \$129,683.

The accompanying notes are an integral part

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
 (In thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balances, December 31, 2001	28,779,808	\$ 288	\$ 137,384	\$ 157,739	(1,009,900)	\$(16,210)	\$ 6,916	\$ 286,117
Comprehensive income:								
Net Income	-	-	-	27,560	-	-	-	27,560
Unrealized net loss on marketable equity securities available for sale	-	-	-	-	-	-	(725)	(725)
Change in derivative instrument fair value	-	-	-	-	-	-	(14,644)	(14,644)
Reclass to earnings	-	-	-	-	-	-	1,447	1,447
Minimum pension liability adjustment	-	-	-	-	-	-	(761)	(761)
Total comprehensive income								12,877
Cash dividends, \$ 0.10 per share	-	-	-	(2,787)	-	-	-	(2,787)
Issuance for Employee Stock Purchase Plan	18,217	-	344	-	-	-	-	344
ESPP disqualified distribution	-	-	21	-	-	-	-	21
Sale of common stock, including income tax benefit of stock option exercises	177,085	2	2,743	-	-	-	-	2,745
Accelerated vesting of retiring director options	-	-	52	-	-	-	-	52
Directors' stock compensation	8,000	-	144	-	-	-	-	144
Balances, December 31, 2002	28,983,110	\$ 290	\$ 140,688	\$ 182,512	(1,009,900)	\$(16,210)	\$ (7,767)	\$ 299,513
Comprehensive income:								
Net Income	-	-	-	57,114	-	-	-	57,114
Unrealized net loss on marketable equity securities available for sale	-	-	-	-	-	-	303	303
Change in derivative instrument fair value	-	-	-	-	-	-	(25,351)	(25,351)
Reclass to earnings	-	-	-	-	-	-	15,054	15,054
Total comprehensive income								47,120
Cash dividends, \$ 0.05 per share	-	-	-	(1,573)	-	-	-	(1,573)
Issuance for Employee Stock Purchase Plan	10,018	-	213	-	-	-	-	213
Sale of common stock, including income tax benefit of stock option exercises	154,051	1	2,761	-	-	-	-	2,762
Directors' stock compensation	-	-	-	-	7,200	153	-	153
Balances, June 30, 2003	29,147,179	\$ 291	\$ 143,662	\$ 238,053	(1,002,700)	\$(16,057)	\$ (17,761)	\$ 348,188

The accompanying notes are an integral part of these consolidated financial statements.

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (UNAUDITED)

June 30, 2003

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of St. Mary Land & Exploration Company and Subsidiaries ("St. Mary" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in St. Mary's Annual Report on Form 10-K for the year ended December 31, 2002. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements in the Form 10-K for the year ended December 31, 2002. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in the Form 10-K.

Note 2 - Earnings Per Share

Basic net income per common share of stock is calculated by dividing net income by the weighted average of common shares outstanding during each period. During the first quarter of 2003, the Company issued 3,380,818 shares of common stock as part of an acquisition (see Note 8). These shares are considered outstanding for purposes of calculating basic and diluted net income per common share and are weighted accordingly in the calculation of common shares outstanding. Additionally, these shares are included in the temporary equity section of the accompanying consolidated balance sheets. Following is a reconciliation of total shares outstanding as of June 30, 2003.

Common shares outstanding in Stockholders' equity	28,144,479
Common shares outstanding in Temporary equity	3,380,818
Total common shares outstanding	31,525,297

Diluted net income per common share of stock is calculated by dividing adjusted net income by the weighted average of common shares outstanding and other dilutive securities. Adjusted net income is used for the if-converted method discussed below and is derived by subtracting interest expense paid on the Company's 5.75% Senior Convertible Notes due 2022 (the "Convertible Notes") from net income and then adjusting for nondiscretionary items including the related income tax effect. Potentially dilutive securities of the Company consist of in-the-money outstanding options to purchase the Company's common stock, shares into which the Convertible Notes that were issued in 2002 may be converted, and incremental shares that would be issued under the reverse-treasury method assumptions if the put option described in Note 8 is exercised.

The treasury stock method is used to measure the dilutive impact of stock

options. The following table details the weighted-average dilutive and anti-dilutive securities related to stock options for the periods presented.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	Dilutive	469,911	439,904	454,483
Anti-dilutive	615,190	628,416	614,181	684,016

Shares associated with the conversion feature of the Convertible Notes are accounted for using the if-converted method. Under the if-converted method, income used to calculate diluted earnings per share is adjusted for the interest charges and nondiscretionary adjustments based on income that would have changed had the Convertible Notes been converted at the beginning of the period. Potentially dilutive shares of 3,846,153 related to the Convertible Notes were included in the calculation of diluted net income per share for the three and six months ended June 30, 2003. The Convertible Notes were issued in March 2002. Shares related to the put option that was granted on January 29, 2003, are accounted for using the reverse-treasury method. There is no dilutive effect for the put option in the current quarter or year to date as the average market value of the Company's stock exceeded the strike price of the put option.

Note 3 - Compensation Plans

The Company accounts for stock-based compensation using the intrinsic value recognition and measurement principles prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations. No stock-based employee compensation expense is reflected in net income as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation (in thousands, except per share amounts).

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
	Net income			
As reported	\$ 24,317	\$ 10,589	\$ 57,114	\$ 12,907
Pro forma	22,046	8,844	54,543	10,723
Basic earnings per share				
As reported	\$ 0.77	\$ 0.38	\$ 1.85	\$ 0.46
Pro forma	0.70	0.32	1.76	0.39
Diluted earnings per share				
As reported	\$ 0.71	\$ 0.37	\$ 1.67	\$ 0.46
Pro forma	0.64	0.31	1.60	0.38

For purposes of pro forma disclosures, the estimated fair values of the options are amortized to expense over the options' vesting periods. The effects of applying SFAS No. 123 in the pro forma disclosure are not necessarily indicative of actual future amounts. Additional awards in future years are anticipated.

The fair value of options is measured at the date of grant using the Black-Scholes option-pricing model. The fair values of options granted in 2003 and 2002 were estimated using the following weighted-average assumptions.

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
	Risk free interest rate	3.37%	4.29%	3.05%
Dividend yield	0.38%	0.42%	0.39%	0.44%
Volatility factor of the expected market price of the Company's common stock	49.50%	45.35%	48.41%	46.73%
Expected life of the options (in years)	7.7	6.8	6.3	6.4

Note 4 - Income Taxes

Income tax expense for the three and six months ended June 30, 2003 and 2002 differ from the amounts that would be provided by applying the statutory U.S. Federal income tax rate to income before income taxes primarily due to the effect of state income taxes, percentage depletion, Internal Revenue Code Section 29 credits, valuation allowance adjustments against prior year credits, and changes in the composition of income tax rates. For the three and six months ended June 30, 2003, the Company's current portion of income tax expense was \$10,536,000 and \$21,854,000, respectively, compared to \$197,000 and \$1,402,000 for the same respective periods in 2002.

Note 5 - Long-term Debt

In January 2003 the Company entered into a new long-term revolving credit agreement with a group of banks that replaced the prior credit agreement dated June 30, 1998. The new credit agreement specifies a maximum loan amount of \$300,000,000 and has a maturity date of January 27, 2006. Borrowings under the facility are secured by a pledge of collateral against certain oil and gas properties in favor of the lenders and by common stock of material subsidiaries of the Company. The borrowing base is currently \$275,000,000 and is subject to periodic re-determination by the lenders based on the value of St. Mary's oil and gas properties and other assets, as determined by the bank syndicate. We have elected an aggregate commitment amount of \$150,000,000 as of June 30, 2003. The Company must comply with certain financial and non-financial covenants. Interest and commitment fees are accrued based on the borrowing base utilization percentage table below. Eurodollar loans accrue interest at LIBOR plus the applicable margin from the utilization table, and Alternative Base Rate (ABR) loans accrue interest at Prime plus the applicable margin from the utilization table.

Borrowing base utilization percentage	<50%	=>50%<75%	=>75%<90%	>90%
Eurodollar Loans	1.25%	1.50%	1.75%	2.00%
ABR Loans	0.00%	0.25%	0.50%	0.75%
Commitment Fee Rate	0.30%	0.38%	0.38%	0.50%

At June 30, 2003, the Company's borrowing base utilization percentage as defined under the credit agreement was 29%. The Company had \$44,000,000 in Eurodollar loans and no ABR loans outstanding under its revolving credit agreement as of June 30, 2003.

As of June 30, 2003, the Company also had \$100,000,000 in outstanding borrowings under the Convertible Notes due 2022. The Convertible Notes carry a

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contingent interest provision of 0.5% based on the note price in effect over a

period of time. Accordingly, interest was accrued at a rate of 6.25% for the quarter and six-month periods ended June 30, 2003.

The weighted average interest rates paid for the second quarter of 2003 and for the six months ended June 30, 2003 were 6.2% and 5.9%, respectively, including commitment fees paid on the unused portion of the credit facility borrowing base, amortization of deferred financing costs, and amortization of the contingent interest embedded derivative.

Note 6 - Derivative Financial Instruments

The Company realized a net loss of \$15,069,000 from its derivative contracts for the six months ended June 30, 2003, and a net gain of \$5,460,000 for the six months ended June 30, 2002. Comparative amounts for the three months ended June 30, 2003 and 2002 were a net loss of \$4,522,000 and a net gain of \$1,981,000, respectively.

The Convertible Notes contain a provision for payment of contingent interest if certain conditions are met. Under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," this provision is considered an embedded equity-related derivative that is not clearly and closely related to the fair value of an equity interest and therefore must be separately treated as a derivative instrument. The value of the derivative at issuance of the Convertible Notes in March 2002 was \$474,000. This amount was recorded as a decrease to the Convertible Notes payable in the consolidated balance sheets. Of this amount, \$48,000 and \$28,000 was amortized through interest expense for the six-month periods ended June 30, 2003 and 2002, respectively. Interest expense for each of the three-month periods ended June 30, 2003 and 2002 includes \$24,000 of amortization. Derivative gain in the consolidated statements of operations for the six-month periods ended June 30, 2003 and 2002 includes net losses of \$14,000 and \$322,000, respectively, from mark-to-market adjustments for this derivative. Derivative loss for the three months ended June 30, 2003, contains \$141,000 of net loss from mark-to-market adjustments and derivative gain for the three months ended June 30, 2002 contains \$202,000 of net loss.

The Company's previous fixed-rate to floating-rate interest rate swap on \$50,000,000 of the Convertible Notes did not qualify for cash flow or fair value hedge accounting treatment under SFAS No. 133. This contract was entered into on March 25, 2002, and was closed out on December 3, 2002. Derivative gain in the consolidated statement of operations for the period ended June 30, 2002, includes \$2,244,000 of net unrealized mark-to-market gain from the interest rate swap contract.

The Company has in place derivative contracts for the sale of oil and natural gas. These contracts include traditional swap and collar arrangements. The Company attempts to qualify the majority of these instruments as cash flow hedges for accounting purposes.

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The following table summarizes all derivative instrument activity (in thousands).

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
	Gain (Loss)		Gain (Loss)	
Derivative contract settlements included in oil and gas production revenues	\$ (4,416)	\$ (322)	\$ (15,054)	\$ 3,513
Ineffective portion of hedges qualifying for hedge accounting included in derivative loss	60	133	47	54
Non-qualified derivative contracts included in derivative gain (loss)	(142)	2,194	(14)	1,921
Amortization of contingent interest derivative through interest expense	(24)	(24)	(48)	(28)
Total	\$ (4,522)	\$ 1,981	\$ (15,069)	\$ 5,460

On June 30, 2003, St. Mary's cash flow hedges resulted in a net pre-tax liability of \$27,490,000. The Company will reclassify \$27,380,000 of this amount to gains or losses included in oil and gas production operating revenues as the hedged production quantity is produced. The remaining amount relates to an undesignated collar that will be marked to market through the statement of operations until it expires on December 31, 2003. Based on current prices the net amount of existing unrealized after-tax loss as of June 30, 2003, to be reclassified from accumulated other comprehensive income to oil and gas production operating revenues in the next twelve months would be \$16,587,000, net of deferred income taxes. The Company anticipates that all original forecasted transactions will occur by the end of the originally specified time periods.

Note 7 - Asset Retirement Obligations

Effective January 1, 2003, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 generally applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. SFAS No. 143 requires the Company to recognize an estimated liability for costs associated with the abandonment of its oil and gas properties.

As of January 1, 2003, the Company recognized the future cost to abandon oil and gas properties over the estimated economic life of the oil and gas properties in accordance with the provisions of SFAS No. 143. A liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset is recorded at the time a well is completed or acquired. The Company depletes the amount added to proved oil & gas property costs and recognizes accretion expense in connection with the discounted liability over the remaining life of the respective oil and gas properties. Prior to the adoption of SFAS No. 143 the Company had recognized an abandonment liability for its offshore wells. These offshore liabilities were reversed upon adoption of SFAS No. 143, and the methodology described above was used to determine the liability associated with abandoning all wells, including those offshore.

The estimated liability is based on historical experience in abandoning wells, estimated economic lives, external estimates as to the cost to abandon the wells in the future and federal and state regulatory requirements. The

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liability is discounted using a credit-adjusted risk-free rate of approximately 7.25%. Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives, or if federal or state regulators enact new requirements regarding the abandonment of wells.

Upon adoption of SFAS No. 143, the Company recorded a discounted liability of \$21,403,000, reversed the existing offshore abandonment liability of \$9,144,000, increased property and equipment by \$12,827,000, decreased accumulated DD&A by \$8,280,000 and recognized a one-time cumulative effect gain of \$5,435,000 (net of deferred tax benefit of \$3,414,000). The Company depletes the amount added to property costs and recognizes accretion expense in connection with the discounted liability over the remaining economic lives of the respective oil and gas properties.

As of June 30, 2003, the Company's capitalized proved oil and gas properties included \$42,991,000 of estimated salvage value, which is excluded from the Company's DD&A calculation.

A reconciliation of the Company's liability for the three and six months

ended June 30, 2003, is as follows (in thousands).

	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003
Beginning Asset Retirement Obligation	\$ 23,734	\$ -
Liability from SFAS 143 adoption	-	21,403
Liabilities incurred	956	2,892
Liabilities settled	(530)	(530)
Accretion expense	443	838
Ending Asset Retirement Obligation	\$ 24,603	\$ 24,603

The following tables illustrate the effect on the asset retirement obligation liability, net income and earnings per share if the Company had adopted the provisions of SFAS No. 143 on January 1, 2002. The pro forma amounts of the liability are measured using current information, assumptions and interest rates as of January 1, 2003 (in thousands, except per share amounts).

	January 1, 2002	December 31, 2002
Asset retirement obligation liability	\$20,358	\$21,829

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Net Income		
As reported	\$10,589	\$12,907
Pro forma	\$10,359	\$12,436
Basic EPS		
As reported	\$ 0.38	\$ 0.46
Pro forma	\$ 0.37	\$ 0.45
Diluted EPS		
As reported	\$ 0.37	\$ 0.46
Pro forma	\$ 0.36	\$ 0.45

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Note 8 - Flying J Acquisition

On January 29, 2003, the Company acquired oil and gas properties from Flying J Oil & Gas Inc. and Big West Oil & Gas Inc. (collectively, "Flying J"). St. Mary issued 3,380,818 shares of its restricted common stock valued at \$71,594,000 for proved reserves and unproved acreage, \$445,000 of other assets, a \$1,936,000 asset retirement liability, a \$2,012,000 hedge liability, and \$3,861,000 in cash received for net purchase price adjustments. In addition, St. Mary made a non-recourse loan to Flying J and Big West of \$71,594,000 at LIBOR plus 2% for up to a 39-month period that is secured by a pledge of the shares of St. Mary common stock issued to Flying J. During the 39-month loan period Flying J and Big West can elect to put their shares of St. Mary stock to the Company for \$71,594,000 plus accrued interest on the loan for the first thirty months, and St. Mary can elect to call the shares for an amount of \$97,447,000, with the proceeds applied to the repayment of the loan and accrued interest. The acquisition was accounted for using the purchase method of accounting. Operating results from the acquired properties have been included in the statements of operations only from the date of closing.

The common stock that was issued in this transaction has been recorded as temporary equity because the Company can be required to repurchase these shares. The shares of common stock are considered outstanding for basic and diluted earnings per share calculations. These shares could potentially become part of permanent stockholders' equity in the future. The loan arising from this transaction is considered a contra-temporary equity item on the consolidated balance sheets, as opposed to an asset, since the loan is secured by the common stock issued as part of this transaction. Since the loan is considered to be contra-equity and because there are uncertainties related to how the loan will be repaid, no interest revenue will be recorded in connection with the loan until the Company receives such interest. At June 30, 2003, the cumulative amount of interest receivable but not recorded as income was \$1,029,000.

Note 9 - Recently Issued Accounting Standards

In May 2003 the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and requires that such financial instruments be classified as a liability (or as an asset in certain circumstances). SFAS No. 150 is effective for all freestanding instruments entered into or modified after May 31, 2003. Otherwise, it became effective for the Company as of July 1, 2003. St. Mary currently has no financial instruments that fall within the scope of SFAS No. 150. As a result, the adoption of this Statement is not expected to have an impact on the Company's financial position or results of operations.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies technical aspects of financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003.

The FASB and representatives of the accounting staff of the Securities and Exchange Commission are currently engaged in discussions regarding the application of certain provisions of SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," to companies in the extractive industries, including oil and gas companies. The FASB and the SEC staff are considering whether the provisions of SFAS No. 141 and SFAS No. 142 require registrants to classify costs associated with mineral rights, including both proved and unproved lease acquisition costs, as intangible assets in the balance sheet, apart from other capitalized oil and gas property costs, and provide specific footnote disclosures. Historically, the Company has included oil and gas lease acquisition costs as a component of oil and gas properties. In

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the event the FASB and SEC staff determine that costs associated with mineral rights are required to be classified as intangible assets, a substantial portion of the Company's oil and gas property acquisition costs would be separately classified on its balance sheets as intangible assets. However, the Company's results of operations would not be affected since such intangible assets would continue to be depleted and assessed for impairment in accordance with existing successful efforts accounting rules and impairment standards. Further, the Company does not believe the classification of oil and gas lease acquisition costs as intangible assets would have any impact on the Company's compliance with covenants under its debt agreements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note About Forward - Looking Statements

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be "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, included in this Form 10-Q that address activities, events or developments that St. Mary management expects, believes or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "anticipate," "intend," "estimate," "expect," "project," and similar expressions are intended to identify forward - looking statements, although not all forward - looking statements contain such identifying words. Examples of forward-looking statements may include discussion of such matters as:

- o the amount and nature of future capital, development and exploration expenditures,
- o the drilling of wells,
- o reserve estimates and the estimates of both future net revenues and the present value of future net revenues that are included in their calculation,
- o future oil and gas production estimates,
- o repayment of debt,
- o business strategies,
- o expansion and growth of operations,
- o recent legal developments, and
- o other similar matters.

These statements are based on certain 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 we believe are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including such factors as the volatility and level of oil and natural gas prices, unexpected drilling conditions and results, production rates and reserve replacement, reserve estimates, drilling and operating service availability and risks, uncertainties in cash flow, the financial strength of hedge contract counterparties, the availability of attractive exploration, development and property acquisition opportunities, financing requirements, expected acquisition benefits, competition, litigation, environmental matters, the potential impact of government regulations, and other matters discussed under the "Risk Factors" section of our 2002 Annual Report on Form 10-K. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those expressed or implied in the forward-looking statements. Although we may from time to time voluntarily update our prior forward - looking statements, we disclaim any commitment to do so except as required by securities laws.

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Financial Results

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands, except per share data)			
Oil and gas production revenues	\$ 96,134	\$ 46,197	\$191,822	\$ 87,290
Net income	\$ 24,317	\$ 10,589	\$ 57,114	\$ 12,907
Per share - basic	\$ 0.77	\$ 0.38	\$ 1.85	\$ 0.46
Per share - diluted	\$ 0.71	\$ 0.37	\$ 1.67	\$ 0.46

Net Income

We generated net income of \$24.3 million or \$0.71 per diluted share for the second quarter of 2003 compared with net income of \$10.6 million or \$0.37 per diluted share for the same quarter of 2002. Comparing the six-months ended June 30, 2003 to June 30, 2002, net income and diluted earnings per share were \$57.1 million and \$1.67 per share versus \$12.9 million and \$0.46 per share, respectively. Included in net income for the six-months ended June 30, 2003, is \$5.4 million, or \$0.15 per diluted share, associated with the cumulative effect of a change in accounting principle required upon the adoption of Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations." The increase in net income over the comparative periods is a result of increased oil and gas prices and higher production volumes associated with successful drilling results, the acquisition of the Burlington properties acquired in December 2002 and the Flying J properties acquired in January 2003.

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Results of Operations

The following table sets forth selected operating data for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In thousands, except volume and per volume data)			
Oil and gas production revenues:				
Gas production	\$ 65,650	\$ 29,113	\$ 131,581	\$ 53,734
Oil production	30,484	17,084	60,241	33,556
Total	\$ 96,134	\$ 46,197	\$ 191,822	\$ 87,290
Net production:				
Gas (MMcf)	13,614	9,618	25,318	19,173
Oil (MMbbls)	1,164	673	2,205	1,378
MMCFE	20,595	13,655	38,546	27,440
Net daily production:				
Gas (MMcf)	149.6	105.7	139.9	105.9
Oil (MMbbls)	12.8	7.4	12.2	7.6
MMCFE	226.3	150.1	213.0	151.6
Average realized sales price (1):				
Gas (per Mcf)	\$ 4.82	\$ 3.03	\$ 5.20	\$ 2.80
Oil (per Bbl)	\$ 26.20	\$ 25.39	\$ 27.32	\$ 24.35
Oil and gas production costs:				
Lease operating expense	\$ 15,149	\$ 8,177	\$ 29,020	\$ 18,626
Transportation costs	1,941	761	3,331	1,577
Production taxes	6,170	2,593	12,039	5,358
Total	\$ 23,260	\$ 11,531	\$ 44,390	\$ 25,561
Additional per MCFE data:				
Sales price	\$ 4.67	\$ 3.38	\$ 4.98	\$ 3.18
Lease operating expense	0.74	0.60	0.75	0.68
Transportation costs	0.09	0.06	0.09	0.06
Production taxes	0.30	0.18	0.31	0.19
Operating margin	\$ 3.54	\$ 2.54	\$ 3.83	\$ 2.25
Depletion, depreciation and amortization	\$ 1.05	\$ 0.97	\$ 1.05	\$ 0.96
General and administrative	\$ 0.29	\$ 0.22	\$ 0.32	\$ 0.22

(1) Includes the effects of St. Mary's hedging activities.

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Three-Month Comparison

Oil and Gas Production Revenues. Our quarterly oil and gas production revenues increased \$49.9 million, or 108% to \$96.1 million for the three months ended June 30, 2003. The following table presents components of the increase in total production revenues between 2003 and 2002.

	Production % Change	Price \$ Change	Price % Change
o Natural Gas	42%	\$1.80/Mcf	59%
o Oil	73%	\$0.81/Bbl	3%

Following is our product mix.

Three Months Ended June 30	Percentage of Revenue		Percentage of Production	
	2003	2002	2003	2002
o Natural Gas	68%	63%	66%	70%
o Oil	32%	37%	34%	30%

Average net daily production was 226.3 MMCFE for 2003 compared with 150.1 MMCFE in 2002, an increase of 51%. Included in our 2003 production volumes are 10.5 MMcf per day and 4.8 MBBbls per day from the Burlington and Flying J acquisitions. Wells completed in 2002 and 2003 and properties acquired in the last two quarters of 2002 and during 2003 have added revenue of \$34.2 million and average net daily production of 79.9 MMCFE in 2003 over the comparable 2002 period.

Projections of pricing for oil and natural gas for the remainder of the year lead us to believe that our average realized price for each product will be higher in 2003 than for comparable periods of 2002. However, since the end of June 2003, the forward prices have decreased relative to the prices in effect for most of the second quarter of 2003. The prices we receive reflect the impact of market forces, which are influenced by many factors including: political events, economic growth, supply, fuel demand, electricity demand, weather, Organization of Petroleum Exporting Countries policies and others.

Information regarding the current effects of oil and gas hedging activity is included in the table below, which reflects increased hedging of oil production as a result of our Burlington and Flying J acquisitions.

Three Months Ended June 30	2003	2002
o Percentage of oil production hedged	57%	39%
o Oil volumes hedged (MMBbls)	661	260
o Increase (decrease) in oil revenue	(\$1.3 million)	\$1.2 million
o Average realized oil price per Bbl without hedging	\$27.30	\$23.64
o Percentage of gas production hedged	39%	44%
o Natural gas MMBtu hedged	5.9 million	4.6 million
o Decrease in gas revenue	(\$2.9 million)	(\$1.5 million)
o Average realized gas price per Mcf without hedging	\$5.03	\$3.18

Marketed Gas Revenue and Gas System Operating Expense. As a result of our acquisition of gas gathering system lines in Coal County, Oklahoma, in February 2002 we began taking title to and marketing natural gas for third parties. For the three months ended June 30, 2003, we received \$3.3 million from the sale of this natural gas compared to \$2.9 million for the same period in 2002. Operating costs associated with these revenues totaled \$3.1 million for the three months ended June 30, 2003 compared to \$2.7 million for the same period in 2002. The higher natural gas prices in 2003 are the primary reason the revenues and costs

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are higher in 2003. Due to fluctuations in natural gas prices, cost inflation and the variability of production from oil and gas wells, we may not always have a positive gross margin from gas marketing.

Oil and Gas Production Expenses. Oil and gas production costs consist of lease operating expense, production taxes and transportation expenses. Total production costs increased \$11.7 million or 102% to \$23.3 million for the three months ended June 30, 2003, from \$11.5 million in the same period of 2002. Our acquisition of properties from Burlington and Flying J added \$6.5 million of production costs, and wells completed in later 2002 and in 2003 added \$2.1 million of production costs that were not reflected in 2002. Additionally, we experienced a general increase in production taxes on higher revenue from higher realized prices.

Total oil and gas production costs per MCFE increased \$0.29 to \$1.13 for the second quarter of 2003 compared with \$0.84 for the second quarter of 2002. This increase is comprised of the following:

- o A \$0.12 increase in production taxes due to higher per MCFE prices.
- o A \$0.03 increase in transportation costs.
- o A \$0.07 increase in LOE that reflects our additions of higher cost oil production properties in the Williston Basin through our acquisitions from Burlington and Flying J.
- o A \$0.07 increase in LOE due to a one-time Authorization for Expenditure adjustment to decrease workover expenses at the Judge Digby field that occurred in the second quarter of 2002.

We continue to believe that our workover activity in the Williston Basin will increase over the remainder of the summer. Since production increases resulting from workover activity are not likely to appear in the period those costs are incurred, we believe that our LOE per MCFE will increase during the remainder of 2003. These increases could be offset in part by decreases in production taxes due to possible decreases in oil and gas prices.

Depreciation, Depletion, Amortization and Impairment. Depreciation, depletion and amortization expense ("DD&A") increased \$8.3 million or 63% to \$21.6 million for the three months ended June 30, 2003, from \$13.3 million in the same period of 2002. DD&A per MCFE increased by 8% to \$1.05 for the second quarter of 2003 compared with \$0.97 in 2002. The increase in expense is a result of both higher production volumes in 2003 and the higher per unit rate which reflects acquisitions and drilling results in 2002 and 2003.

Exploration. Exploration expense increased \$2.3 million or 54% to \$6.6 million for the three months ended June 30, 2003, compared with \$4.3 million in 2002. In 2003 we have had a lesser ownership interest in lower cost exploratory dry holes than in 2002, offsetting in part increased exploration overhead due to increases in our geologic and exploration staff as a result of the acreage we have acquired in the Williston, Green River and Powder River basins. Components of total exploration expense are as follows (in thousands).

	Three Months Ended June 30,	
	2003	2002
o Geological and geophysical expenses	\$ 2,301	\$ 495
o Exploratory dry holes	681	1,955
o Overhead and other expenses	3,653	1,847
	\$ 6,635	\$ 4,297

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General and Administrative. General and administrative expenses increased

\$3.0 million or 100% to \$6.0 million for the three months ended June 30, 2003, compared with \$3.0 million in 2002. The increase in cost on a per MCFE basis is primarily due to our compensation expense.

Our employee count increased by 19% from June 30, 2002 to June 30, 2003. This change has resulted in a general increase in G&A of \$1.4 million between the quarters ending on those dates. That increase plus a \$3.8 million increase in compensation expense associated with our incentive compensation plans, a \$245,000 increase in charitable contributions expense and a \$117,000 increase in insurance and corporate governance costs were partially offset by a \$2.7 million increase in COPAS overhead reimbursement from operations and G&A we allocated to exploration expense. COPAS overhead reimbursement from operations has increased as a result of an increase in the number of properties we operate in our Rockies region due to our Burlington and Flying J acquisitions. The increase in compensation expense associated with our incentive compensation plans reflects both the benefit we have received from the current price environment for past employee performance and the performance of our employees during the current year. As we continue our expected growth in size and number of personnel and if oil and gas prices perform as expected, we anticipate that G&A will continue to increase in total. However, we expect G&A to remain relatively flat on a per MCFE basis.

Interest Expense. Interest expense increased by \$1.3 million to \$2.4 million for the quarter ended June 30, 2003 compared to \$1.0 million for the quarter ended June 30, 2002. This difference reflects the benefit of an interest rate swap on our 5.75% convertible notes that reduced interest expense by \$383,000 in 2002, the 0.5% contingent interest provision on our convertible notes which applied in 2003 but not in 2002 and increased borrowings under our credit facility. We anticipate that quarterly interest expense in 2003 will continue to be higher than in 2002 due to the termination in December 2002 of the interest rate swap.

Income Taxes. Income tax expense totaled \$15.7 million for the three months ended June 30, 2003, and \$5.3 million in 2002, resulting in effective tax rates of 39.2% and 33.2%, respectively. The effective rate change from 2002 reflects an increase in our highest marginal federal tax rate, the expiration of the Section 29 tax credit, adjustments to valuation allowances to reflect the likelihood that prior Alternative Minimum Tax credits created by Section 29 credits will not be used, changes in the composition of the highest marginal state tax rates as a result of our recent acquisitions and the 2002 adjustment to valuation allowances against state income taxes from net operating loss carryovers.

Six-Month Comparison

Oil and Gas Production Revenues. We experienced an increase in oil and gas production revenues of \$104.5 million, or 120% to \$191.8 million for the six months ended June 30, 2003, compared with \$87.3 million for the same period in 2002. The following table presents the components of increases or (decreases) between 2003 and 2002.

	Production % Change	Price \$ Change	Price % Change
o Natural Gas	32%	\$2.39/Mcf	85%
o Oil	60%	\$2.97/Bbl	12%

Following is our product mix.

Six Months Ended June 30	Percentage of Revenue		Percentage of Production	
	2003	2002	2003	2002
o Natural Gas	69%	62%	66%	70%
o Oil	31%	38%	34%	30%

Average net daily production increased 40% to 213.0 MMCFE for the first six months of 2003 compared with 151.6 MMCFE in 2002. Included in our 2003 production volumes are 9.7 MMcf per day and 4.2 Mbbbls per day from the

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Burlington and Flying J acquisitions. Wells completed in 2002 and 2003 and properties acquired in the last two quarters of 2002 and during 2003 have added revenue of \$70.5 million and average net daily production of 72.8 MMCFE in the first six months of 2003 over the comparable 2002 period.

Information regarding the current effects of oil and gas hedging activity is included in the table below, which reflects increased hedging of oil production as a result of our Burlington and Flying J acquisitions.

Six Months Ended June 30	2003	2002
o Percentage of oil production hedged	57%	39%
o Oil volumes hedged (MBbls)	1,262	542
o Increase (decrease) in oil revenue	(\$5.2 million)	\$2.6 million
o Average realized oil price per Bbl without hedging	\$29.69	\$22.46
o Percentage of gas production hedged	35%	43%
o Natural gas MMBtu hedged	9.7 million	9.0 million
o Decrease in gas revenue	(\$9.8 million)	\$904,000
o Average realized gas price per Mcf without hedging	\$5.03	\$3.18

Marketed Gas System Revenue and Gas System Operating Expense. For the six months ended June 30, 2003, we received \$7.1 million from the sale of this natural gas compared to \$3.4 million in the same period of 2002. Operating costs associated with these revenues totaled \$6.5 million for the period ended June 30, 2003, compared to \$3.1 million for the same period in 2002. Our gas marketing activities for third parties began in February 2002. The increase in 2003 as compared to 2002 is a result of a full six months of activity and relatively higher gas prices.

Oil and Gas Production Expenses. Total production costs increased \$18.8 million to \$44.4 million for the six months ended June 30, 2003, from \$25.6 million in 2002. Our acquisition of properties from Burlington and Flying J added \$11.4 million of production costs, and wells completed in 2002 and 2003 added \$3.6 million of production costs in 2003 that were not reflected in 2002. Additionally, we experienced a general increase in production taxes on higher revenue from higher realized prices.

Total oil and gas production costs per MCFE increased \$0.22 to \$1.15 for the six months ended June 30, 2003 compared with \$0.93 for 2002. This increase is comprised of the following:

- o A \$0.12 increase in production taxes due to higher per MCFE prices.
- o A \$0.03 increase in transportation costs.
- o A \$0.07 increase in LOE that reflects our additions of higher cost oil properties in the Williston Basin through our acquisitions from Burlington and Flying J.

Depreciation, Depletion, Amortization and Impairment. DD&A increased \$14.2 million or 54% to \$40.5 million for the six months ended June 30, 2003, from \$26.3 million in 2002. DD&A per MCFE increased by 9% to \$1.05 for the six months ended June 30, 2003 compared with \$0.96 in 2002. The increase in expense is a result of both higher production volumes in 2003 and the higher per unit rate which reflects acquisitions and drilling results in 2002 and 2003.

Exploration. Exploration expense decreased \$428,000 or 4% to \$10.8 million for the six months ended June 30, 2003, compared with \$11.2 million in 2002. In 2003 we have had a lesser ownership interest in lower-cost exploratory dry holes than in 2002, offsetting in part increased exploration overhead due to increases in our geologic and exploration staff as a result of the acreage we have

acquired in the Williston, Green River and Powder River basins. Components of total exploration expense are as follows (in millions).

	Six Months Ended June 30,	
	2003	2002
o Geological and geophysical expenses	\$ 3.7	\$ 1.3
o Exploratory dry holes	1.2	6.1
o Overhead and other expenses	5.9	3.8
	\$ 10.8	\$ 11.2

General and Administrative. General and administrative expenses increased \$6.0 million or 98% to \$12.2 million for the six months ended June 30, 2003, compared with \$6.2 million in 2002. The increase in cost on a per MCFE basis is primarily due to an increase in our compensation expense.

The increase in our employee count has resulted in a general increase in G&A of \$2.7 million between six-month periods ending on June 30, 2003 and June 30, 2002. That increase plus a \$5.9 million increase in expense associated with our incentive compensation plans, a \$664,000 increase in accrued charitable contributions expense and a \$396,000 increase in insurance and corporate governance costs were partially offset by a \$3.9 million increase in COPAS overhead reimbursement from operations and G&A we allocated to exploration expense. COPAS overhead reimbursement from operations has increased due to an increase in the number of properties we operate in our Rockies region as a result of our Burlington and Flying J acquisitions. The increase in expense associated with our incentive compensation plans reflects both the benefit we have received from the current price environment for past employee performance and the performance of our employees during the current year.

Interest Expense. Interest expense increased by \$3.1 million to \$4.6 million for the six months ended June 30, 2003 compared to \$1.5 million for the period ended June 30, 2002. The increase reflects a full six months of accrued interest in 2003 on our 5.75% convertible notes that were issued in March 2002, the benefit of an interest rate swap on those notes that reduced interest expense by \$446,000 in 2002, the 0.5% contingent interest provision on the notes which applied in 2003 but not in 2002, and increased borrowings under our credit facility. We anticipate that interest expense in 2003 will be higher than the 2002 amount due to the termination of the interest rate swap in December 2002 and since we have increased borrowings under our credit facility in 2003.

Income Taxes. Income tax expense totaled \$32.7 million for the six months ended June 30, 2003, and \$6.4 million in 2002, resulting in effective tax rates of 38.8% and 33.1%, respectively. The effective rate change from 2002 reflects an increase in our highest marginal federal tax rate, the expiration of the Section 29 tax credit, adjustments to valuation allowances to reflect the likelihood that prior Alternative Minimum Tax credits created by Section 29 credits will not be used, changes in the composition of the highest marginal state tax rates as a result of our recent acquisitions and the 2002 adjustment to valuation allowances against state income taxes from net operating loss carryovers.

The current portion of the income tax expense in 2003 is \$21.9 million compared to \$1.5 million in 2002. These amounts are 66% and 23% of the total tax for the respective periods. The difference results from increased taxable income caused by significantly higher oil and gas prices and production, a reduction in the percentage of deductible intangible drilling costs relative to total income and interest income recognized for tax purposes from our Flying J transaction.

Cumulative Effect of Change in Accounting Principle, net. On January 1, 2003, we adopted SFAS No. 143. The impact of adoption resulted in income to us of \$8.8 million offset by the deferred income tax effect of \$3.4 million. See

Note 7 of the Notes to Consolidated Financial Statements under Part I, Item 1 of this report.

Liquidity and Capital Resources

Our primary sources of liquidity are the cash provided by operating activities, debt financing, sales of non-strategic properties and access to the capital markets. All of these sources can be impacted by significant fluctuations in oil and gas prices and the availability of financing to oil and gas producers in the market. An unexpected decrease in oil and gas prices would reduce expected cash flow from operating activities, might reduce the borrowing base on our credit facility, could reduce the value of our non-strategic properties and historically has limited our industry's access to the capital markets.

We use cash for the acquisition, exploration and development of oil and gas properties and for the payment of debt obligations, trade payables and stockholder dividends. Exploration and development programs are generally financed from internally generated cash flow, debt financing and cash and cash equivalents on hand. Cash uses for the acquisition of oil and gas properties and the payment of stockholder dividends are discretionary and can be reduced or eliminated in the event of an unexpected decrease in oil and gas prices. At any given point in time we may be obligated to pay for commitments to explore for or develop oil and gas properties or incur trade payables. However, future obligations can be reduced or eliminated when necessary. We are currently only required to make interest payments on our debt obligations, although we have voluntarily been reducing our outstanding borrowings under our revolving credit facility. As of the date of filing this report, the outstanding balance of the revolving credit facility was \$24 million, representing a \$20.0 million reduction from the \$44.0 million outstanding balance at June 30, 2003. An unexpected increase in oil and gas prices would provide increased flexibility to modify our uses of cash flow.

We continually review our capital expenditure budget to reflect changes in current and projected cash flow, drilling and acquisition opportunities, debt requirements and other factors.

Cash Flow. Net cash provided by operating activities increased \$14.7 million or 19% to \$90.8 million for the six months ended June 30, 2003 compared with \$76.1 million in 2002. Our \$34.2 million increase in net income between the two periods combined with a \$13.5 million increase in the effect of non-cash items were offset by a \$43.0 million change in current assets and liabilities relating to increased accounts receivables offset by decreased prepaid expenses, and collections of refundable income taxes. We anticipate increased cash flow from operations in 2003 as a result of higher oil and gas prices in 2003 and increased production attributable to our property acquisitions and drilling activities in late 2002 and early 2003.

Net cash used in investing activities increased \$56.1 million or 87% to \$120.6 million for the six months ended June 30, 2003, compared with net cash used of \$64.5 million in 2002. This increase results from additional capital expenditures and acquisition costs. Total capital expenditures, including acquisitions of oil and gas properties, in the first six months of 2003 increased \$67.1 million or 119% to \$123.3 million compared with \$56.2 million in the first six months of 2002. This increase reflects the utilization of \$71.6 million in short term investments, cash equivalents and increased borrowings under our credit facility to provide a loan to Flying J as part of our acquisition of properties from Flying J in January 2003. This loan is secured by our common stock issued in the transaction.

Net cash provided by financing activities decreased \$2.6 million to \$29.5 million for the six months ended June 30, 2003, compared with \$32.1 million in 2002. This decrease reflects the 2002 issuance of our 5.75% convertible notes

and the use of proceeds to pay down our credit facility, partially offset by additional borrowing on our credit facility to fund our 2003 acquisitions.

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St. Mary had \$10.8 million in cash and cash equivalents and had working capital of \$2.0 million as of June 30, 2003, compared with \$11.2 million in cash and cash equivalents and working capital of \$2.1 million at December 31, 2002.

Senior Convertible Notes. In March 2002 we issued in a private placement a total of \$100.0 million of 5.75% senior convertible notes due 2022 with a 0.5 percent contingent interest provision. Interest payments are due on March 15 and September 15 of every year. We received net proceeds of \$96.8 million after deducting the initial purchasers' discount and estimated offering expenses payable by us. The notes are general unsecured obligations and rank on a parity in right of payment with all our existing and future senior indebtedness and other general unsecured obligations, and are senior in right of payment with all our future subordinated indebtedness. The notes are convertible into our common stock at a conversion price of \$26.00 per share, subject to adjustment. We can redeem the notes with cash in whole or in part at a repurchase price of 100% of the principal amount plus accrued and unpaid interest including contingent interest beginning on March 20, 2007. The note holders have the option of requiring us to repurchase the notes for cash at 100% of the principal amount plus accrued and unpaid interest including contingent interest upon (1) a change in control of St. Mary or (2) on March 20, 2007, March 15, 2012 and March 15, 2017. If the note holders request repurchase on March 20, 2007, we may pay the repurchase price with cash, shares of our common stock valued at a discount to the market price at the time of repurchase or any combination of cash and our discounted common stock. We are not restricted from paying dividends, incurring debt, or issuing or repurchasing our securities under the indenture for the notes. There are no financial covenants in the indenture. We used a portion of the net proceeds from the notes to repay our credit facility balance and used the remaining net proceeds to fund a portion of our 2002 capital expenditures. On March 25, 2002, we entered into a five-year fixed-rate to floating-rate interest rate swap on \$50.0 million of the notes. The floating rate was determined as LIBOR plus 0.36%. We elected to terminate this swap on December 3, 2002, and received proceeds of \$4.0 million.

Credit Facility. On January 29, 2003, we entered into a new \$300.0 million credit facility with Wachovia Bank as Administrative Agent and eight other participating banks. This new credit facility replaced our previous \$200.0 million credit facility and has a maturity date of January 27, 2006. The calculated borrowing base is currently \$275.0 million. We have elected a commitment amount of \$150.0 million under this facility. We believe this commitment level is adequate for our current liquidity needs and results in lower commitment fees payable to the bank syndicate. We are required to comply with certain financial and non-financial covenants, and we are currently in compliance with all covenants under the credit facility. Interest and commitment fees are accrued based on the borrowing base utilization percentage table below. Eurodollar loans accrue interest at LIBOR plus the applicable margin from the utilization table, and Alternative Base Rate (ABR) loans accrue interest at Prime plus the applicable margin from the utilization table.

Borrowing base utilization percentage	<50% =>50%<75% =>75%<90% >90%			
	<50%	50-75%	75-90%	>90%
Eurodollar Loans	1.250%	1.500%	1.750%	2.000%
ABR Loans	0.000%	0.250%	0.500%	0.750%
Commitment Fee Rate	0.300%	0.375%	0.375%	0.500%

Our loan balance of \$44.0 million is comprised of LIBOR based tranches at June 30, 2003. Our weighted average interest rates paid for the second quarter of 2003 and for the six months ended June 30, 2003 were 6.2% and 5.9%, respectively, including commitment fees paid on the unused portion of the credit facility borrowing base, amortization of deferred financing costs, and amortization of the contingent interest embedded derivative.

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Schedule of Contractual Obligations. The following table summarizes our future estimated principal payments for the periods specified (in millions).

Contractual Obligations	Long-Term Debt	Operating Leases	Total Cash Obligation
Less than 1 year	\$ -	\$ 1.9	\$ 1.9
1-3 years	44.0	2.9	46.9
4-5 years	-	2.2	2.2
After 5 years	100.0	3.2	103.2
Total	\$ 144.0	\$ 10.2	\$ 154.2

In the period from 1-3 years, we have one lease of office space for our regional offices that will expire. A third lease for office space will expire in year 4. Estimated costs to replace these leases are not included in the table above. For purposes of the table we assume that the holders of our 5.75% convertible notes will not exercise the conversion or redemption features until final maturity.

Common Stock. In 1998 St. Mary's Board of Directors authorized a stock repurchase program whereby we may purchase from time-to-time, in open market transactions or negotiated sales, up to two million of our common shares. Through June 30, 2003, we have repurchased a cumulative total of 1,009,900 shares of St. Mary's common stock under the program. We anticipate that additional purchases of shares may occur as market conditions warrant. Any future purchases will be funded with internal cash flow and borrowings under our credit facility.

On January 29, 2003, we issued a total of 3,380,818 restricted shares of our common stock valued at \$71.6 million to Flying J Oil & Gas Inc. and Big West Oil & Gas Inc. (collectively Flying J) for the acquisition of oil and gas properties, and we made a non-recourse loan to Flying J in the amount of \$71.6 million at LIBOR plus 2% for up to a 39-month period. The loan is secured by a pledge of the 3,380,818 shares and during the 39-month loan period Flying J can elect to sell these shares to St. Mary for \$71.6 million plus accrued interest on the loan for up to the first 30 months, and we can elect to repurchase the shares for \$97.4 million with the proceeds applied to repayment of the loan. The shares are subject to contractual restrictions on transfer for a period of two years. Flying J cannot increase their ownership percentage in St. Mary for a period of 30 months. For accounting purposes the stock and the loan are reflected in the temporary equity section of our consolidated balance sheets. Because the loan is reflected in temporary equity we will not record interest income from the loan until such time as Flying J and Big West make actual payment of the interest to us. At June 30, 2003, the cumulative amount of interest receivable but not recorded as income by us was \$1.0 million.

Capital and Exploration Expenditures Incurred. Expenditures for exploration and development of oil and gas properties and acquisitions are the primary use of our capital resources. The following table sets forth certain information regarding the costs incurred by us in our oil and gas activities during the periods indicated. These expenditures include the value of the stock issued in the Flying J transaction.

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Six Months Ended June 30,	
2003	2002
(In thousands)	

Development	\$ 42,164	\$ 30,444
Exploration	19,176	9,034
Acquisitions:		
Proved	77,676	7,040
Unproved	4,096	8,597
Total	\$ 143,112	\$ 55,115

We continuously evaluate opportunities in the marketplace for oil and gas properties and, accordingly, may be a buyer or a seller of properties at various times. We will continue to emphasize acquisitions in our core areas utilizing St. Mary's technical expertise, financial flexibility and structuring experience. In addition, we are also actively seeking larger acquisitions of assets or companies that would afford opportunities to expand our existing core areas, to acquire additional geoscientists or to gain a significant acreage and production foothold in a new basin.

St. Mary's total costs incurred in the first six months of 2003 increased \$88.0 million or 160% compared to the first six months of 2002. We spent \$65.4 million in the first six months of 2003 for unproved property acquisitions and domestic exploration and development compared to \$48.1 million for the comparable period in 2002.

We continue to evaluate the results of our two coalbed methane pilot programs located in the Hanging Woman Basin. On April 30, 2003, the Bureau of Land Management issued its record of decision approving the two environmental impact statements that considered coalbed methane development in northeast Wyoming and southeast Montana, and the BLM is now issuing drilling permits on federal acreage in Wyoming. We hope the two environmental impact statements will also open the door for new coalbed methane development on federal acreage in this area of Montana. Immediately after the decision was issued several environmental groups filed multiple challenges. These challenges and a previously reported environmental public interest group lawsuit by the Northern Plains Resource Council, Inc. affect 89,700 gross acres related to this project.

Capital Expenditure Budget. We anticipate spending approximately \$233 million for capital and exploration expenditures in 2003 with \$90 million allocated for acquisitions, which includes the \$71.6 million acquisition of properties from Flying J in January 2003. Budgeted ongoing exploration and development expenditures in 2003 for each of our core areas is as follows (in millions).

o Mid-Continent region	\$ 51
o Williston Basin	35
o ArkLaTex region	21
o Gulf Coast and Gulf of Mexico region	15
o Permian Basin	12
o Other	9
Total	\$ 143

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We believe the amount not funded from our internally generated cash flow in 2003 can be funded from our existing cash and our credit facility. The amount and allocation of future capital and exploration expenditures will depend upon a number of factors including the number and size of available acquisition opportunities and our ability to assimilate these acquisitions. Also, the impact of oil and gas prices on investment opportunities, the availability of capital and borrowing capability and the success of our development and exploratory activity could lead to funding requirements for further development. If additional development or attractive acquisition opportunities arise, we may consider other forms of financing, including the public offering or private placement of equity or debt securities.

Derivatives. We seek to protect our rate of return on acquisitions of producing properties by hedging cash flow when the economic criteria from our evaluation and pricing model indicate it would be appropriate. Management's strategy is generally to hedge cash flows from acquisitions for up to 24 months in order to meet minimum rate-of-return criteria. Management reviews these hedging parameters on a quarterly basis. We may periodically hedge additional production when we view the price environment to be favorable for hedging. We generally limit our aggregate hedge position to no more than 50% of total production but will hedge larger percentages of total production in certain circumstances. We seek to minimize basis risk and index the majority of oil hedges to NYMEX prices and the majority of gas hedges to various regional index prices associated with pipelines in proximity to our areas of gas production. Our policy requires that we diversify our hedge positions with various counterparties and requires that such counterparties have clear indications of financial strength. Including hedges entered into since June 30, 2003 we have the following swaps and collars in place:

Swaps	Average	Quantity	Average Fixed	Duration
Product	Volumes/month	Type	Contract Price	
Natural Gas	1,845,000	MMBtu	\$4.49	07/03 - 12/03
Natural Gas	869,000	MMBtu	\$4.08	01/04 - 12/04
Oil	202,000	Bbls	\$25.57	07/03 - 12/03
Oil	144,500	Bbls	\$23.71	01/04 - 12/04
Collars				
Product	Average	Floor	Ceiling	Duration
	Volumes/month	Price	Price	
Natural Gas	152,000 MMBtu	\$2.50	\$5.96	07/03 - 12/03

Other Derivatives. Our 5.75% convertible notes contain a provision for payment of contingent interest if certain conditions are met. Under SFAS No. 133 this provision is considered an embedded equity-related derivative that is not clearly and closely related to the fair value of an equity interest and therefore must be separated and accounted for as a derivative instrument. The value of the derivative at issuance in March 2002 was \$474,000. This amount was recorded as a decrease to the 5.75% convertible notes payable in the consolidated balance sheets. Of this amount, \$47,000 has been amortized through interest expense in 2003. Derivative loss in the consolidated statements of operations includes \$14,000 of net loss from mark-to-market adjustments for this derivative at June 30, 2003, compared to a net loss of \$245,000 included in derivative loss at June 30, 2002.

Critical Accounting Policies and Estimates

We refer you to the corresponding section of our Annual Report on Form 10-K for the year ended December 31, 2002.

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Accounting Matters

New Accounting Standards

In May 2003 the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and requires that such financial instruments be classified as a liability (or as an asset in certain circumstances). SFAS No. 150 is effective for all freestanding instruments entered into or modified after May 31, 2003. Otherwise, it became effective for us as of July 1, 2003. We

currently have no financial instruments that fall within the scope of SFAS No. 150. As a result, the adoption of this Statement is not expected to have an impact on our financial position or results of operations.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This Statement amends and clarifies technical aspects of financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. In addition, except in certain limited circumstances, all provisions of this Statement should be applied prospectively.

Effective January 1, 2003, we adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." Upon adoption of SFAS No. 143, we recorded a discounted liability of \$21.4 million, reversed the existing offshore abandonment liability of \$9.1 million, increased net property and equipment by \$21.1 million and recognized a one-time cumulative effect gain of \$5.4 million (net of deferred tax benefit of \$3.4 million). We will deplete the amount added to property and equipment and recognize accretion expense in connection with the discounted liability over the remaining economic lives of the respective oil and gas properties. Prior to the adoption of SFAS No. 143, we assumed that salvage value approximated abandonment costs and therefore salvage value was not reflected in the DD&A calculation. As a result of adopting SFAS No. 143 and the discounting of the asset retirement obligation, the salvage value must now be reflected in the DD&A rate. Accordingly, \$13.7 million was reversed from accumulated DD&A and is included as a part of the increase in net property and equipment in the cumulative effect adjustment. This adjustment to accumulated DD&A relates to prior depletion of salvage value that would have been excluded from the DD&A calculation if the abandonment liability had been separately recognized. As of June 30, 2003, our capitalized proved oil and gas properties included \$43.0 million of estimated salvage value, which is not included in our DD&A calculation.

The FASB and representatives of the accounting staff of the Securities and Exchange Commission are currently engaged in discussions regarding the application of certain provisions of SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," to companies in the extractive industries, including oil and gas companies. The FASB and the SEC staff are considering whether the provisions of SFAS No. 141 and SFAS No. 142 require registrants to classify costs associated with mineral rights, including both proved and unproved lease acquisition costs, as intangible assets in the balance sheet, apart from other capitalized oil and gas property costs, and provide specific footnote disclosures. Historically, we have included oil and gas lease acquisition costs as a component of oil and gas properties. In the event the FASB and SEC staff determine that costs associated with mineral rights are required to be classified as intangible assets, a substantial portion of our oil and gas property acquisition costs would be separately classified on our balance sheets as intangible assets. However, our results of operations would not be affected since such intangible assets would continue to be depleted and assessed for impairment in accordance with existing successful efforts accounting rules and impairment standards. Further, we do not believe the

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classification of oil and gas lease acquisition costs as intangible assets would have any impact on our compliance with covenants under its debt agreements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We hold derivative contracts and financial instruments that have cash flow and net income exposure to changes in commodity prices or interest rates. Financial and commodity-based derivative contracts are used to limit the risks inherent in some crude oil and natural gas price changes that have an effect on us.

Our board of directors has adopted a policy regarding the use of derivative instruments. This policy requires every derivative used by St. Mary to relate to underlying offsetting positions, anticipated transactions or firm commitments. It prohibits the use of speculative, highly complex or leveraged derivatives. Under the policy, the Chief Executive Officer and Vice President - Finance must review and approve all risk management programs that use derivatives. The board of directors periodically reviews these programs.

Commodity Price Risk. We use various hedging arrangements to manage our exposure to price risk from natural gas and crude oil production. These hedging arrangements have the effect of locking in for specified periods, at predetermined prices or ranges of prices, the prices we will receive for the volumes to which the hedge relates. Consequently, while these hedging arrangements are structured to reduce our exposure to decreases in prices associated with the hedged commodity, they also limit the benefit we might otherwise receive from any price increases associated with the hedged commodity. The derivative gain or loss effectively offsets the loss or gain on the underlying commodity exposures that have been hedged. The fair value of the swaps are estimated based on quoted market prices of comparable contracts and approximate the net gains or losses that would have been realized if the contracts had been closed out at quarter-end. The fair value of the futures are based on quoted market prices obtained from the New York Mercantile Exchange and have been adjusted for our hedging of the basis differential accorded to the pipelines relative to our areas at production.

A hypothetical \$0.10 per MMBtu change in our quarter-end market prices for natural gas swaps and futures contracts on a notional amount of 22.4 million MMBtu would cause a potential \$1.8 million change in net income before income taxes over the remaining life of the contracts in place on June 30, 2003 and a potential \$875,000 change for the last six months of 2003. A hypothetical \$1.00 per Bbl change in our quarter-end market prices for crude oil swaps and future contracts on a notional amount of 2.9 million Bbls would cause a potential \$2.7 million change in net income before income taxes over the remaining life of the contracts in place on June 30, 2003 and a potential \$1.2 million change for the last six months of 2003. These hypothetical changes were discounted to present value using a 7.5% discount rate since the latest expected maturity date of certain swaps and futures contracts is greater than one year from the reporting date.

Interest Rate Risk. Market risk is estimated as the potential change in fair value resulting from an immediate hypothetical one percentage point parallel shift in the yield curve. A sensitivity analysis presents the hypothetical change in fair value of those financial instruments held by St. Mary at June 30, 2003, which are sensitive to changes in interest rates. For fixed-rate debt, interest rate changes affect the fair market value but do not impact results of operations or cash flows. Conversely for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future results of operations and cash flows, assuming other factors are held constant. The carrying amount of our floating rate debt approximates its fair value. At June 30, 2003, we had floating rate debt of \$44.0 million and \$100.0 million of fixed rate debt. Assuming constant debt levels, the impact on results of operations and cash flows for the remainder of the year resulting from a one-percentage-point change in interest rates would be approximately \$220,000 before taxes.

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ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures that are designed for the purposes of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Vice-President - Finance, as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Vice-President - Finance, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Vice-President - Finance concluded that our disclosure controls and procedures are effective for the purposes discussed above as of the end of the period covered by this Quarterly Report on Form 10-Q. There was no significant change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The previously reported legal proceeding involving Nance Petroleum Corporation and the Northern Plains Resource Council, Inc. in the U.S. District Court for the District of Montana had no significant developments during the quarterly period ended June 30, 2003. For a description of this proceeding, please see the "Legal Proceedings" section of St. Mary's Annual Report on Form 10-K for the year ended December 31, 2002.

On August 4, 2003, the Company received a copy of an Administrative Order (the "Order") by the U.S. Environmental Protection Agency (Docket No. CWA-06-2003-1995) related to certain oil and gas properties in the Gulf of Mexico that are or were owned, operated or leased by St. Mary Energy Company. Interests in these properties were acquired by the Company through its acquisition of St. Mary Energy Company, formerly named King Ranch Energy, Inc., on December 17, 1999. The Order alleges violations of the Clean Water Act through certain violations of EPA reporting rules with respect to such properties under applicable EPA permits during reporting monitoring periods from July 1, 1998 to December 31, 1999. Based on a preliminary internal review to date, the Company believes that any reporting discrepancies were inadvertent and did not involve any improper discharge of pollutants into the environment, and the Company plans to fully cooperate with the EPA to appropriately correct and remedy any reporting discrepancies. Due to the preliminary nature of this matter, the Company cannot predict whether any monetary or other penalties will be imposed. However, the Company does not currently expect that such penalties, if any, would have a material effect on the Company's financial condition, results of operations or cash flows.

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ITEM 4. Submission of Matters to a Vote of Security Holders

At the Company's annual stockholders' meeting on May 21, 2003, the stockholders approved management's current slate of directors. The directors elected and the vote tabulation for each director are as follows:

Director	For	Withheld
Barbara M. Baumann	28,792,078	171,902
Larry W. Bickle	28,772,485	191,495
Ronald D. Boone	28,772,485	191,495
Thomas E. Congdon	28,772,485	191,495
William J. Gardiner	28,772,397	191,583
Mark A. Hellerstein	28,772,485	191,495
Arend J. Sandbulte	28,435,397	528,583
John M. Seidl	28,435,397	528,583

Also at the Company's annual stockholders' meeting on May 21, 2003, the stockholders approved an amendment to the Company's stock option plans to increase the total number of shares issuable under those plans by 1,300,000 shares to a total of 5,600,000. The tabulation of votes for that proposal is as follows:

For	16,898,695
Against	11,374,779
Abstain	690,506

Also at the Company's annual stockholders' meeting on May 21, 2003, the stockholders approved a non-employee director stock compensation plan for the issuance of up to a total of 30,000 shares of St. Mary common stock to non-employee directors as part of their annual or other compensation over an anticipated period of up to five years. The tabulation of votes for that proposal is as follows:

For	25,297,824
Against	2,874,837
Abstain	791,319

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are furnished as part of this report:

Exhibit	Description
10.1*	St. Mary Land & Exploration Company Non-Employee Director Stock Compensation Plan as adopted on March 27, 2003
10.2	St. Mary Land & Exploration Company Stock Option Plan, As Amended on March 25, 1999, January 27, 2000, March 29, 2001, March 27, 2003 and May 22, 2003 (filed as Exhibit 99.1 to registrant's

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Exhibit	Description
10.3	Registration Statement on Form S-8 (Registration No. 333-106438) and incorporated herein by reference) St. Mary Land & Exploration Company Incentive Stock Option Plan, As Amended on March 25, 1999, January 27, 2000, March 29, 2001, March 27, 2003 and May 22, 2003 (filed as Exhibit 99.2 to registrant's Registration Statement on Form S-8 (Registration No. 333-106438) and incorporated herein by reference)
10.4*	Guaranty Agreement by St. Mary Energy Company in favor of Wachovia Bank, National Association, as Administrative Agent, dated January 27, 2003
10.5*	Guaranty Agreement by St. Mary Operating Company in favor of Wachovia Bank, National Association, as Administrative Agent, dated January 27, 2003
10.6*	Guaranty Agreement by Nance Petroleum Corporation in favor of Wachovia Bank, National Association, as Administrative Agent, dated January 27, 2003
10.7*	Guaranty Agreement by NPC Inc. in favor of Wachovia Bank, National Association, as Administrative Agent, dated January 27, 2003
10.8*	Pledge and Security Agreement between St. Mary Land & Exploration Company and Wachovia Bank, National Association, as Administrative Agent, dated

- January 27, 2003
- 10.9* Pledge and Security Agreement between Nance Petroleum Corporation and Wachovia Bank, National Association, as Administrative Agent, dated January 27, 2003
 - 10.10* First Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement for the benefit of Wachovia Bank, National Association, as Administrative Agent, dated effective as of January 27, 2003
 - 10.11* Deed of Trust - St. Mary Land & Exploration to Wachovia Bank, National Association, as Administrative Agent, dated effective as of January 27, 2003
 - 10.12* Deed of Trust (CO, NV, SD) to Wachovia Bank, National Association, as Administrative Agent, dated effective as of April 2003
 - 10.13* Deed of Trust (LA, MT, ND, NM, OK, TX, UT, WY) to Wachovia Bank, National Association, as Administrative Agent, dated effective as of April 2003
 - 10.14* First Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement for the benefit of Wachovia Bank, National Association, as Administrative Agent, dated effective as of April 2003
 - 10.15* Second Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement for the benefit of Wachovia Bank, National Association, as Administrative Agent, dated effective as of April 2003
 - 31.1* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002 31.2* Certification of Vice President - Finance pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
 - 32.1* Certification pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

* Filed with this Form 10-Q.

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(b) Reports on Form 8-K

St. Mary Land & Exploration Company filed the following current reports on Form 8-K during the quarter ended June 30, 2003:

- o On April 21, 2003, we filed a current report on Form 8-K reporting under Item 9 pursuant to Item 12 that we had issued a press release announcing an update of our operations for the first quarter of 2003.
- o On April 29, 2003, we filed a current report on Form 8-K reporting under Item 9 that we had issued a press release announcing a regular semi-annual 5-cent per share cash dividend.
- o On May 7, 2003, we filed a current report on Form 8-K reporting under Item 9 pursuant to Item 12 that we had issued a press release announcing our first quarter 2003 financial results and an updated forecast of our second quarter and full year of 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ST. MARY LAND & EXPLORATION COMPANY

August 12, 2003 By: /s/ MARK A. HELLERSTEIN

Mark A. Hellerstein
President and Chief Executive Officer

August 12, 2003 By: /s/ DAVID W. HONEYFIELD

David W. Honeyfield
Vice President - Finance, Secretary
and Treasurer

August 12, 2003 By: /s/ GARRY A. WILKENING

Garry A. Wilkening
Vice President - Administration and
Controller

ST. MARY LAND & EXPLORATION COMPANY

NON-EMPLOYEE DIRECTOR STOCK COMPENSATION PLAN

Article I
ESTABLISHMENT AND PURPOSE

1.1 Establishment. St. Mary Land & Exploration Company, a Delaware

corporation (the "Company"), hereby establishes a stock compensation plan for non-employee members of the Board of Directors of the Company (the "Board"), which plan shall be known as the ST. MARY LAND & EXPLORATION COMPANY NON-EMPLOYEE DIRECTOR STOCK COMPENSATION PLAN (the "Plan").

1.2 Purpose. The purpose of the Plan is to enhance stockholder value by

attracting, retaining and further motivating non-employee Directors and to encourage and enable such Directors to acquire a proprietary interest in the Company by issuing shares of the Company's common stock, \$.01 par value per share (the "Stock"), to such Directors as compensation for serving as members of the Board and the committees thereof.

Article II
ELIGIBILITY AND PARTICIPATION

All members of the Board who are not employees of the Company or any subsidiary of the Company are eligible to participate in the Plan and be issued shares of Stock under the Plan.

Article III
ADMINISTRATION

The Board shall be responsible for administering the Plan. The Board is authorized to (i) interpret the Plan, (ii) prescribe and revise rules and regulations relating to the Plan, (iii) provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company with respect to the Plan and (iv) make all other determinations necessary or advisable for the administration of the Plan. Determinations, interpretations or other actions made or taken by the Board with respect to the Plan and shares of Stock issued under the Plan shall be final, binding and conclusive for all purposes and upon all persons. No member of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any shares of Stock issued under the Plan.

Article IV
SHARES OF STOCK AVAILABLE UNDER THE PLAN

4.1 Total Number. The total number of shares of Stock hereby made available

and reserved for issuance under the Plan is 30,000 shares, which number shall be subject to adjustment as provided in Section 4.2.

4.2 Adjustment in Capitalization. In the event of any change in the

outstanding shares of Stock of the Company by reason of a stock dividend or split, recapitalization, reclassification, or other similar change or adjustment in capitalization, the total number of shares of Stock set forth in Section 4.1 shall be correspondingly adjusted by the Board.

Article V
ISSUANCE OF STOCK

5.1 Issuance of Stock. Subject to Section 4.1, shares of Stock may be

issued to non-employee Directors in such amounts and at such times as determined by the Board as annual or other compensation to non-employee Directors for serving as members of the Board and the committees thereof. The Board shall have complete discretion in determining the terms and conditions and number of shares of Stock issued to non-employee Directors under the Plan. Notwithstanding the foregoing, the number of shares of Stock issued under the Plan to a non-employee Director shall, in the good faith judgment of the Board, (a) represent reasonable compensation for the services and responsibilities of such Director, (b) be generally consistent with the past practices of the Company with respect to compensation of the non-employee Directors, as adjusted to reflect changes in

applicable circumstances. Shares of Stock issued under the Plan may be previously unissued shares of Stock or previously issued shares of Stock held by the Company as treasury shares.

5.2 Restricted Securities. The shares of Stock issued under the Plan shall

not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and shall be "restricted securities" as that term is defined in Rule 144 under the Securities Act. Accordingly, the shares of Stock will be subject to restrictions on transferability and sale and may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration under the Securities Act, the availability of which is to be established to the satisfaction of the Company. Certificates for shares of Stock issued under the Plan shall bear a restrictive legend consistent with the foregoing.

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Article VI
AMENDMENT, MODIFICATION, AND TERMINATION OF THE PLAN

The Board may at any time terminate and from time to time may amend or modify the Plan. Unless terminated earlier by the Board, the Plan shall terminate upon the expiration of five years after the date of the adoption of the Plan. Any amendment or modification of the Plan by the Board may be accomplished without approval of the stockholders of the Company, except if such amendment or modification would increase the total number of shares of Stock available under the Plan or otherwise require stockholder approval under any law or regulation governing the Company or under any applicable listing standards of national securities exchanges.

Article VII
TAX WITHHOLDING

Whenever shares of Stock are to be issued under the Plan, the Company shall have the right to require the recipient of the shares of Stock to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements, if any.

Article VIII
REQUIREMENTS OF LAW

8.1 Requirements of Law. The issuance of shares of Stock under the Plan

shall be subject to all applicable laws, rules, and regulations, and to such approvals or authorizations by any governmental agencies or national securities exchanges as may be required.

8.2 Governing Law. The Plan shall be construed in accordance with and

governed by the laws of the State of Colorado.

This ST. MARY LAND & EXPLORATION COMPANY NON-EMPLOYEE DIRECTOR STOCK COMPENSATION PLAN was adopted by the Board of Directors of St. Mary Land & Exploration Company on March 27, 2003, to be effective upon adoption. ST. MARY LAND & EXPLORATION COMPANY

By: /s/ MARK A. HELLERSTEIN

Mark A. Hellerstein
Chairman of the Board of Directors,
President and Chief Executive Officer

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GUARANTY AGREEMENT

by

ST. MARY ENERGY COMPANY

in favor of

WACHOVIA BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT

January 27, 2003

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GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty Agreement") made by the undersigned
guarantor (hereinafter called "Guarantor"), is in favor of Wachovia Bank,
National Association, as Administrative Agent (the "Administrative Agent") for
the lenders (the "Lenders") signatory to the Credit Agreement defined below.

R E C I T A L S :

A. On even date herewith, St. Mary Land & Exploration Company, a Delaware corporation (hereinafter called "Borrower"), the Administrative Agent, and the Lenders have entered into that certain Credit Agreement (as the same may be amended or supplemented from time to time, the "Credit Agreement"), whereby, pursuant to the terms and conditions contained therein, the Lenders agreed to make loans to and extend credit on behalf of the Borrower; and

B. One of the terms and conditions stated in the Credit Agreement for the making of the loans and extensions of credit described therein is the execution and delivery to the Administrative Agent for the benefit of the Lenders of this Guaranty Agreement;

NOW, THEREFORE, (i) in order to comply with the terms and conditions of the Credit Agreement, (ii) to induce the Lenders, at any time or from time to time, to loan monies and extend credit, with or without security, to or for the account of Borrower in accordance with the terms of the Credit Agreement, (iii) at the special insistence and request of the Lenders, and (iv) for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor hereby agrees as follows:

ARTICLE 1

General Terms

Section 1.1 Terms Defined Above. As used in this Guaranty Agreement, the terms "Administrative Agent", "Borrower", "Credit Agreement", "Guarantor" and "Lenders" shall have the meanings indicated above.

Section 1.2 Certain Definitions. As used in this Guaranty Agreement, the following terms shall have the following meanings, unless the context otherwise requires (terms defined in the singular shall have the same meanings when used in the plural and vice versa):

"Contribution Obligation" shall mean an amount equal, at any time and from time to time and for each respective Subsidiary Guarantor, to the product of (i) its Contribution Percentage times (ii) the sum of all payments made previous to or at the time of calculation by all Subsidiary Guarantors in respect of the Liabilities, as a Subsidiary Guarantor (less the amount of any such payments previously returned to any Subsidiary Guarantor by operation of law or otherwise, but not including payments received by any Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements); provided, however, such Contribution Obligation for any Subsidiary Guarantor shall in no event exceed such Subsidiary Guarantor's Maximum Guaranteed Amount, as defined in the respective Guaranty Agreement of such Subsidiary Guarantor.

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"Contribution Percentage" shall mean for any Subsidiary Guarantor for any applicable date as of which such percentage is being determined, an amount equal to the quotient of (i) the Net Worth of such Subsidiary Guarantor as of such date, divided by (ii) the sum of the Net Worth of all the Subsidiary Guarantors as of such date.

"Guarantor Claims" shall have the meaning indicated in Section 4.1 hereof.

"Guaranty Agreement" shall mean this Guaranty Agreement, and where the context indicates, the "Guaranty Agreement" (as defined in the Credit Agreement) of any other Subsidiary Guarantor, as the same may from time to time be amended, modified or supplemented.

"Liabilities" shall mean (a) any and all Indebtedness, obligations and liabilities of the Borrower pursuant to the Credit Agreement and any other Loan Document, including without limitation, the unpaid principal of and interest on the Notes, including without limitation, interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceeding; (b) any additional loans made by the Lenders to the Borrower; (c) payment of and performance of any and all present or future obligations of the Borrower to any Lender or any Affiliate of such Lender under any Swap Agreement between the Borrower and any Lender or any Affiliate of such Lender; (d) any and all other indebtedness, obligations and liabilities of any kind of the Borrower

to the Lenders, now or hereafter existing, arising directly between the Borrower and the Lenders or acquired outright, as a participation, conditionally or as collateral security from another by the Lenders, absolute or contingent, joint and/or several, secured or unsecured, due or not due, arising by operation of law or otherwise, or direct or indirect, including indebtedness, obligations and liabilities to the Lenders of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise; and (e) all renewals, rearrangements, increases, extensions for any period, amendments or supplements in whole or in part of the Notes or any documents evidencing the above

"Maximum Guaranteed Amount" shall mean, for the Guarantor, the greater of

(i) the "reasonably equivalent value" or "fair consideration" (or equivalent concept) received by the Guarantor in exchange for the obligation incurred hereunder, within the meaning of any applicable state or federal fraudulent conveyance or transfer laws; or (ii) the lesser of (A) the maximum amount that will not render the Guarantor insolvent, or (B) the maximum amount that will not leave the Guarantor with any property deemed an unreasonably small capital. Clauses (A) and (B) are and shall be determined pursuant to and as of the appropriate date mandated by such applicable state or federal fraudulent conveyance or transfer laws and to the extent allowed by law take into account the rights to contribution and subrogation under Section 2.9 in each Guaranty Agreement so as to provide for the largest Maximum Guaranteed Amount possible.

"Net Payments" shall mean an amount equal, at any time and from time to

time and for each respective Subsidiary Guarantor, to the difference of (i) the sum of all payments made previous to or at the time of calculation by such Subsidiary Guarantor in respect of the Liabilities, as a Subsidiary Guarantor, and in respect of its obligations contained in this Guaranty Agreement, less (ii) the sum of all such payments previously returned to such Subsidiary

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Guarantor by operation of law or otherwise and including payments received by such Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements.

"Net Worth" shall mean for any Subsidiary Guarantor, determined in

accordance with GAAP and calculated on and as of any applicable date on which such amount is being determined, the difference between (i) the sum of all such Subsidiary Guarantor's property, at a fair valuation and as of such date, minus (ii) the sum of all such Subsidiary Guarantor's debts, at a fair valuation and as of such date, excluding the Liabilities.

"Subsidiary Guarantors" shall mean the Subsidiaries or other Persons party

to a Guaranty Agreement, including the Guarantor.

Section 1.3 Credit Agreement Definitions. Unless otherwise defined herein,

all terms beginning with a capital letter which are defined in the Credit Agreement shall have the same meanings herein as therein.

ARTICLE 2

The Guaranty

Section 2.1 Liabilities Guaranteed. Guarantor hereby irrevocably and

unconditionally guarantees the prompt payment of the Liabilities when due, whether at maturity or otherwise; provided, however, that, notwithstanding anything herein or in any other Loan Document to the contrary, the maximum liability of Guarantor hereunder shall in no event exceed the Maximum Guaranteed Amount.

Section 2.2 Nature of Guaranty. This Guaranty Agreement is an absolute,

irrevocable, completed and continuing guaranty of payment and not a guaranty of collection, and no notice of the Liabilities or any extension of credit already or hereafter contracted by or extended to Borrower need be given to Guarantor. This Guaranty Agreement may not be revoked by Guarantor and shall continue to be effective with respect to debt under the Liabilities arising or created after any attempted revocation by Guarantor and shall remain in full force and effect until the Liabilities are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto no Liabilities may be outstanding. Borrower and the Lenders may modify, alter, rearrange, extend for any period and/or renew from time to time, the Liabilities, and the Lenders may waive any Default or Events of Default without notice to the Guarantor and in such event Guarantor will remain fully bound hereunder on the Liabilities. This

Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Liabilities is rescinded or must otherwise be returned by any of the Lenders upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment had not been made. This Guaranty Agreement may be enforced by the Administrative Agent and any subsequent holder of any of the Liabilities and shall not be discharged by the assignment or negotiation of all or part of the Liabilities. Guarantor hereby expressly waives presentment, demand, notice of non-payment, protest and notice of protest and dishonor, notice of Default or Event of Default, notice of intent to accelerate the maturity and notice of acceleration of the maturity and any other notice in connection with the Liabilities, and also notice of acceptance of this Guaranty Agreement, acceptance on the part of the Lenders

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being conclusively presumed by the Lenders' request for this Guaranty Agreement and delivery of the same to the Administrative Agent.

Section 2.3 Administrative Agent's Rights. Guarantor authorizes the

Administrative Agent, without notice or demand and without affecting Guarantor's liability hereunder, to obtain a guaranty of the Liabilities from any one or more Persons and at any time or times to enforce, waive, rearrange, modify, limit or release any of such other Persons from their obligations under such guaranties.

Section 2.4 Guarantor's Waivers.

(a) General. Guarantor waives any right to require any of the Lenders

to (i) proceed against Borrower or any other person liable on the Liabilities, (ii) enforce any of their rights against any other guarantor of the Liabilities including but not limited to the Subsidiary Guarantors (iii) proceed or enforce any of their rights against or exhaust any security given to secure the Liabilities (iv) have Borrower joined with Guarantor in any suit arising out of this Guaranty Agreement and/or the Liabilities, or (v) pursue any other remedy in the Lenders' powers whatsoever. The Lenders shall not be required to mitigate damages or take any action to reduce, collect or enforce the Liabilities. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power, or other defense of Borrower or any other guarantor of the Liabilities, and shall remain liable hereon regardless of whether Borrower or any other guarantor be found not liable thereon for any reason. Whether and when to exercise any of the remedies of the Lenders under any of the Loan Documents shall be in the sole and absolute discretion of the Administrative Agent, and no delay by the Administrative Agent in enforcing any remedy, including delay in conducting a foreclosure sale, shall be a defense to the Guarantor's liability under this Guaranty Agreement. To the extent allowed by applicable law, the Guarantor hereby waives any good faith duty on the part of the Administrative Agent in exercising any remedies provided in the Loan Documents.

(b) Subrogation. Until the Liabilities have been paid in full, the

Guarantor waives all rights of subrogation or reimbursement against the Borrower, whether arising by contract or operation of law (including, without limitation, any such right arising under any federal or state bankruptcy or insolvency laws) and waives any right to enforce any remedy which the Lenders now have or may hereafter have against the Borrower, and waives any benefit or any right to participate in any security now or hereafter held by the Administrative Agent or any Lender.

Section 2.5 Maturity of Liabilities; Payment. Guarantor agrees that if the

maturity of any of the Liabilities is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty Agreement without demand or notice to Guarantor. Guarantor will, forthwith upon notice from the Administrative Agent, pay to the Administrative Agent the amount due and unpaid by Borrower and guaranteed hereby. The failure of the Administrative Agent to give this notice shall not in any way release Guarantor hereunder.

Section 2.6 Administrative Agent's Expenses. If Guarantor fails to pay the

Liabilities after notice from the Administrative Agent of Borrower's failure to

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pay any Liabilities when due, and if the Administrative Agent obtains the services of an attorney for collection of amounts owing by Guarantor hereunder, or obtaining advice of counsel in respect of any aspect of this Guaranty Agreement, or if suit is filed to enforce this Guaranty Agreement, or if proceedings are had in any bankruptcy, probate, receivership or other judicial

proceedings for the establishment or collection of any amount owing by Guarantor hereunder, or if any amount owing by Guarantor hereunder is collected through such proceedings, Guarantor agrees to pay to the Administrative Agent the Administrative Agent's reasonable attorneys' fees.

Section 2.7 Liability. It is expressly agreed that the liability of the -----
Guarantor for the payment of the Liabilities guaranteed hereby shall be primary and not secondary.

Section 2.8 Events and Circumstances Not Reducing or Discharging -----
Guarantor's Obligations. Guarantor hereby consents and agrees to each of the -----

following to the fullest extent permitted by law, and agrees that Guarantor's obligations under this Guaranty Agreement shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

(a) Modifications, etc. Any renewal, extension, modification, -----
increase, decrease, alteration or rearrangement of all or any part of the Liabilities, or of the Notes, any Loan Document or the Credit Agreement or any instrument executed in connection therewith, or any contract or understanding between Borrower and any of the Lenders, or any other Person, pertaining to the Liabilities.

(b) Adjustment, etc. Any adjustment, indulgence, forbearance or -----
compromise that might be granted or given by any of the Lenders to Borrower or Guarantor or any Person liable on the Liabilities.

(c) Condition of Borrower or Guarantor. The insolvency, bankruptcy -----
arrangement, adjustment, composition, liquidation, disability, dissolution, death or lack of power of Borrower or Guarantor or any other Person at any time liable for the payment of all or part of the Liabilities; or any dissolution of Borrower or Guarantor, or any sale, lease or transfer of any or all of the assets of Borrower or Guarantor, or any changes in the shareholders, partners, or members of Borrower or Guarantor; or any reorganization of Borrower or Guarantor.

(d) Invalidity of Liabilities. The invalidity, illegality or -----
unenforceability of all or any part of the Liabilities, or any document or agreement executed in connection with the Liabilities, for any reason whatsoever, including without limitation the fact that the Liabilities, or any part thereof, exceed the amount permitted by law, the act of creating the Liabilities or any part thereof is ultra vires, the officers or representatives -----
executing the documents or otherwise creating the Liabilities acted in excess of their authority, the Liabilities violate applicable usury laws, the Borrower has valid defenses, claims or offsets (whether at law, in equity or by agreement) which render the Liabilities wholly or partially uncollectible from Borrower, the creation, performance or repayment of the Liabilities (or the execution, delivery and performance of any document or instrument representing part of the Liabilities or executed in connection with the Liabilities, or given to secure the repayment of the Liabilities) is illegal, uncollectible, legally impossible or unenforceable, or the Credit Agreement or other documents or instruments

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pertaining to the Liabilities have been forged or otherwise are irregular or not genuine or authentic.

(e) Release of Obligors. Any full or partial release of the liability -----
of Borrower on the Liabilities or any part thereof, of any co-guarantors, or any other Person now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Liabilities or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Liabilities in full without assistance or support of any other Person, and Guarantor has not been induced to enter into this Guaranty Agreement on the basis of a contemplation, belief, understanding or agreement that other parties other than the Borrower will be liable to perform the Liabilities, or the Lenders will look to other parties to perform the Liabilities.

(f) Other Security. The taking or accepting of any other security, -----
collateral or guaranty, or other assurance of payment, for all or any part of the Liabilities.

(g) Release of Collateral, etc. Any release, surrender, exchange,

subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security, at any time existing in connection with, or assuring or securing payment of, all or any part of the Liabilities.

(h) Care and Diligence. The failure of the Lenders or any other Person

to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of such collateral, property or security; provided, however, that Lenders shall act in a "commercially reasonable" manner as required by applicable provisions of Article 9 of the Uniform Commercial Code as presently in effect in the State of Texas when exercising their rights under that certain Pledge and Security Agreement by and between Borrower and Administrative Agent of even date herewith.

(i) Status of Liens. The fact that any collateral, security, security

interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Liabilities shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it being recognized and agreed by Guarantor that Guarantor is not entering into this Guaranty Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the collateral for the Liabilities.

(j) Payments Rescinded. Any payment by Borrower to the Lenders is held

to constitute a preference under the bankruptcy laws, or for any reason the Lenders are required to refund such payment or pay such amount to Borrower or someone else.

(k) Other Actions Taken or Omitted. Any other action taken or omitted

to be taken with respect to the Credit Agreement, the Liabilities, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Liabilities pursuant to the terms hereof; it being the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay

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the Liabilities when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, except for the full and final payment and satisfaction of the Liabilities.

Section 2.9 Right of Subrogation and Contribution. If Guarantor makes a

payment in respect of the Liabilities, it shall be subrogated to the rights of the Lenders against the Borrower with respect to such payment and shall have the rights of contribution against the other Subsidiary Guarantors set forth in Section 2.9 of any other Guaranty Agreements; provided that Guarantor shall not enforce its rights to any payment by way of subrogation or by exercising its rights of contribution or reimbursement or the right to participate in any security now or hereafter held by or for the benefit of the Lenders until all of the Liabilities have been paid in full. The Guarantor agrees that after all the Liabilities have been paid in full if its then current Net Payments are less than the amount of its then current Contribution Obligation, Guarantor shall pay to any other Subsidiary Guarantors an amount (together with any payments required of the other Subsidiary Guarantors by Section 2.9 of each other Guaranty Agreement) such that the Net Payments made by all Subsidiary Guarantors in respect of the Liabilities shall be shared among all of the Subsidiary Guarantors in a proportion equal to their respective Contribution Percentage; provided, however, Guarantor need not make any such payment if at the time such

payment is to be made Guarantor is illiquid and not making such payment will not render any other Subsidiary Guarantor insolvent.

ARTICLE 3

Representations and Warranties

Section 3.1 By Guarantor. In order to induce the Lenders to accept this

Guaranty Agreement, Guarantor represents and warrants to the Lenders (which representations and warranties will survive the creation of the Liabilities and any extension of credit thereunder) that:

(a) Benefit to Guarantor. Guarantor's guaranty pursuant to this

Guaranty Agreement reasonably may be expected to benefit, directly or

indirectly, Guarantor.

(b) Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(c) Power and Authorization. Guarantor is duly authorized and empowered to execute, deliver and perform this Guaranty Agreement and all necessary action on Guarantor's part requisite for the due execution, delivery and performance of this Guaranty Agreement has been duly and effectively taken.

(d) Binding Obligations. This Guaranty Agreement constitutes valid and binding obligations of Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principals of equity, regardless of whether considered in a proceeding in equity or at law.

(e) Governmental Approvals; No Conflicts. This Guaranty Agreement (a) does not require any consent or approval of, registration or filing with, or any

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other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor, and (d) will not result in the creation or imposition of any Lien on any asset of the Guarantor.

(f) Solvency. The Guarantor hereby represents that (i) it is not insolvent as of the date hereof and will not be rendered insolvent as a result of this Guaranty Agreement, (ii) it is not engaged in a business or a transaction, or about to engage in a business or a transaction, for which any property or assets remaining with such Guarantor thereafter is unreasonably small capital, and (iii) it does not intend to incur, or believe it will incur, debts that will be beyond its ability to pay as such debts mature.

Section 3.2 No Representation by Lenders. Neither the Lenders nor any other Person has made any representation, warranty or statement to the Guarantor in order to induce the Guarantor to execute this Guaranty Agreement.

ARTICLE 4

Subordination of Indebtedness

Section 4.1 Subordination of All Guarantor Claims. As used herein, the term "Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligation of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the person or persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower arising as a result of subrogation or otherwise as a result of Guarantor's payment of all or a portion of the Liabilities. During the continuance of any Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

Section 4.2 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Borrower as debtor, the Lenders shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. In such event, Guarantor hereby assigns such dividends and payments to the Lenders. Should the Administrative Agent or any Lender receive, for application upon the Liabilities, any such dividend or payment which is otherwise payable to Guarantor, and which, as between Borrower and Guarantor, shall constitute a credit upon the Guarantor Claims, then upon payment in full of the Liabilities, Guarantor shall become subrogated to the rights of the Lenders to the extent

that such payments to the Lenders on the Guarantor Claims have contributed

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toward the liquidation of the Liabilities, and such subrogation shall be with respect to that portion of the Liabilities which would have been unpaid if the Administrative Agent or a Lender had not received dividends or payments upon the Guarantor Claims.

Section 4.3 Payments Held in Trust. In the event that notwithstanding

Sections 4.1 and 4.2 above, Guarantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, Guarantor agrees to hold in trust for the Lenders an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, and Guarantor covenants promptly to pay the same to the Administrative Agent.

Section 4.4 Liens Subordinate. Guarantor agrees that any liens, security

interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Liabilities, regardless of whether such encumbrances in favor of Guarantor, the Administrative Agent or the Lenders presently exist or are hereafter created or attach. Without the prior written consent of the Lenders, Guarantor shall not (a) exercise or enforce any creditor's right it may have against the Borrower, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any lien, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

Section 4.5 Notation of Records. All promissory notes, or other instruments

evidencing the Guarantor Claims accepted by or held by Guarantor (if any) shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty Agreement.

ARTICLE 5

Miscellaneous

Section 5.1 Successors and Assigns. This Guaranty Agreement is and shall be

in every particular available to the successors and assigns of the Lenders and is and shall always be fully binding upon the legal representatives, heirs, successors and assigns of Guarantor, notwithstanding that some or all of the monies, the repayment of which this Guaranty Agreement applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, disability or other event affecting Guarantor.

Section 5.2 Notices. Any notice or demand to Guarantor under or in

connection with this Guaranty Agreement may be given and shall conclusively be deemed and considered to have been given and received in accordance with Section 12.02 of the Credit Agreement, addressed to Guarantor at the address on the signature page hereof or at such other address provided to the Administrative Agent in writing.

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Section 5.3 Business and Financial Information. The Guarantor will promptly

furnish to the Administrative Agent and the Lenders from time to time upon request such information regarding the business and affairs and financial condition of the Guarantor and its subsidiaries as the Administrative Agent and the Lenders may reasonably request.

Section 5.4 Choice of Law. This Guaranty Agreement (including, but not

limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.5 Invalidity. In the event that any one or more of the provisions

contained in this Guaranty Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty

Agreement.

Section 5.6 ENTIRE AGREEMENT. THIS WRITTEN GUARANTY AGREEMENT EMBODIES THE

ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE LENDERS AND THE GUARANTOR AND
SUPERSEDES ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING
TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN GUARANTY AGREEMENT
REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED
BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE
PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURES BEGIN ON NEXT PAGE]

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WITNESS THE EXECUTION HEREOF, effective as of the 27th day of January,
2003.

ST. MARY ENERGY COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

Address: 202 Rue Iberville, Suite 110
Lafayette, LA 70508-3295

with copy to:

1776 Lincoln Street, Suite 700
Denver, CO 80203

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GUARANTY AGREEMENT

by

ST. MARY OPERATING COMPANY

in favor of

WACHOVIA BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT

January 27, 2003

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GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty Agreement") made by the undersigned

guarantor (hereinafter called "Guarantor"), is in favor of Wachovia Bank,

National Association, as Administrative Agent (the "Administrative Agent") for

the lenders (the "Lenders") signatory to the Credit Agreement defined below.

R E C I T A L S :

A. On even date herewith, St. Mary Land & Exploration Company, a Delaware corporation (hereinafter called "Borrower"), the Administrative Agent, -----
and the Lenders have entered into that certain Credit Agreement (as the same may be amended or supplemented from time to time, the "Credit Agreement"), whereby, -----
pursuant to the terms and conditions contained therein, the Lenders agreed to make loans to and extend credit on behalf of the Borrower; and

B. One of the terms and conditions stated in the Credit Agreement for the making of the loans and extensions of credit described therein is the execution and delivery to the Administrative Agent for the benefit of the Lenders of this Guaranty Agreement;

NOW, THEREFORE, (i) in order to comply with the terms and conditions of the Credit Agreement, (ii) to induce the Lenders, at any time or from time to time, to loan monies and extend credit, with or without security, to or for the account of Borrower in accordance with the terms of the Credit Agreement, (iii) at the special insistence and request of the Lenders, and (iv) for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor hereby agrees as follows:

ARTICLE 1

General Terms

Section 1.1 Terms Defined Above. As used in this Guaranty Agreement, the -----
terms "Administrative Agent", "Borrower", "Credit Agreement", "Guarantor" and "Lenders" shall have the meanings indicated above.

Section 1.2 Certain Definitions. As used in this Guaranty Agreement, the -----
following terms shall have the following meanings, unless the context otherwise requires (terms defined in the singular shall have the same meanings when used in the plural and vice versa):

"Contribution Obligation" shall mean an amount equal, at any time and from -----
time to time and for each respective Subsidiary Guarantor, to the product of (i) its Contribution Percentage times (ii) the sum of all payments made previous to or at the time of calculation by all Subsidiary Guarantors in respect of the Liabilities, as a Subsidiary Guarantor (less the amount of any such payments previously returned to any Subsidiary Guarantor by operation of law or otherwise, but not including payments received by any Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements); provided, however, such Contribution Obligation for any Subsidiary Guarantor shall in no event exceed such Subsidiary Guarantor's Maximum Guaranteed Amount, as defined in the respective Guaranty Agreement of such Subsidiary Guarantor.

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"Contribution Percentage" shall mean for any Subsidiary Guarantor for any -----
applicable date as of which such percentage is being determined, an amount equal to the quotient of (i) the Net Worth of such Subsidiary Guarantor as of such date, divided by (ii) the sum of the Net Worth of all the Subsidiary Guarantors as of such date.

"Guarantor Claims" shall have the meaning indicated in Section 4.1 hereof.

"Guaranty Agreement" shall mean this Guaranty Agreement, and where the -----
context indicates, the "Guaranty Agreement" (as defined in the Credit Agreement) of any other Subsidiary Guarantor, as the same may from time to time be amended, modified or supplemented.

"Liabilities" shall mean (a) any and all Indebtedness, obligations and -----
liabilities of the Borrower pursuant to the Credit Agreement and any other Loan Document, including without limitation, the unpaid principal of and interest on the Notes, including without limitation, interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar

proceeding; (b) any additional loans made by the Lenders to the Borrower; (c) payment of and performance of any and all present or future obligations of the Borrower to any Lender or any Affiliate of such Lender under any Swap Agreement between the Borrower and any Lender or any Affiliate of such Lender; (d) any and all other indebtedness, obligations and liabilities of any kind of the Borrower to the Lenders, now or hereafter existing, arising directly between the Borrower and the Lenders or acquired outright, as a participation, conditionally or as collateral security from another by the Lenders, absolute or contingent, joint and/or several, secured or unsecured, due or not due, arising by operation of law or otherwise, or direct or indirect, including indebtedness, obligations and liabilities to the Lenders of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise; and (e) all renewals, rearrangements, increases, extensions for any period, amendments or supplements in whole or in part of the Notes or any documents evidencing the above

"Maximum Guaranteed Amount" shall mean, for the Guarantor, the greater of

(i) the "reasonably equivalent value" or "fair consideration" (or equivalent concept) received by the Guarantor in exchange for the obligation incurred hereunder, within the meaning of any applicable state or federal fraudulent conveyance or transfer laws; or (ii) the lesser of (A) the maximum amount that will not render the Guarantor insolvent, or (B) the maximum amount that will not leave the Guarantor with any property deemed an unreasonably small capital. Clauses (A) and (B) are and shall be determined pursuant to and as of the appropriate date mandated by such applicable state or federal fraudulent conveyance or transfer laws and to the extent allowed by law take into account the rights to contribution and subrogation under Section 2.9 in each Guaranty Agreement so as to provide for the largest Maximum Guaranteed Amount possible.

"Net Payments" shall mean an amount equal, at any time and from time to

time and for each respective Subsidiary Guarantor, to the difference of (i) the sum of all payments made previous to or at the time of calculation by such Subsidiary Guarantor in respect of the Liabilities, as a Subsidiary Guarantor, and in respect of its obligations contained in this Guaranty Agreement, less (ii) the sum of all such payments previously returned to such Subsidiary Guarantor by operation of law or otherwise and including payments received by such Subsidiary Guarantor by way of its rights of subrogation and contribution

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under Section 2.9 of any other Guaranty Agreements.

"Net Worth" shall mean for any Subsidiary Guarantor, determined in

accordance with GAAP and calculated on and as of any applicable date on which such amount is being determined, the difference between (i) the sum of all such Subsidiary Guarantor's property, at a fair valuation and as of such date, minus (ii) the sum of all such Subsidiary Guarantor's debts, at a fair valuation and as of such date, excluding the Liabilities.

"Subsidiary Guarantors" shall mean the Subsidiaries or other Persons party

to a Guaranty Agreement, including the Guarantor.

Section 1.3 Credit Agreement Definitions. Unless otherwise defined herein,

all terms beginning with a capital letter which are defined in the Credit Agreement shall have the same meanings herein as therein.

ARTICLE 2

The Guaranty

Section 2.1 Liabilities Guaranteed. Guarantor hereby irrevocably and

unconditionally guarantees the prompt payment of the Liabilities when due, whether at maturity or otherwise; provided, however, that, notwithstanding anything herein or in any other Loan Document to the contrary, the maximum liability of Guarantor hereunder shall in no event exceed the Maximum Guaranteed Amount.

Section 2.2 Nature of Guaranty. This Guaranty Agreement is an absolute,

irrevocable, completed and continuing guaranty of payment and not a guaranty of collection, and no notice of the Liabilities or any extension of credit already or hereafter contracted by or extended to Borrower need be given to Guarantor. This Guaranty Agreement may not be revoked by Guarantor and shall continue to be effective with respect to debt under the Liabilities arising or created after any attempted revocation by Guarantor and shall remain in full force and effect until the Liabilities are paid in full and the Commitments are terminated,

notwithstanding that from time to time prior thereto no Liabilities may be outstanding. Borrower and the Lenders may modify, alter, rearrange, extend for any period and/or renew from time to time, the Liabilities, and the Lenders may waive any Default or Events of Default without notice to the Guarantor and in such event Guarantor will remain fully bound hereunder on the Liabilities. This Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Liabilities is rescinded or must otherwise be returned by any of the Lenders upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment had not been made. This Guaranty Agreement may be enforced by the Administrative Agent and any subsequent holder of any of the Liabilities and shall not be discharged by the assignment or negotiation of all or part of the Liabilities. Guarantor hereby expressly waives presentment, demand, notice of non-payment, protest and notice of protest and dishonor, notice of Default or Event of Default, notice of intent to accelerate the maturity and notice of acceleration of the maturity and any other notice in connection with the Liabilities, and also notice of acceptance of this Guaranty Agreement, acceptance on the part of the Lenders

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being conclusively presumed by the Lenders' request for this Guaranty Agreement and delivery of the same to the Administrative Agent.

Section 2.3 Administrative Agent's Rights. Guarantor authorizes the

Administrative Agent, without notice or demand and without affecting Guarantor's liability hereunder, to obtain a guaranty of the Liabilities from any one or more Persons and at any time or times to enforce, waive, rearrange, modify, limit or release any of such other Persons from their obligations under such guaranties.

Section 2.4 Guarantor's Waivers.

(a) General. Guarantor waives any right to require any of the Lenders

to (i) proceed against Borrower or any other person liable on the Liabilities, (ii) enforce any of their rights against any other guarantor of the Liabilities including but not limited to the Subsidiary Guarantors (iii) proceed or enforce any of their rights against or exhaust any security given to secure the Liabilities (iv) have Borrower joined with Guarantor in any suit arising out of this Guaranty Agreement and/or the Liabilities, or (v) pursue any other remedy in the Lenders' powers whatsoever. The Lenders shall not be required to mitigate damages or take any action to reduce, collect or enforce the Liabilities. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power, or other defense of Borrower or any other guarantor of the Liabilities, and shall remain liable hereon regardless of whether Borrower or any other guarantor be found not liable thereon for any reason. Whether and when to exercise any of the remedies of the Lenders under any of the Loan Documents shall be in the sole and absolute discretion of the Administrative Agent, and no delay by the Administrative Agent in enforcing any remedy, including delay in conducting a foreclosure sale, shall be a defense to the Guarantor's liability under this Guaranty Agreement. To the extent allowed by applicable law, the Guarantor hereby waives any good faith duty on the part of the Administrative Agent in exercising any remedies provided in the Loan Documents.

(b) Subrogation. Until the Liabilities have been paid in full, the

Guarantor waives all rights of subrogation or reimbursement against the Borrower, whether arising by contract or operation of law (including, without limitation, any such right arising under any federal or state bankruptcy or insolvency laws) and waives any right to enforce any remedy which the Lenders now have or may hereafter have against the Borrower, and waives any benefit or any right to participate in any security now or hereafter held by the Administrative Agent or any Lender.

Section 2.5 Maturity of Liabilities; Payment. Guarantor agrees that if the

maturity of any of the Liabilities is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty Agreement without demand or notice to Guarantor. Guarantor will, forthwith upon notice from the Administrative Agent, pay to the Administrative Agent the amount due and unpaid by Borrower and guaranteed hereby. The failure of the Administrative Agent to give this notice shall not in any way release Guarantor hereunder.

Section 2.6 Administrative Agent's Expenses. If Guarantor fails to pay the

Liabilities after notice from the Administrative Agent of Borrower's failure to

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pay any Liabilities when due, and if the Administrative Agent obtains the services of an attorney for collection of amounts owing by Guarantor hereunder, or obtaining advice of counsel in respect of any aspect of this Guaranty Agreement, or if suit is filed to enforce this Guaranty Agreement, or if proceedings are had in any bankruptcy, probate, receivership or other judicial proceedings for the establishment or collection of any amount owing by Guarantor hereunder, or if any amount owing by Guarantor hereunder is collected through such proceedings, Guarantor agrees to pay to the Administrative Agent the Administrative Agent's reasonable attorneys' fees.

Section 2.7 Liability. It is expressly agreed that the liability of the -----
Guarantor for the payment of the Liabilities guaranteed hereby shall be primary and not secondary.

Section 2.8 Events and Circumstances Not Reducing or Discharging -----
Guarantor's Obligations. Guarantor hereby consents and agrees to each of the -----
following to the fullest extent permitted by law, and agrees that Guarantor's obligations under this Guaranty Agreement shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

(a) Modifications, etc. Any renewal, extension, modification, -----
increase, decrease, alteration or rearrangement of all or any part of the Liabilities, or of the Notes, any Loan Document or the Credit Agreement or any instrument executed in connection therewith, or any contract or understanding between Borrower and any of the Lenders, or any other Person, pertaining to the Liabilities.

(b) Adjustment, etc. Any adjustment, indulgence, forbearance or -----
compromise that might be granted or given by any of the Lenders to Borrower or Guarantor or any Person liable on the Liabilities.

(c) Condition of Borrower or Guarantor. The insolvency, bankruptcy -----
arrangement, adjustment, composition, liquidation, disability, dissolution, death or lack of power of Borrower or Guarantor or any other Person at any time liable for the payment of all or part of the Liabilities; or any dissolution of Borrower or Guarantor, or any sale, lease or transfer of any or all of the assets of Borrower or Guarantor, or any changes in the shareholders, partners, or members of Borrower or Guarantor; or any reorganization of Borrower or Guarantor.

(d) Invalidity of Liabilities. The invalidity, illegality or -----
unenforceability of all or any part of the Liabilities, or any document or agreement executed in connection with the Liabilities, for any reason whatsoever, including without limitation the fact that the Liabilities, or any part thereof, exceed the amount permitted by law, the act of creating the Liabilities or any part thereof is ultra vires, the officers or representatives -----
executing the documents or otherwise creating the Liabilities acted in excess of their authority, the Liabilities violate applicable usury laws, the Borrower has valid defenses, claims or offsets (whether at law, in equity or by agreement) which render the Liabilities wholly or partially uncollectible from Borrower, the creation, performance or repayment of the Liabilities (or the execution, delivery and performance of any document or instrument representing part of the Liabilities or executed in connection with the Liabilities, or given to secure the repayment of the Liabilities) is illegal, uncollectible, legally impossible or unenforceable, or the Credit Agreement or other documents or instruments

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pertaining to the Liabilities have been forged or otherwise are irregular or not genuine or authentic.

(e) Release of Obligors. Any full or partial release of the liability -----
of Borrower on the Liabilities or any part thereof, of any co-guarantors, or any other Person now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Liabilities or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Liabilities in full without assistance or support of any other Person, and Guarantor has not been induced to enter into this Guaranty Agreement on the basis of a contemplation, belief, understanding or agreement that other parties other than the Borrower will be liable to perform the Liabilities, or the Lenders will look to other parties to perform the Liabilities.

(f) Other Security. The taking or accepting of any other security, ----- collateral or guaranty, or other assurance of payment, for all or any part of the Liabilities.

(g) Release of Collateral, etc. Any release, surrender, exchange, ----- subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security, at any time existing in connection with, or assuring or securing payment of, all or any part of the Liabilities.

(h) Care and Diligence. The failure of the Lenders or any other Person ----- to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of such collateral, property or security; provided, however, that Lenders shall act in a ----- "commercially reasonable" manner as required by applicable provisions of Article 9 of the Uniform Commercial Code as presently in effect in the State of Texas when exercising their rights under that certain Pledge and Security Agreement by and between Borrower and Administrative Agent of even date herewith.

(i) Status of Liens. The fact that any collateral, security, security ----- interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Liabilities shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it being recognized and agreed by Guarantor that Guarantor is not entering into this Guaranty Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the collateral for the Liabilities.

(j) Payments Rescinded. Any payment by Borrower to the Lenders is held ----- to constitute a preference under the bankruptcy laws, or for any reason the Lenders are required to refund such payment or pay such amount to Borrower or someone else.

(k) Other Actions Taken or Omitted. Any other action taken or omitted ----- to be taken with respect to the Credit Agreement, the Liabilities, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Liabilities pursuant to the terms hereof; it being the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay

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the Liabilities when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, except for the full and final payment and satisfaction of the Liabilities.

Section 2.9 Right of Subrogation and Contribution. If Guarantor makes a ----- payment in respect of the Liabilities, it shall be subrogated to the rights of the Lenders against the Borrower with respect to such payment and shall have the rights of contribution against the other Subsidiary Guarantors set forth in Section 2.9 of any other Guaranty Agreements; provided that Guarantor shall not enforce its rights to any payment by way of subrogation or by exercising its rights of contribution or reimbursement or the right to participate in any security now or hereafter held by or for the benefit of the Lenders until all of the Liabilities have been paid in full. The Guarantor agrees that after all the Liabilities have been paid in full if its then current Net Payments are less than the amount of its then current Contribution Obligation, Guarantor shall pay to any other Subsidiary Guarantors an amount (together with any payments required of the other Subsidiary Guarantors by Section 2.9 of each other Guaranty Agreement) such that the Net Payments made by all Subsidiary Guarantors in respect of the Liabilities shall be shared among all of the Subsidiary Guarantors in a proportion equal to their respective Contribution Percentage; provided, however, Guarantor need not make any such payment if at the time such payment is to be made Guarantor is illiquid and not making such payment will not render any other Subsidiary Guarantor insolvent.

ARTICLE 3

Representations and Warranties

Section 3.1 By Guarantor. In order to induce the Lenders to accept this ----- Guaranty Agreement, Guarantor represents and warrants to the Lenders (which representations and warranties will survive the creation of the Liabilities and

any extension of credit thereunder) that:

(a) Benefit to Guarantor. Guarantor's guaranty pursuant to this

Guaranty Agreement reasonably may be expected to benefit, directly or indirectly, Guarantor.

(b) Existence. Guarantor is a corporation duly organized, validly

existing and in good standing under the laws of the State of Colorado.

(c) Power and Authorization. Guarantor is duly authorized and

empowered to execute, deliver and perform this Guaranty Agreement and all necessary action on Guarantor's part requisite for the due execution, delivery and performance of this Guaranty Agreement has been duly and effectively taken.

(d) Binding Obligations. This Guaranty Agreement constitutes valid and

binding obligations of Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principals of equity, regardless of whether considered in a proceeding in equity or at law.

(e) Governmental Approvals; No Conflicts. This Guaranty Agreement (a)

does not require any consent or approval of, registration or filing with, or any

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other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor, and (d) will not result in the creation or imposition of any Lien on any asset of the Guarantor.

(f) Solvency. The Guarantor hereby represents that (i) it is not

insolvent as of the date hereof and will not be rendered insolvent as a result of this Guaranty Agreement, (ii) it is not engaged in a business or a transaction, or about to engage in a business or a transaction, for which any property or assets remaining with such Guarantor thereafter is unreasonably small capital, and (iii) it does not intend to incur, or believe it will incur, debts that will be beyond its ability to pay as such debts mature.

Section 3.2 No Representation by Lenders. Neither the Lenders nor any other

Person has made any representation, warranty or statement to the Guarantor in order to induce the Guarantor to execute this Guaranty Agreement.

ARTICLE 4 -----

Subordination of Indebtedness -----

Section 4.1 Subordination of All Guarantor Claims. As used herein, the term

"Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligation of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the person or persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower arising as a result of subrogation or otherwise as a result of Guarantor's payment of all or a portion of the Liabilities. During the continuance of any Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

Section 4.2 Claims in Bankruptcy. In the event of receivership, bankruptcy,

reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Borrower as debtor, the Lenders shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. In such event, Guarantor hereby assigns such dividends and payments to the Lenders. Should the

Administrative Agent or any Lender receive, for application upon the Liabilities, any such dividend or payment which is otherwise payable to Guarantor, and which, as between Borrower and Guarantor, shall constitute a credit upon the Guarantor Claims, then upon payment in full of the Liabilities, Guarantor shall become subrogated to the rights of the Lenders to the extent that such payments to the Lenders on the Guarantor Claims have contributed toward the liquidation of the Liabilities, and such subrogation shall be with

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respect to that portion of the Liabilities which would have been unpaid if the Administrative Agent or a Lender had not received dividends or payments upon the Guarantor Claims.

Section 4.3 Payments Held in Trust. In the event that notwithstanding

Sections 4.1 and 4.2 above, Guarantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, Guarantor agrees to hold in trust for the Lenders an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, and Guarantor covenants promptly to pay the same to the Administrative Agent.

Section 4.4 Liens Subordinate. Guarantor agrees that any liens, security

interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Liabilities, regardless of whether such encumbrances in favor of Guarantor, the Administrative Agent or the Lenders presently exist or are hereafter created or attach. Without the prior written consent of the Lenders, Guarantor shall not (a) exercise or enforce any creditor's right it may have against the Borrower, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any lien, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

Section 4.5 Notation of Records. All promissory notes, or other instruments

evidencing the Guarantor Claims accepted by or held by Guarantor (if any) shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty Agreement.

ARTICLE 5

Miscellaneous

Section 5.1 Successors and Assigns. This Guaranty Agreement is and shall be

in every particular available to the successors and assigns of the Lenders and is and shall always be fully binding upon the legal representatives, heirs, successors and assigns of Guarantor, notwithstanding that some or all of the monies, the repayment of which this Guaranty Agreement applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, disability or other event affecting Guarantor.

Section 5.2 Notices. Any notice or demand to Guarantor under or in

connection with this Guaranty Agreement may be given and shall conclusively be deemed and considered to have been given and received in accordance with Section 12.02 of the Credit Agreement, addressed to Guarantor at the address on the signature page hereof or at such other address provided to the Administrative Agent in writing.

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Section 5.3 Business and Financial Information. The Guarantor will promptly

furnish to the Administrative Agent and the Lenders from time to time upon request such information regarding the business and affairs and financial condition of the Guarantor and its subsidiaries as the Administrative Agent and the Lenders may reasonably request.

Section 5.4 Choice of Law. This Guaranty Agreement (including, but not

limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.5 Invalidity. In the event that any one or more of the provisions

contained in this Guaranty Agreement shall, for any reason, be held invalid,
illegal or unenforceable in any respect, such invalidity, illegality or
unenforceability shall not affect any other provision of this Guaranty
Agreement.

Section 5.6 ENTIRE AGREEMENT. THIS WRITTEN GUARANTY AGREEMENT EMBODIES THE

ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE LENDERS AND THE GUARANTOR AND
SUPERSEDES ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING
TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN GUARANTY AGREEMENT
REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED
BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE
PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURES BEGIN ON NEXT PAGE]

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WITNESS THE EXECUTION HEREOF, effective as of the 27th day of January,
2003.

ST. MARY OPERATING COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

Address: 7060 So. Yale, Suite 800
Tulsa, OK 74136-5741

with copy to:

1776 Lincoln Street, Suite 700
Denver, CO 80203

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GUARANTY AGREEMENT

by

NANCE PETROLEUM CORPORATION

in favor of

WACHOVIA BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT

January 27, 2003

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National Association, as Administrative Agent (the "Administrative Agent") for
the lenders (the "Lenders") signatory to the Credit Agreement defined below.

R E C I T A L S:

A. On even date herewith, St. Mary Land & Exploration Company, a Delaware corporation (hereinafter called "Borrower"), the Administrative Agent, and the Lenders have entered into that certain Credit Agreement (as the same may be amended or supplemented from time to time, the "Credit Agreement"), whereby, pursuant to the terms and conditions contained therein, the Lenders agreed to make loans to and extend credit on behalf of the Borrower; and

B. One of the terms and conditions stated in the Credit Agreement for the making of the loans and extensions of credit described therein is the execution and delivery to the Administrative Agent for the benefit of the Lenders of this Guaranty Agreement;

NOW, THEREFORE, (i) in order to comply with the terms and conditions of the Credit Agreement, (ii) to induce the Lenders, at any time or from time to time, to loan monies and extend credit, with or without security, to or for the account of Borrower in accordance with the terms of the Credit Agreement, (iii) at the special insistence and request of the Lenders, and (iv) for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor hereby agrees as follows:

ARTICLE I

General Terms

Section 1.1 Terms Defined Above. As used in this Guaranty Agreement, the terms "Administrative Agent", "Borrower", "Credit Agreement", "Guarantor" and "Lenders" shall have the meanings indicated above.

Section 1.2 Certain Definitions. As used in this Guaranty Agreement, the following terms shall have the following meanings, unless the context otherwise requires (terms defined in the singular shall have the same meanings when used in the plural and vice versa):

"Contribution Obligation" shall mean an amount equal, at any time and from time to time and for each respective Subsidiary Guarantor, to the product of (i) its Contribution Percentage times (ii) the sum of all payments made previous to or at the time of calculation by all Subsidiary Guarantors in respect of the Liabilities, as a Subsidiary Guarantor (less the amount of any such payments previously returned to any Subsidiary Guarantor by operation of law or otherwise, but not including payments received by any Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements); provided, however, such Contribution Obligation for any Subsidiary Guarantor shall in no event exceed such Subsidiary Guarantor's Maximum Guaranteed Amount, as defined in the respective Guaranty Agreement of such Subsidiary Guarantor.

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"Contribution Percentage" shall mean for any Subsidiary Guarantor for any applicable date as of which such percentage is being determined, an amount equal to the quotient of (i) the Net Worth of such Subsidiary Guarantor as of such date, divided by (ii) the sum of the Net Worth of all the Subsidiary Guarantors as of such date.

"Guarantor Claims" shall have the meaning indicated in Section 4.1 hereof.

"Guaranty Agreement" shall mean this Guaranty Agreement, and where the context indicates, the "Guaranty Agreement" (as defined in the Credit Agreement) of any other Subsidiary Guarantor, as the same may from time to time be amended, modified or supplemented.

"Liabilities" shall mean (a) any and all Indebtedness, obligations and liabilities of the Borrower pursuant to the Credit Agreement and any other Loan Document, including without limitation, the unpaid principal of and interest on the Notes, including without limitation, interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceeding; (b) any additional loans made by the Lenders to the Borrower; (c) payment of and performance of any and all present or future obligations of the Borrower to any Lender or any Affiliate of such Lender under any Swap Agreement between the Borrower and any Lender or any Affiliate of such Lender; (d) any and all other indebtedness, obligations and liabilities of any kind of the Borrower to the Lenders, now or hereafter existing, arising directly between the Borrower and the Lenders or acquired outright, as a participation, conditionally or as collateral security from another by the Lenders, absolute or contingent, joint and/or several, secured or unsecured, due or not due, arising by operation of law or otherwise, or direct or indirect, including indebtedness, obligations and liabilities to the Lenders of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise; and (e) all renewals, rearrangements, increases, extensions for any period, amendments or supplements in whole or in part of the Notes or any documents evidencing the above

"Maximum Guaranteed Amount" shall mean, for the Guarantor, the greater of (i) the "reasonably equivalent value" or "fair consideration" (or equivalent concept) received by the Guarantor in exchange for the obligation incurred hereunder, within the meaning of any applicable state or federal fraudulent conveyance or transfer laws; or (ii) the lesser of (A) the maximum amount that will not render the Guarantor insolvent, or (B) the maximum amount that will not leave the Guarantor with any property deemed an unreasonably small capital. Clauses (A) and (B) are and shall be determined pursuant to and as of the appropriate date mandated by such applicable state or federal fraudulent conveyance or transfer laws and to the extent allowed by law take into account the rights to contribution and subrogation under Section 2.9 in each Guaranty Agreement so as to provide for the largest Maximum Guaranteed Amount possible.

"Net Payments" shall mean an amount equal, at any time and from time to time and for each respective Subsidiary Guarantor, to the difference of (i) the sum of all payments made previous to or at the time of calculation by such Subsidiary Guarantor in respect of the Liabilities, as a Subsidiary Guarantor, and in respect of its obligations contained in this Guaranty Agreement, less (ii) the sum of all such payments previously returned to such Subsidiary Guarantor by operation of law or otherwise and including payments received by such Subsidiary Guarantor by way of its rights of subrogation and contribution

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under Section 2.9 of any other Guaranty Agreements.

"Net Worth" shall mean for any Subsidiary Guarantor, determined in accordance with GAAP and calculated on and as of any applicable date on which such amount is being determined, the difference between (i) the sum of all such Subsidiary Guarantor's property, at a fair valuation and as of such date, minus (ii) the sum of all such Subsidiary Guarantor's debts, at a fair valuation and as of such date, excluding the Liabilities.

"Subsidiary Guarantors" shall mean the Subsidiaries or other Persons party to a Guaranty Agreement, including the Guarantor.

Section 1.3 Credit Agreement Definitions. Unless otherwise defined herein, all terms beginning with a capital letter which are defined in the Credit Agreement shall have the same meanings herein as therein.

The Guaranty

Section 2.1 Liabilities Guaranteed. Guarantor hereby irrevocably and

unconditionally guarantees the prompt payment of the Liabilities when due, whether at maturity or otherwise; provided, however, that, notwithstanding anything herein or in any other Loan Document to the contrary, the maximum liability of Guarantor hereunder shall in no event exceed the Maximum Guaranteed Amount.

Section 2.2 Nature of Guaranty. This Guaranty Agreement is an absolute,

irrevocable, completed and continuing guaranty of payment and not a guaranty of collection, and no notice of the Liabilities or any extension of credit already or hereafter contracted by or extended to Borrower need be given to Guarantor. This Guaranty Agreement may not be revoked by Guarantor and shall continue to be effective with respect to debt under the Liabilities arising or created after any attempted revocation by Guarantor and shall remain in full force and effect until the Liabilities are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto no Liabilities may be outstanding. Borrower and the Lenders may modify, alter, rearrange, extend for any period and/or renew from time to time, the Liabilities, and the Lenders may waive any Default or Events of Default without notice to the Guarantor and in such event Guarantor will remain fully bound hereunder on the Liabilities. This Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Liabilities is rescinded or must otherwise be returned by any of the Lenders upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment had not been made. This Guaranty Agreement may be enforced by the Administrative Agent and any subsequent holder of any of the Liabilities and shall not be discharged by the assignment or negotiation of all or part of the Liabilities. Guarantor hereby expressly waives presentment, demand, notice of non-payment, protest and notice of protest and dishonor, notice of Default or Event of Default, notice of intent to accelerate the maturity and notice of acceleration of the maturity and any other notice in connection with the Liabilities, and also notice of acceptance of this Guaranty Agreement, acceptance on the part of the Lenders

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being conclusively presumed by the Lenders' request for this Guaranty Agreement and delivery of the same to the Administrative Agent.

Section 2.3 Administrative Agent's Rights. Guarantor authorizes the

Administrative Agent, without notice or demand and without affecting Guarantor's liability hereunder, to obtain a guaranty of the Liabilities from any one or more Persons and at any time or times to enforce, waive, rearrange, modify, limit or release any of such other Persons from their obligations under such guaranties.

Section 2.4 Guarantor's Waivers.

(a) General. Guarantor waives any right to require any of the Lenders to (i) proceed against Borrower or any other person liable on the Liabilities, (ii) enforce any of their rights against any other guarantor of the Liabilities including but not limited to the Subsidiary Guarantors (iii) proceed or enforce any of their rights against or exhaust any security given to secure the Liabilities (iv) have Borrower joined with Guarantor in any suit arising out of this Guaranty Agreement and/or the Liabilities, or (v) pursue any other remedy in the Lenders' powers whatsoever. The Lenders shall not be required to mitigate damages or take any action to reduce, collect or enforce the Liabilities. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power, or other defense of Borrower or any other guarantor of the Liabilities, and shall remain liable hereon regardless of whether Borrower or any other guarantor be found not liable thereon for any reason. Whether and when to exercise any of the remedies of the Lenders under any of the Loan Documents shall be in the sole and absolute discretion of the Administrative Agent, and no delay by the Administrative Agent in enforcing any remedy, including delay in conducting a foreclosure sale, shall be a defense to the Guarantor's liability under this Guaranty Agreement. To the extent allowed by applicable law, the Guarantor hereby waives any good faith duty on the part of the Administrative Agent in exercising any remedies provided in the Loan Documents.

(b) Subrogation. Until the Liabilities have been paid in full, the Guarantor waives all rights of subrogation or reimbursement against the Borrower, whether arising by contract or operation of law (including, without limitation, any such right arising under any federal or state bankruptcy or insolvency laws) and waives any right to enforce any remedy which the Lenders now have or may hereafter have against the Borrower, and waives any benefit or any right to participate in any security now or hereafter held by the Administrative Agent or any Lender.

Section 2.5 Maturity of Liabilities; Payment. Guarantor agrees that if the

maturity of any of the Liabilities is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty Agreement without demand or notice to Guarantor. Guarantor will, forthwith upon notice from the Administrative Agent, pay to the Administrative Agent the amount due and unpaid by Borrower and guaranteed hereby. The failure of the Administrative Agent to give this notice shall not in any way release Guarantor hereunder.

Section 2.6 Administrative Agent's Expenses. If Guarantor fails to pay the

Liabilities after notice from the Administrative Agent of Borrower's failure to pay any Liabilities when due, and if the Administrative Agent obtains the

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services of an attorney for collection of amounts owing by Guarantor hereunder, or obtaining advice of counsel in respect of any aspect of this Guaranty Agreement, or if suit is filed to enforce this Guaranty Agreement, or if proceedings are had in any bankruptcy, probate, receivership or other judicial proceedings for the establishment or collection of any amount owing by Guarantor hereunder, or if any amount owing by Guarantor hereunder is collected through such proceedings, Guarantor agrees to pay to the Administrative Agent the Administrative Agent's reasonable attorneys' fees.

Section 2.7 Liability. It is expressly agreed that the liability of the

Guarantor for the payment of the Liabilities guaranteed hereby shall be primary
and not secondary.

Section 2.8 Events and Circumstances Not Reducing or Discharging

Guarantor's Obligations. Guarantor hereby consents and agrees to each of the

following to the fullest extent permitted by law, and agrees that Guarantor's
obligations under this Guaranty Agreement shall not be released, diminished,
impaired, reduced or adversely affected by any of the following, and waives any
rights (including without limitation rights to notice) which Guarantor might
otherwise have as a result of or in connection with any of the following:

(a) Modifications, etc. Any renewal, extension, modification,

increase, decrease, alteration or rearrangement of all or any part of the
Liabilities, or of the Notes, any Loan Document or the Credit Agreement or any
instrument executed in connection therewith, or any contract or understanding
between Borrower and any of the Lenders, or any other Person, pertaining to the
Liabilities.

(b) Adjustment, etc. Any adjustment, indulgence, forbearance or

compromise that might be granted or given by any of the Lenders to Borrower or
Guarantor or any Person liable on the Liabilities.

(c) Condition of Borrower or Guarantor. The insolvency, bankruptcy

arrangement, adjustment, composition, liquidation, disability, dissolution,
death or lack of power of Borrower or Guarantor or any other Person at any time
liable for the payment of all or part of the Liabilities; or any dissolution of
Borrower or Guarantor, or any sale, lease or transfer of any or all of the
assets of Borrower or Guarantor, or any changes in the shareholders, partners,
or members of Borrower or Guarantor; or any reorganization of Borrower or
Guarantor.

(d) Invalidity of Liabilities. The invalidity, illegality or

unenforceability of all or any part of the Liabilities, or any document or
agreement executed in connection with the Liabilities, for any reason
whatsoever, including without limitation the fact that the Liabilities, or any
part thereof, exceed the amount permitted by law, the act of creating the
Liabilities or any part thereof is ultra vires, the officers or representatives

executing the documents or otherwise creating the Liabilities acted in excess of
their authority, the Liabilities violate applicable usury laws, the Borrower has
valid defenses, claims or offsets (whether at law, in equity or by agreement)
which render the Liabilities wholly or partially uncollectible from Borrower,
the creation, performance or repayment of the Liabilities (or the execution,
delivery and performance of any document or instrument representing part of the
Liabilities or executed in connection with the Liabilities, or given to secure
the repayment of the Liabilities) is illegal, uncollectible, legally impossible
or unenforceable, or the Credit Agreement or other documents or instruments

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pertaining to the Liabilities have been forged or otherwise are irregular or not
genuine or authentic.

(e) Release of Obligors. Any full or partial release of the liability

of Borrower on the Liabilities or any part thereof, of any co-guarantors, or any
other Person now or hereafter liable, whether directly or indirectly, jointly,
severally, or jointly and severally, to pay, perform, guarantee or assure the
payment of the Liabilities or any part thereof, it being recognized,
acknowledged and agreed by Guarantor that Guarantor may be required to pay the
Liabilities in full without assistance or support of any other Person, and
Guarantor has not been induced to enter into this Guaranty Agreement on the
basis of a contemplation, belief, understanding or agreement that other parties
other than the Borrower will be liable to perform the Liabilities, or the
Lenders will look to other parties to perform the Liabilities.

(f) Other Security. The taking or accepting of any other security,

collateral or guaranty, or other assurance of payment, for all or any part of the
Liabilities.

(g) Release of Collateral, etc. Any release, surrender, exchange,

subordination, deterioration, waste, loss or impairment (including without
limitation negligent, willful, unreasonable or unjustifiable impairment) of any
collateral, property or security, at any time existing in connection with, or
assuring or securing payment of, all or any part of the Liabilities.

(h) Care and Diligence. The failure of the Lenders or any other Person

to exercise diligence or reasonable care in the preservation, protection,
enforcement, sale or other handling or treatment of all or any part of such
collateral, property or security; provided, however, that Lenders shall act in a

"commercially reasonable" manner as required by applicable provisions of Article
9 of the Uniform Commercial Code as presently in effect in the State of Texas
when exercising their rights under that certain Pledge and Security Agreement by
and between Borrower and Administrative Agent of even date herewith.

(i) Status of Liens. The fact that any collateral, security, security

interest or lien contemplated or intended to be given, created or granted as
security for the repayment of the Liabilities shall not be properly perfected or
created, or shall prove to be unenforceable or subordinate to any other security
interest or lien, it being recognized and agreed by Guarantor that Guarantor is
not entering into this Guaranty Agreement in reliance on, or in contemplation of
the benefits of, the validity, enforceability, collectability or value of any of
the collateral for the Liabilities.

(j) Payments Rescinded. Any payment by Borrower to the Lenders is held

to constitute a preference under the bankruptcy laws, or for any reason the
Lenders are required to refund such payment or pay such amount to Borrower or
someone else.

(k) Other Actions Taken or Omitted. Any other action taken or omitted

to be taken with respect to the Credit Agreement, the Liabilities, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Liabilities pursuant to the terms hereof; it being the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay

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the Liabilities when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, except for the full and final payment and satisfaction of the Liabilities.

Section 2.9 Right of Subrogation and Contribution. If Guarantor makes a payment in respect of the Liabilities, it shall be subrogated to the rights of the Lenders against the Borrower with respect to such payment and shall have the rights of contribution against the other Subsidiary Guarantors set forth in Section 2.9 of any other Guaranty Agreements; provided that Guarantor shall not enforce its rights to any payment by way of subrogation or by exercising its rights of contribution or reimbursement or the right to participate in any security now or hereafter held by or for the benefit of the Lenders until all of the Liabilities have been paid in full. The Guarantor agrees that after all the Liabilities have been paid in full if its then current Net Payments are less than the amount of its then current Contribution Obligation, Guarantor shall pay to any other Subsidiary Guarantors an amount (together with any payments required of the other Subsidiary Guarantors by Section 2.9 of each other Guaranty Agreement) such that the Net Payments made by all Subsidiary Guarantors in respect of the Liabilities shall be shared among all of the Subsidiary Guarantors in a proportion equal to their respective Contribution Percentage; provided, however, Guarantor need not make any such payment if at the time such payment is to be made Guarantor is illiquid and not making such payment will not render any other Subsidiary Guarantor insolvent.

ARTICLE 3

Representations and Warranties

Section 3.1 By Guarantor. In order to induce the Lenders to accept this Guaranty Agreement, Guarantor represents and warrants to the Lenders (which representations and warranties will survive the creation of the Liabilities and any extension of credit thereunder) that:

(a) Benefit to Guarantor. Guarantor's guaranty pursuant to this Guaranty Agreement reasonably may be expected to benefit, directly or indirectly, Guarantor.

(b) Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana.

(c) Power and Authorization. Guarantor is duly authorized and empowered to execute, deliver and perform this Guaranty Agreement and all necessary action on Guarantor's part requisite for the due execution, delivery and performance of this Guaranty Agreement has been duly and effectively taken.

(d) Binding Obligations. This Guaranty Agreement constitutes valid and binding obligations of Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principals of equity, regardless of whether considered in a proceeding in equity or at law.

(e) Governmental Approvals; No Conflicts. This Guaranty Agreement (a) does not require any consent or approval of, registration or filing with, or any

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other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor, and (d) will not result in the creation or imposition of any Lien on any asset of the Guarantor.

(f) Solvency. The Guarantor hereby represents that (i) it is not insolvent as of the date hereof and will not be rendered insolvent as a result of this Guaranty Agreement, (ii) it is not engaged in a business or a transaction, or about to engage in a business or a transaction, for which any property or assets remaining with such Guarantor thereafter is unreasonably small capital, and (iii) it does not intend to incur, or believe it will incur, debts that will be beyond its ability to pay as such debts mature.

Section 3.2 No Representation by Lenders. Neither the Lenders nor any other Person has made any representation, warranty or statement to the Guarantor in order to induce the Guarantor to execute this Guaranty Agreement.

ARTICLE 4

Subordination of Indebtedness

Section 4.1 Subordination of All Guarantor Claims. As used herein, the term "Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligation of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the person or persons

in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower arising as a result of subrogation or otherwise as a result of Guarantor's payment of all or a portion of the Liabilities. During the continuance of any Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

Section 4.2 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Borrower as debtor, the Lenders shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. In such event, Guarantor hereby assigns such dividends and payments to the Lenders. Should the Administrative Agent or any Lender receive, for application upon the Liabilities, any such dividend or payment which is otherwise payable to Guarantor, and which, as between Borrower and Guarantor, shall constitute a credit upon the Guarantor Claims, then upon payment in full of the Liabilities, Guarantor shall become subrogated to the rights of the Lenders to the extent that such payments to the Lenders on the Guarantor Claims have contributed toward the liquidation of the Liabilities, and such subrogation shall be with

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respect to that portion of the Liabilities which would have been unpaid if the Administrative Agent or a Lender had not received dividends or payments upon the Guarantor Claims.

Section 4.3 Payments Held in Trust. In the event that notwithstanding Sections 4.1 and 4.2 above, Guarantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, Guarantor agrees to hold in trust for the Lenders an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, and Guarantor covenants promptly to pay the same to the Administrative Agent.

Section 4.4 Liens Subordinate. Guarantor agrees that any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Liabilities, regardless of whether such encumbrances in favor of Guarantor, the Administrative Agent or the Lenders presently exist or are hereafter created or attach. Without the prior written consent of the Lenders, Guarantor shall not (a) exercise or enforce any creditor's right it may have against the Borrower, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any lien, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

Section 4.5 Notation of Records. All promissory notes, or other instruments evidencing the Guarantor Claims accepted by or held by Guarantor (if any) shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty Agreement.

ARTICLE 5

Miscellaneous

Section 5.1 Successors and Assigns. This Guaranty Agreement is and shall be in every particular available to the successors and assigns of the Lenders and is and shall always be fully binding upon the legal representatives, heirs, successors and assigns of Guarantor, notwithstanding that some or all of the monies, the repayment of which this Guaranty Agreement applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, disability or other event affecting Guarantor.

Section 5.2 Notices. Any notice or demand to Guarantor under or in connection with this Guaranty Agreement may be given and shall conclusively be deemed and considered to have been given and received in accordance with Section 12.02 of the Credit Agreement, addressed to Guarantor at the address on the signature page hereof or at such other address provided to the Administrative Agent in writing.

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Section 5.3 Business and Financial Information. The Guarantor will promptly furnish to the Administrative Agent and the Lenders from time to time upon request such information regarding the business and affairs and financial condition of the Guarantor and its subsidiaries as the Administrative Agent and the Lenders may reasonably request.

Section 5.4 Choice of Law. This Guaranty Agreement (including, but not limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.5 Invalidity. In the event that any one or more of the provisions contained in this Guaranty Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty Agreement.

Section 5.6 ENTIRE AGREEMENT. THIS WRITTEN GUARANTY AGREEMENT EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE LENDERS AND THE GUARANTOR AND SUPERSEDES ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN GUARANTY AGREEMENT

REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURES BEGIN ON NEXT PAGE]

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WITNESS THE EXECUTION HEREOF, effective as of the 27th day of January, 2003.

NANCE PETROLEUM CORPORATION

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

Address: 550 N. 31st Street, Suite 500
Billings, MT 59103

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GUARANTY AGREEMENT

by

NPC INC.

in favor of

WACHOVIA BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT

January 27, 2003

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GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty Agreement") made by the undersigned
guarantor (hereinafter called "Guarantor"), is in favor of Wachovia Bank,
National Association, as Administrative Agent (the "Administrative Agent") for
the lenders (the "Lenders") signatory to the Credit Agreement defined below.

R E C I T A L S:

A. On even date herewith, St. Mary Land & Exploration Company, a

Delaware corporation (hereinafter called "Borrower"), the Administrative Agent, and the Lenders have entered into that certain Credit Agreement (as the same may be amended or supplemented from time to time, the "Credit Agreement"), whereby,

pursuant to the terms and conditions contained therein, the Lenders agreed to make loans to and extend credit on behalf of the Borrower; and

B. One of the terms and conditions stated in the Credit Agreement for the making of the loans and extensions of credit described therein is the execution and delivery to the Administrative Agent for the benefit of the Lenders of this Guaranty Agreement;

NOW, THEREFORE, (i) in order to comply with the terms and conditions of the Credit Agreement, (ii) to induce the Lenders, at any time or from time to time, to loan monies and extend credit, with or without security, to or for the account of Borrower in accordance with the terms of the Credit Agreement, (iii) at the special insistence and request of the Lenders, and (iv) for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Guarantor hereby agrees as follows:

ARTICLE 1

General Terms

Section 1.1 Terms Defined Above. As used in this Guaranty Agreement, the terms "Administrative Agent", "Borrower", "Credit Agreement", "Guarantor" and "Lenders" shall have the meanings indicated above.

Section 1.2 Certain Definitions. As used in this Guaranty Agreement, the following terms shall have the following meanings, unless the context otherwise requires (terms defined in the singular shall have the same meanings when used in the plural and vice versa):

"Contribution Obligation" shall mean an amount equal, at any time and from time to time and for each respective Subsidiary Guarantor, to the product of (i) its Contribution Percentage times (ii) the sum of all payments made previous to or at the time of calculation by all Subsidiary Guarantors in respect of the Liabilities, as a Subsidiary Guarantor (less the amount of any such payments previously returned to any Subsidiary Guarantor by operation of law or otherwise, but not including payments received by any Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements); provided, however, such Contribution Obligation for any Subsidiary Guarantor shall in no event exceed such Subsidiary Guarantor's Maximum Guaranteed Amount, as defined in the respective Guaranty Agreement of such Subsidiary Guarantor.

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"Contribution Percentage" shall mean for any Subsidiary Guarantor for any applicable date as of which such percentage is being determined, an amount equal to the quotient of (i) the Net Worth of such Subsidiary Guarantor as of such date, divided by (ii) the sum of the Net Worth of all the Subsidiary Guarantors as of such date.

"Guarantor Claims" shall have the meaning indicated in Section 4.1 hereof.

"Guaranty Agreement" shall mean this Guaranty Agreement, and where the context indicates, the "Guaranty Agreement" (as defined in the Credit Agreement) of any other Subsidiary Guarantor, as the same may from time to time be amended, modified or supplemented.

"Liabilities" shall mean (a) any and all Indebtedness, obligations and liabilities of the Borrower pursuant to the Credit Agreement and any other Loan Document, including without limitation, the unpaid principal of and interest on the Notes, including without limitation, interest accruing subsequent to the filing of a petition or other action concerning bankruptcy or other similar proceeding; (b) any additional loans made by the Lenders to the Borrower; (c) payment of and performance of any and all present or future obligations of the Borrower to any Lender or any Affiliate of such Lender under any Swap Agreement between the Borrower and any Lender or any Affiliate of such Lender; (d) any and all other indebtedness, obligations and liabilities of any kind of the Borrower to the Lenders, now or hereafter existing, arising directly between the Borrower and the Lenders or acquired outright, as a participation, conditionally or as collateral security from another by the Lenders, absolute or contingent, joint and/or several, secured or unsecured, due or not due, arising by operation of law or otherwise, or direct or indirect, including indebtedness, obligations and liabilities to the Lenders of the Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise; and (e) all renewals, rearrangements, increases, extensions for any period, amendments or supplements in whole or in part of the Notes or any documents evidencing the above

"Maximum Guaranteed Amount" shall mean, for the Guarantor, the greater of

(i) the "reasonably equivalent value" or "fair consideration" (or equivalent concept) received by the Guarantor in exchange for the obligation incurred hereunder, within the meaning of any applicable state or federal fraudulent conveyance or transfer laws; or (ii) the lesser of (A) the maximum amount that will not render the Guarantor insolvent, or (B) the maximum amount that will not leave the Guarantor with any property deemed an unreasonably small capital. Clauses (A) and (B) are and shall be determined pursuant to and as of the appropriate date mandated by such applicable state or federal fraudulent conveyance or transfer laws and to the extent allowed by law take into account the rights to contribution and subrogation under Section 2.9 in each Guaranty Agreement so as to provide for the largest Maximum Guaranteed Amount possible.

"Net Payments" shall mean an amount equal, at any time and from time to -----
time and for each respective Subsidiary Guarantor, to the difference of (i) the sum of all payments made previous to or at the time of calculation by such Subsidiary Guarantor in respect of the Liabilities, as a Subsidiary Guarantor, and in respect of its obligations contained in this Guaranty Agreement, less (ii) the sum of all such payments previously returned to such Subsidiary Guarantor by operation of law or otherwise and including payments received by

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such Subsidiary Guarantor by way of its rights of subrogation and contribution under Section 2.9 of any other Guaranty Agreements.

"Net Worth" shall mean for any Subsidiary Guarantor, determined in -----
accordance with GAAP and calculated on and as of any applicable date on which such amount is being determined, the difference between (i) the sum of all such Subsidiary Guarantor's property, at a fair valuation and as of such date, minus (ii) the sum of all such Subsidiary Guarantor's debts, at a fair valuation and as of such date, excluding the Liabilities.

"Subsidiary Guarantors" shall mean the Subsidiaries or other Persons party -----
to a Guaranty Agreement, including the Guarantor.

Section 1.3 Credit Agreement Definitions. Unless otherwise defined herein, -----
all terms beginning with a capital letter which are defined in the Credit Agreement shall have the same meanings herein as therein.

ARTICLE 2 -----

The Guaranty -----

Section 2.1 Liabilities Guaranteed. Guarantor hereby irrevocably and -----
unconditionally guarantees the prompt payment of the Liabilities when due, whether at maturity or otherwise; provided, however, that, notwithstanding anything herein or in any other Loan Document to the contrary, the maximum liability of Guarantor hereunder shall in no event exceed the Maximum Guaranteed Amount.

Section 2.2 Nature of Guaranty. This Guaranty Agreement is an absolute, -----
irrevocable, completed and continuing guaranty of payment and not a guaranty of collection, and no notice of the Liabilities or any extension of credit already or hereafter contracted by or extended to Borrower need be given to Guarantor. This Guaranty Agreement may not be revoked by Guarantor and shall continue to be effective with respect to debt under the Liabilities arising or created after any attempted revocation by Guarantor and shall remain in full force and effect until the Liabilities are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto no Liabilities may be outstanding. Borrower and the Lenders may modify, alter, rearrange, extend for any period and/or renew from time to time, the Liabilities, and the Lenders may waive any Default or Events of Default without notice to the Guarantor and in such event Guarantor will remain fully bound hereunder on the Liabilities. This Guaranty Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the Liabilities is rescinded or must otherwise be returned by any of the Lenders upon the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment had not been made. This Guaranty Agreement may be enforced by the Administrative Agent and any subsequent holder of any of the Liabilities and shall not be discharged by the assignment or negotiation of all or part of the Liabilities. Guarantor hereby expressly waives presentment, demand, notice of non-payment, protest and notice of protest and dishonor, notice of Default or Event of Default, notice of intent to accelerate the maturity and notice of acceleration of the maturity and any other notice in connection with the Liabilities, and also notice of acceptance of this Guaranty Agreement, acceptance on the part of the Lenders

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being conclusively presumed by the Lenders' request for this Guaranty Agreement and delivery of the same to the Administrative Agent.

Section 2.3 Administrative Agent's Rights. Guarantor authorizes the -----
Administrative Agent, without notice or demand and without affecting Guarantor's

liability hereunder, to obtain a guaranty of the Liabilities from any one or more Persons and at any time or times to enforce, waive, rearrange, modify, limit or release any of such other Persons from their obligations under such guaranties.

Section 2.4 Guarantor's Waivers.

(a) General. Guarantor waives any right to require any of the Lenders

to (i) proceed against Borrower or any other person liable on the Liabilities, (ii) enforce any of their rights against any other guarantor of the Liabilities including but not limited to the Subsidiary Guarantors (iii) proceed or enforce any of their rights against or exhaust any security given to secure the Liabilities (iv) have Borrower joined with Guarantor in any suit arising out of this Guaranty Agreement and/or the Liabilities, or (v) pursue any other remedy in the Lenders' powers whatsoever. The Lenders shall not be required to mitigate damages or take any action to reduce, collect or enforce the Liabilities. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power, or other defense of Borrower or any other guarantor of the Liabilities, and shall remain liable hereon regardless of whether Borrower or any other guarantor be found not liable thereon for any reason. Whether and when to exercise any of the remedies of the Lenders under any of the Loan Documents shall be in the sole and absolute discretion of the Administrative Agent, and no delay by the Administrative Agent in enforcing any remedy, including delay in conducting a foreclosure sale, shall be a defense to the Guarantor's liability under this Guaranty Agreement. To the extent allowed by applicable law, the Guarantor hereby waives any good faith duty on the part of the Administrative Agent in exercising any remedies provided in the Loan Documents.

(b) Subrogation. Until the Liabilities have been paid in full, the

Guarantor waives all rights of subrogation or reimbursement against the Borrower, whether arising by contract or operation of law (including, without limitation, any such right arising under any federal or state bankruptcy or insolvency laws) and waives any right to enforce any remedy which the Lenders now have or may hereafter have against the Borrower, and waives any benefit or any right to participate in any security now or hereafter held by the Administrative Agent or any Lender.

Section 2.5 Maturity of Liabilities; Payment. Guarantor agrees that if the

maturity of any of the Liabilities is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty Agreement without demand or notice to Guarantor. Guarantor will, forthwith upon notice from the Administrative Agent, pay to the Administrative Agent the amount due and unpaid by Borrower and guaranteed hereby. The failure of the Administrative Agent to give this notice shall not in any way release Guarantor hereunder.

Section 2.6 Administrative Agent's Expenses. If Guarantor fails to pay the

Liabilities after notice from the Administrative Agent of Borrower's failure to pay any Liabilities when due, and if the Administrative Agent obtains the

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services of an attorney for collection of amounts owing by Guarantor hereunder, or obtaining advice of counsel in respect of any aspect of this Guaranty Agreement, or if suit is filed to enforce this Guaranty Agreement, or if proceedings are had in any bankruptcy, probate, receivership or other judicial proceedings for the establishment or collection of any amount owing by Guarantor hereunder, or if any amount owing by Guarantor hereunder is collected through such proceedings, Guarantor agrees to pay to the Administrative Agent the Administrative Agent's reasonable attorneys' fees.

Section 2.7 Liability. It is expressly agreed that the liability of the

Guarantor for the payment of the Liabilities guaranteed hereby shall be primary and not secondary.

Section 2.8 Events and Circumstances Not Reducing or Discharging

Guarantor's Obligations. Guarantor hereby consents and agrees to each of the

following to the fullest extent permitted by law, and agrees that Guarantor's obligations under this Guaranty Agreement shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

(a) Modifications, etc. Any renewal, extension, modification,

increase, decrease, alteration or rearrangement of all or any part of the Liabilities, or of the Notes, any Loan Document or the Credit Agreement or any instrument executed in connection therewith, or any contract or understanding between Borrower and any of the Lenders, or any other Person, pertaining to the Liabilities.

(b) Adjustment, etc. Any adjustment, indulgence, forbearance or

compromise that might be granted or given by any of the Lenders to Borrower or

Guarantor or any Person liable on the Liabilities.

(c) Condition of Borrower or Guarantor. The insolvency, bankruptcy

arrangement, adjustment, composition, liquidation, disability, dissolution, death or lack of power of Borrower or Guarantor or any other Person at any time liable for the payment of all or part of the Liabilities; or any dissolution of Borrower or Guarantor, or any sale, lease or transfer of any or all of the assets of Borrower or Guarantor, or any changes in the shareholders, partners, or members of Borrower or Guarantor; or any reorganization of Borrower or Guarantor.

(d) Invalidity of Liabilities. The invalidity, illegality or

unenforceability of all or any part of the Liabilities, or any document or agreement executed in connection with the Liabilities, for any reason whatsoever, including without limitation the fact that the Liabilities, or any part thereof, exceed the amount permitted by law, the act of creating the Liabilities or any part thereof is ultra vires, the officers or representatives executing the documents or otherwise creating the Liabilities acted in excess of their authority, the Liabilities violate applicable usury laws, the Borrower has valid defenses, claims or offsets (whether at law, in equity or by agreement) which render the Liabilities wholly or partially uncollectible from Borrower, the creation, performance or repayment of the Liabilities (or the execution, delivery and performance of any document or instrument representing part of the Liabilities or executed in connection with the Liabilities, or given to secure the repayment of the Liabilities) is illegal, uncollectible, legally impossible or unenforceable, or the Credit Agreement or other documents or instruments

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pertaining to the Liabilities have been forged or otherwise are irregular or not genuine or authentic.

(e) Release of Obligors. Any full or partial release of the liability

of Borrower on the Liabilities or any part thereof, of any co-guarantors, or any other Person now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Liabilities or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Liabilities in full without assistance or support of any other Person, and Guarantor has not been induced to enter into this Guaranty Agreement on the basis of a contemplation, belief, understanding or agreement that other parties other than the Borrower will be liable to perform the Liabilities, or the Lenders will look to other parties to perform the Liabilities.

(f) Other Security. The taking or accepting of any other security,

collateral or guaranty, or other assurance of payment, for all or any part of the Liabilities.

(g) Release of Collateral, etc. Any release, surrender, exchange,

subordination, deterioration, waste, loss or impairment (including without limitation negligent, willful, unreasonable or unjustifiable impairment) of any collateral, property or security, at any time existing in connection with, or assuring or securing payment of, all or any part of the Liabilities.

(h) Care and Diligence. The failure of the Lenders or any other Person

to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of such collateral, property or security; provided, however, that Lenders shall act in a

"commercially reasonable" manner as required by applicable provisions of Article 9 of the Uniform Commercial Code as presently in effect in the State of Texas when exercising their rights under that certain Pledge and Security Agreement by and between Borrower and Administrative Agent of even date herewith.

(i) Status of Liens. The fact that any collateral, security, security

interest or lien contemplated or intended to be given, created or granted as security for the repayment of the Liabilities shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other security interest or lien, it being recognized and agreed by Guarantor that Guarantor is not entering into this Guaranty Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the collateral for the Liabilities.

(j) Payments Rescinded. Any payment by Borrower to the Lenders is held

to constitute a preference under the bankruptcy laws, or for any reason the Lenders are required to refund such payment or pay such amount to Borrower or someone else.

(k) Other Actions Taken or Omitted. Any other action taken or omitted

to be taken with respect to the Credit Agreement, the Liabilities, or the security and collateral therefor, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Liabilities pursuant to the terms hereof; it being the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay

the Liabilities when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein, except for the full and final payment and satisfaction of the Liabilities.

Section 2.9 Right of Subrogation and Contribution. If Guarantor makes a payment in respect of the Liabilities, it shall be subrogated to the rights of the Lenders against the Borrower with respect to such payment and shall have the rights of contribution against the other Subsidiary Guarantors set forth in Section 2.9 of any other Guaranty Agreements; provided that Guarantor shall not enforce its rights to any payment by way of subrogation or by exercising its rights of contribution or reimbursement or the right to participate in any security now or hereafter held by or for the benefit of the Lenders until all of the Liabilities have been paid in full. The Guarantor agrees that after all the Liabilities have been paid in full if its then current Net Payments are less than the amount of its then current Contribution Obligation, Guarantor shall pay to any other Subsidiary Guarantors an amount (together with any payments required of the other Subsidiary Guarantors by Section 2.9 of each other Guaranty Agreement) such that the Net Payments made by all Subsidiary Guarantors in respect of the Liabilities shall be shared among all of the Subsidiary Guarantors in a proportion equal to their respective Contribution Percentage; provided, however, Guarantor need not make any such payment if at the time such payment is to be made Guarantor is illiquid and not making such payment will not render any other Subsidiary Guarantor insolvent.

ARTICLE 3

Representations and Warranties

Section 3.1 By Guarantor. In order to induce the Lenders to accept this Guaranty Agreement, Guarantor represents and warrants to the Lenders (which representations and warranties will survive the creation of the Liabilities and any extension of credit thereunder) that:

(a) Benefit to Guarantor. Guarantor's guaranty pursuant to this Guaranty Agreement reasonably may be expected to benefit, directly or indirectly, Guarantor.

(b) Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado.

(c) Power and Authorization. Guarantor is duly authorized and empowered to execute, deliver and perform this Guaranty Agreement and all necessary action on Guarantor's part requisite for the due execution, delivery and performance of this Guaranty Agreement has been duly and effectively taken.

(d) Binding Obligations. This Guaranty Agreement constitutes valid and binding obligations of Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principals of equity, regardless of whether considered in a proceeding in equity or at law.

(e) Governmental Approvals; No Conflicts. This Guaranty Agreement (a) does not require any consent or approval of, registration or filing with, or any

other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor, and (d) will not result in the creation or imposition of any Lien on any asset of the Guarantor.

(f) Solvency. The Guarantor hereby represents that (i) it is not insolvent as of the date hereof and will not be rendered insolvent as a result of this Guaranty Agreement, (ii) it is not engaged in a business or a transaction, or about to engage in a business or a transaction, for which any property or assets remaining with such Guarantor thereafter is unreasonably small capital, and (iii) it does not intend to incur, or believe it will incur, debts that will be beyond its ability to pay as such debts mature.

Section 3.2 No Representation by Lenders. Neither the Lenders nor any other Person has made any representation, warranty or statement to the Guarantor in order to induce the Guarantor to execute this Guaranty Agreement.

ARTICLE 4

Subordination of Indebtedness

Section 4.1 Subordination of All Guarantor Claims. As used herein, the term

"Guarantor Claims" shall mean all debts and liabilities of Borrower to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligation of Borrower thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the person or persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Guarantor. The Guarantor Claims shall include without limitation all rights and claims of Guarantor against Borrower arising as a result of subrogation or otherwise as a result of Guarantor's payment of all or a portion of the Liabilities. During the continuance of any Event of Default, Guarantor shall not receive or collect, directly or indirectly, from Borrower or any other party any amount upon the Guarantor Claims.

Section 4.2 Claims in Bankruptcy. In the event of receivership, bankruptcy,

reorganization, arrangement, debtor's relief, or other insolvency proceedings involving Borrower as debtor, the Lenders shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. In such event, Guarantor hereby assigns such dividends and payments to the Lenders. Should the Administrative Agent or any Lender receive, for application upon the Liabilities, any such dividend or payment which is otherwise payable to Guarantor, and which, as between Borrower and Guarantor, shall constitute a credit upon the Guarantor Claims, then upon payment in full of the Liabilities, Guarantor shall become subrogated to the rights of the Lenders to the extent that such payments to the Lenders on the Guarantor Claims have contributed

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toward the liquidation of the Liabilities, and such subrogation shall be with respect to that portion of the Liabilities which would have been unpaid if the Administrative Agent or a Lender had not received dividends or payments upon the Guarantor Claims.

Section 4.3 Payments Held in Trust. In the event that notwithstanding

Sections 4.1 and 4.2 above, Guarantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, Guarantor agrees to hold in trust for the Lenders an amount equal to the amount of all funds, payments, claims or distributions so received, and agrees that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, and Guarantor covenants promptly to pay the same to the Administrative Agent.

Section 4.4 Liens Subordinate. Guarantor agrees that any liens, security

interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any liens, security interests, judgment liens, charges or other encumbrances upon Borrower's assets securing payment of the Liabilities, regardless of whether such encumbrances in favor of Guarantor, the Administrative Agent or the Lenders presently exist or are hereafter created or attach. Without the prior written consent of the Lenders, Guarantor shall not (a) exercise or enforce any creditor's right it may have against the Borrower, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any lien, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of Borrower held by Guarantor.

Section 4.5 Notation of Records. All promissory notes, or other instruments

evidencing the Guarantor Claims accepted by or held by Guarantor (if any) shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Guaranty Agreement.

ARTICLE 5

Miscellaneous

Section 5.1 Successors and Assigns. This Guaranty Agreement is and shall b

in every particular available to the successors and assigns of the Lenders and is and shall always be fully binding upon the legal representatives, heirs, successors and assigns of Guarantor, notwithstanding that some or all of the monies, the repayment of which this Guaranty Agreement applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, disability or other event affecting Guarantor.

Section 5.2 Notices. Any notice or demand to Guarantor under or in

connection with this Guaranty Agreement may be given and shall conclusively be deemed and considered to have been given and received in accordance with Section 12.02 of the Credit Agreement, addressed to Guarantor at the address on the signature page hereof or at such other address provided to the Administrative Agent in writing.

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Section 5.3 Business and Financial Information. The Guarantor will promptly

furnish to the Administrative Agent and the Lenders from time to time upon request such information regarding the business and affairs and financial condition of the Guarantor and its subsidiaries as the Administrative Agent and the Lenders may reasonably request.

Section 5.4 Choice of Law. This Guaranty Agreement (including, but not

limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.5 Invalidity. In the event that any one or more of the provisions

contained in this Guaranty Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Guaranty Agreement.

Section 5.6 ENTIRE AGREEMENT. THIS WRITTEN GUARANTY AGREEMENT EMBODIES THE

ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE LENDERS AND THE GUARANTOR AND SUPERSEDES ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN GUARANTY AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[SIGNATURES BEGIN ON NEXT PAGE]

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WITNESS THE EXECUTION HEREOF, effective as of the 27th day of January, 2003.

NPC INC.

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

Address: 550 N. 31st Street, Suite 500
Billings, MT 59103-7168

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PLEDGE AND SECURITY AGREEMENT

Between

ST. MARY LAND & EXPLORATION COMPANY,
as Pledgor

and

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent,
as Secured Party

Effective as of January 27, 2003

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT is made effective as of January 27, 2003, by ST. MARY LAND & EXPLORATION COMPANY, a Delaware corporation with principal offices at 1776 Lincoln Street, Suite 1100, Denver, Colorado 80203 ("Pledgor"), in favor of WACHOVIA BANK, NATIONAL ASSOCIATION (formerly known as First Union National Bank), a national banking association with offices at 301 South College Street, Charlotte, North Carolina 28288, as Administrative Agent (in such capacity, the "Secured Party") for the benefit of the several lenders now or hereafter parties to the hereinafter defined Credit Agreement (individually, a "Lender" and collectively, the "Lenders").

RECITALS

A. Pledgor, Secured Party and the Lenders have executed a Credit Agreement dated as of even date herewith (such agreement, as may from time to time be amended or supplemented, being hereinafter called the "Credit Agreement") pursuant to which, upon the terms and conditions stated therein, the Lenders agree to make loans to and extend credit on behalf of Pledgor.

B. The Lenders conditioned their obligations under the Credit Agreement upon the execution and delivery by Pledgor of this Pledge and Security Agreement and Pledgor has agreed to execute and deliver this Pledge and Security Agreement.

C. Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Pledgor hereby agrees with Secured Party as follows:

ARTICLE 1

SECURITY INTEREST

Section 1.01 Pledge. Pledgor hereby pledges, assigns and grants to Secured

Party a security interest in and right of set-off against the assets referred to
in Section 1.02 (the "Collateral") to secure the prompt payment and performance

of the "Obligations" (as defined in Section 2.02) and the performance by Pledgor

of this Pledge and Security Agreement.

Section 1.02 Collateral. The Collateral consists of the following types or

items of property which are owned by Pledgor:

(a) The securities described or referred to in Exhibit A attached
hereto and made a part hereof.

(b) (i) The certificates or instruments, if any, representing such
membership interests and such units, (ii) all dividends (cash, stock or
otherwise), cash, instruments, rights to subscribe, purchase or sell and
all other rights and property from time to time received, receivable or
otherwise distributed in respect of or in exchange for any or all of such
membership interests or such units, (iii) all replacements and
substitutions for any of the property referred to in this Section 1.02,

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including, without limitation, claims against third parties, and (iv) the
proceeds, interest, profits and other income of or on any of the property
referred to in this Section 1.02.

It is expressly contemplated that additional securities or other property may
from time to time be pledged, assigned or granted to Secured Party as additional
security for the Obligations, and the term "Collateral" as used herein shall be

deemed for all purposes hereof to include all such additional membership
interests, units and property, together with all other property of the types
described above related thereto.

Section 1.03 Transfer of Collateral. All certificates or instruments

representing or evidencing the Pledged Securities shall be delivered to and held
pursuant hereto by Secured Party or a Person designated by Secured Party and
shall be in suitable form for transfer by delivery, or shall be accompanied by
duly executed instruments of transfer or assignment in blank, or (in the case of
either certificated or uncertificated securities) Secured Party shall have been
provided with evidence that the Pledged Securities have been otherwise delivered
to Secured Party in accordance with Section 8.301 of the Code, all in form and
substance satisfactory to Secured Party. Notwithstanding the preceding sentence,
at Secured Party's discretion, all Pledged Securities must be delivered or
transferred in such manner as to permit Secured Party to meet the requirements
of Section 8.303(a)(3) of the Code to the extent of its security interest.
Secured Party shall have the right, at any time in its discretion and without
notice to Pledgor, to transfer to or to register in the name of Secured Party or
any of its nominees any or all of the Pledged Securities, subject only to the
revocable rights specified in Section 4.02. In addition, Secured Party shall
have the right at any time to exchange certificates or instruments representing
or evidencing Pledged Securities for certificates or instruments of smaller or
larger denominations.

ARTICLE 2

DEFINITIONS -----

Section 2.01 Terms Defined Above. As used in this Pledge and Security

Agreement, the terms defined above shall have the meanings respectively assigned
to them.

Section 2.02 Certain Definitions. As used in this Pledge and Security

Agreement, the following terms shall have the following meanings, unless the
context otherwise requires:

"Agreement" means this Pledge and Security Agreement, as the same may

from time to time be amended, supplemented or otherwise modified.

"Code" means the Uniform Commercial Code as presently in effect in the

State of Texas, Articles 1 through 9. Unless otherwise indicated by the
context herein, all uncapitalized terms which are defined in the Code shall
have their respective meanings as used in Articles 8 and 9 of the Code.

"Event of Default" means any event specified in Section 6.01.

"Obligations" means the collective reference to (a) all indebtedness,

obligations and liabilities of Pledgor under or in connection with the Loan Documents, including, without limitation, the unpaid principal of and interest on the Loans and the LC Exposure and all other obligations and liabilities of Pledgor (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and the LC Exposure and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to Pledgor, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to Secured Party or any Lender (or, in the case of any Swap Agreement referred to below, any Affiliate of any Lender), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, the other Loan Documents or any Swap Agreement entered into by Pledgor with any Lender (or any Affiliate of any Lender), or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all reasonable fees and disbursements of counsel to Secured Party or to the Lenders that are required to be paid by Pledgor pursuant to the terms of any of the foregoing agreements), and (b) all obligations of Pledgor which may arise under or in connection with this Agreement or any other Loan Document to which Pledgor is a party.

The term "Obligations" shall mean all indebtedness, obligations and

liabilities described, referred to or mentioned in the immediately preceding paragraph of this definition, and all renewals, rearrangements, increases, substitutions and extensions for any period thereof and amendments, supplements or modifications thereto, in whole or in part.

"Obligor" means any Person, other than Pledgor, liable (whether

directly or indirectly, primarily or secondarily) for the payment or performance of any of the Obligations whether as maker, co-maker, endorser, guarantor, accommodation party, general partner or otherwise.

"Pledged Securities" means all of the securities and other property

(whether or not the same constitutes a "security" under the Code) referred to in Section 1.02(a) or 1.02(b) and all additional securities, if any, constituting Collateral under this Agreement.

Section 2.03 Credit Agreement Terms. Unless otherwise defined herein, terms

defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

Section 2.04 Section References. Unless otherwise provided for herein, all

references herein to Sections are to Sections of this Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

In order to induce Secured Party to accept this Agreement, Pledgor represents and warrants to Secured Party (which representations and warranties will survive the creation and payment of the Obligations) that:

Section 3.01 Ownership of Collateral; Encumbrances. Except as otherwise

permitted by the Credit Agreement, Pledgor is the record and beneficial owner of the Collateral free and clear of any Lien except for the security interest created by this Agreement, and Pledgor has full right, power and authority to pledge, assign and grant a security interest in the Collateral to Secured Party.

Section 3.02 No Required Consent. No authorization, consent, approval or

other action by, and no notice to or filing with, any governmental authority or regulatory body (other than the filing of financing statements) is required for (i) the due execution, delivery and performance by Pledgor of this Agreement, (ii) the grant by Pledgor of the security interest granted by this Agreement or

(iii) the perfection of such security interest.

Section 3.03 Pledged Securities. The Pledged Securities have been duly authorized and validly issued, and are fully paid and non-assessable.

Section 3.04 First Priority Security Interest. The pledge of Pledged Securities pursuant to this Agreement, the delivery to Secured Party of the certificates representing the Pledged Securities accompanied by stock powers duly executed in blank and the filing of appropriate financing statements in the relevant locations create a valid and perfected first priority security interest in the Collateral, enforceable against Pledgor and all third parties and securing payment of the Obligations.

ARTICLE 4

COVENANTS AND AGREEMENTS

Pledgor will at all times comply with the covenants and agreements contained in this Article 4, from the date hereof and for so long as any part of the Obligations (other than any indemnity which is not yet due and payable) are outstanding.

Section 4.01 Sale, Disposition or Encumbrance of Collateral. Except as otherwise not prohibited by the Credit Agreement or this Agreement, Pledgor will not in any way encumber any of the Collateral (or permit or suffer any of the Collateral to be encumbered) or sell, pledge, assign, lend or otherwise dispose of or transfer any of the Collateral to or in favor of any Person other than Secured Party.

Section 4.02 Voting Rights; Dividends or Distributions. Until both (i) an Event of Default shall have occurred and be continuing and (ii) either (a) the Loans have become due and payable at their stated maturity and have not been paid, (b) the Loans have been declared due and payable pursuant to Article X of

the Credit Agreement, or (c) Secured Party has given notice to Pledgor of Secured Party's intent to exercise its rights under Section 6.02:

(a) Pledgor shall be entitled to exercise any and all voting, management and/or other consensual rights and powers inuring to an owner of the Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement and the other Loan Documents.

(b) Pledgor shall be entitled to receive and retain (free and clear of and no longer subject to this Agreement or the Lien created pursuant to this Agreement) any and all dividends, distributions and interest paid in respect of the Collateral, provided, however, that any and all

(i) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for (including, without limitation, any certificate, share or interest purchased or exchanged in connection with a tender offer or merger agreement), any Collateral,

(ii) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution, or reclassification, and

(iii) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Collateral,

shall be, and shall be promptly delivered to Secured Party to hold as, Collateral and shall, if received by Pledgor, be received in trust for the benefit of Secured Party, be segregated from the other property or funds of Pledgor, and be promptly delivered to Secured Party as Collateral in the same form as so received (with any necessary endorsement) , provided further,

however, in no event shall the foregoing proviso be applicable to, or prevent

the Pledgor from receiving and retaining any securities that are not pledged or intended or required to be pledged to the Secured Party pursuant to any Security Instrument, including this Agreement.

Section 4.03 Records and Information. Pledgor shall keep accurate and

complete records of the Collateral (including proceeds, payments, distributions, income and profits). Pledgor will promptly provide written notice to Secured Party of all information which in any way affects the filing of any financing statement or other public notices or recordings pertaining to the perfection of a security interest in the Collateral, or the delivery and possession of items of Collateral for the purpose of perfecting a security interest in the Collateral.

Section 4.04 Certain Liabilities. Pledgor hereby assumes all liability for

the Collateral, the security interest created hereunder and any use, possession, maintenance, management, enforcement or collection of any or all of the Collateral.

Section 4.05 Further Assurances. Upon the request of Secured Party, Pledgor

shall (at Pledgor's expense) execute and deliver all such assignments, certificates, instruments, securities, financing statements, notifications to

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financial intermediaries, clearing corporations, issuers of securities or other third parties or other documents and give further assurances and do all other acts and things as Secured Party may reasonably request to perfect Secured Party's interest in the Collateral or to protect, enforce or otherwise effect Secured Party's rights and remedies hereunder.

Section 4.06 Rights to Sell. If Secured Party shall determine to exercise

its rights to sell all or any of the Collateral pursuant to its rights hereunder, Pledgor agrees that, upon request of Secured Party, Pledgor will, at its own expense:

(a) execute and deliver, and use all reasonable efforts to cause each issuer of the Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the reasonable opinion of Secured Party, advisable to register such Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), if such registration is, in the reasonable opinion of Secured Party, necessary or advisable to effect a public distribution of the Collateral, and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the reasonable opinion of Secured Party, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto;

(b) use all reasonable efforts to qualify the Collateral under the state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Collateral, as requested by Secured Party;

(c) use all reasonable efforts to cause each such issuer to make available to its security holders, as soon as practicable, an earnings statement which will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) use all reasonable efforts to do or cause to be done all such others acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by Secured Party by reason of the failure by Pledgor to perform any of the covenants contained in this Section 4.06 and consequently agrees that if Pledgor shall fail to perform any of such covenants, it shall pay (to the extent permitted by law), as liquidated damages, and not as penalty, an amount (in no event to exceed the amount of Obligations then outstanding) equal to the value of the Collateral affected by Pledgor's failure to perform any of the covenants contained in this Section 4.06 on the date the Secured Party shall demand compliance with this Section 4.06.

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ARTICLE 5

RIGHTS, DUTIES AND POWERS OF SECURED PARTY

The following rights, duties and powers of Secured Party are applicable irrespective of whether an Event of Default occurs and is continuing:

Section 5.01 Discharge Encumbrances. Secured Party may, at its option,

three (3) Business Days after receipt by Pledgor of prior written notice from Secured Party of its intent to do so, discharge any Liens at any time levied or placed on the Collateral that are prohibited by the Credit Agreement and that are not being contested in good faith by appropriate proceedings. Pledgor agrees to reimburse Secured Party within five (5) days after demand for any payment so made, plus interest thereon from the date of Secured Party's demand at the rate per annum equal to 2% plus the rate applicable to ABR Loans as provided in Section 3.02(a) of the Credit Agreement.

Section 5.02 Transfer of Collateral. Subject to the terms of the Credit

Agreement, Secured Party may transfer any or all of the Obligations, and upon any such transfer Secured Party may transfer its interest in any or all of the Collateral and shall be fully discharged thereafter from all liability therefor. Any transferee of the Collateral shall be vested with all rights, powers, duties and remedies of Secured Party hereunder.

Section 5.03 Cumulative and Other Rights. The rights, powers and remedies

of Secured Party hereunder are in addition to all rights, powers and remedies given by law or in equity. The exercise by Secured Party of any one or more of the rights, powers and remedies herein shall not be construed as a waiver of any other rights, powers and remedies, including, without limitation, any other rights of set-off.

Section 5.04 Disclaimer of Certain Duties. The powers conferred upon

Secured Party by this Agreement are to protect its interest in the Collateral and shall not impose any duty upon Secured Party to exercise any such powers. Pledgor hereby agrees that Secured Party shall not be liable for, nor shall the indebtedness evidenced by the Obligations be diminished by, Secured Party's delay or failure to collect upon, foreclose, sell, take possession of or otherwise obtain value for the Collateral.

Sectopm 5.05 Custody and Preservation of the Collateral. Secured Party

shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which comparable secured parties accord comparable collateral, it being understood and agreed, however, that Secured Party shall not have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against Persons or entities with respect to any Collateral.

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ARTICLE 6

EVENTS OF DEFAULT

Section 6.01 Events. An "Event of Default" (as defined in the Credit

Agreement) which has occurred and is continuing shall constitute an Event of Default under this Agreement.

Section 6.02 Remedies. Upon the occurrence and during the continuance of

any Event of Default, Secured Party may take any or all of the following actions without notice or demand to Pledgor (except that Secured Party will not take any action in the case of paragraphs (b) and (f) below until five (5) Business Days after receipt by Pledgor of written notice from Secured Party of its intent to do so):

(a) Subject to applicable provisions contained in the Credit Agreement, declare all or part of the indebtedness pursuant to the Obligations immediately due and payable and enforce payment of the same by Pledgor or any Obligor.

(b) Sell, in one or more sales and in one or more parcels, or otherwise dispose of any or all of the Collateral in any commercially reasonable manner as Secured Party may elect, in a public or private transaction, at any location as deemed reasonable by Secured Party either for cash or credit or for future delivery at such price as Secured Party may reasonably deem fair, and (unless prohibited by the Uniform Commercial Code, as adopted in any applicable jurisdiction) Secured Party may be the purchaser of any or all Collateral so sold and may apply upon the purchase

price therefor any Obligations secured hereby. Any such sale or transfer by Secured Party either to itself or to any other Person shall be absolutely free from any claim of right by Pledgor, including any equity or right of redemption, stay or appraisal which Pledgor has or may have under any rule of law, regulation or statute now existing or hereafter adopted. Upon any such sale or transfer, Secured Party shall have the right to deliver, assign and transfer to the purchaser or transferee thereof the Collateral so sold or transferred. If Secured Party reasonably deems it advisable to do so, it may restrict the bidders or purchasers of any such sale or transfer to Persons or entities who will represent and agree that they are purchasing the Collateral for their own account and not with the view to the distribution or resale of any of the Collateral. Secured Party may, at its discretion, provide for a public sale, and any such public sale shall be held at such time or times within ordinary business hours and at such place or places as Secured Party may fix in the notice of such sale. Secured Party shall not be obligated to make any sale pursuant to any such notice. Secured Party may, without notice or publication, adjourn any public or private sale by announcement at any time and place fixed for such sale, and such sale may be made at any time or place to which the same may be so adjourned. In the event any sale or transfer hereunder is not completed or is defective in the opinion of Secured Party, such sale or transfer shall not exhaust the rights of Secured Party hereunder, and Secured Party shall have the right to cause one or more subsequent sales or transfers to be made hereunder. If only part of the Collateral is sold or transferred such that the Obligations remain outstanding (in whole or in part), Secured Party's rights and remedies hereunder shall not be

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exhausted, waived or modified, and Secured Party is specifically empowered to make one or more successive sales or transfers until all the Collateral shall be sold or transferred and all the Obligations are paid. In the event that Secured Party elects not to sell the Collateral, Secured Party retains its rights to dispose of or utilize the Collateral or any part or parts thereof in any manner authorized or permitted by law or in equity, and to apply the proceeds of the same towards payment of the Obligations.

(c) Apply proceeds of the disposition of the Collateral to the Obligations in any manner elected by Secured Party and permitted by the Code or otherwise permitted by law or in equity. Such application may include, without limitation, the reasonable attorneys' fees and legal expenses incurred by Secured Party.

(d) Appoint any Person as agent to perform any act or acts necessary or incident to any sale or transfer by Secured Party of the Collateral.

(e) Receive, change the address for delivery, open and dispose of mail addressed to Pledgor, and to execute, assign and endorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, shipment or storage for any form of Collateral on behalf of and in the name of Pledgor.

(f) Exercise all other rights and remedies permitted by law or in equity.

Section 6.03 Attorney-in-Fact. Pledgor hereby irrevocably appoints Secured

Party as Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor or otherwise, from time to time in Secured Party's discretion upon the occurrence and during the continuance of an Event of Default, but at Pledgor's cost and expense, three (3) Business Days after receipt by Pledgor of written notice from Secured Party of its intent to do so, to take any action and to execute any assignment, certificate, financing statement, stock power, notification, document or instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to Pledgor representing any dividend, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

Section 6.04 Liability for Deficiency. If any sale or other disposition of

Collateral by Secured Party in compliance with the Loan Documents and applicable law or any other action of Secured Party hereunder in compliance with the Loan Documents and applicable law results in reduction of the Obligations, such action will not release Pledgor from its liability to Secured Party for any unpaid Obligations, including (to the extent permitted by law) costs, charges and expenses incurred in the liquidation of Collateral, together with interest thereon until paid at the rate per annum equal to 2% plus the rate applicable to ABR Loans as provided in Section 3.02(a) of the Credit Agreement, and the same shall be immediately due and payable to Secured Party at Secured Party's address set forth in the opening paragraph hereof.

Section 6.05 Reasonable Notice. If any applicable provision of any law

requires Secured Party to give reasonable notice of any sale or disposition or other action, Pledgor hereby agrees that ten days' prior written notice shall constitute reasonable notice thereof. Such notice, in the case of public sale,

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shall state the time and place fixed for such sale and, in the case of private sale, the time after which such sale is to be made.

Section 6.06 Pledged Securities. Upon both (i) the occurrence and during

the continuance of an Event of Default and (ii) either (a) the Loans becoming due and payable at their stated maturity and not paid, (b) the Loans being declared due and payable pursuant to Article X of the Credit Agreement, or (c) Secured Party giving prior written notice to Pledgor of Secured Party's intent to exercise its rights under Section 6.02:

(a) All rights of Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 4.02 shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Collateral such dividends and interest payments, but Secured Party shall have no duty to receive and hold such dividends and interest payments and shall not be responsible for any failure to do so or delay in so doing.

(b) All dividends and interest payments which are received by Pledgor contrary to the provisions of this Section 6.06 shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Pledgor and shall be promptly paid over to Secured Party as Collateral in the same form as so received (with any necessary endorsement).

(c) Secured Party may exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Securities as if it were the absolute owner thereof, including without limitation, the right to exchange at its discretion, any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer of such Pledged Securities or upon the exercise by any such issuer or Secured Party of any right, privilege or option pertaining to any of the Pledged Securities and in connection therewith, to deposit and deliver any and all of the Pledged Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but Secured Party shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

Section 6.07 Non-judicial Enforcement. To the extent permitted by law,

Secured Party may enforce its rights hereunder without prior judicial process or judicial hearing, and to the extent permitted by law Pledgor expressly waives any and all legal rights which might otherwise require Secured Party to enforce its rights by judicial process.

ARTICLE 7

MISCELLANEOUS PROVISIONS -----

Section 7.01 Notices. Any notice required or permitted to be given under or

in connection with this Agreement shall be in writing and shall be mailed by first class or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid written transmission or personally

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delivered to the receiving party. All such communications shall be mailed, sent or delivered at the address respectively indicated in the opening paragraph hereof or at such other address as either party may have furnished the other party in writing. Any communication so addressed and mailed shall be deemed to be given three days after so mailed, any notice so sent by rapid written transmission shall be deemed to be given when receipt of such transmission is acknowledged by the receiving operator or equipment, and any communication so delivered in person shall be deemed to be given when receipted for or actually received by Pledgor or Secured Party, as the case may be.

Section 7.02 Amendments and Waivers. Secured Party's acceptance of partial

or delinquent payments or any forbearance, failure or delay by Secured Party in exercising any right, power or remedy hereunder shall not be deemed a waiver of

any obligation of Pledgor or any Obligor, or of any right, power or remedy of Secured Party; and no partial exercise of any right, power or remedy shall preclude any other or further exercise thereof. Secured Party may remedy any Event of Default hereunder or in connection with the Obligations without waiving the Event of Default so remedied. Pledgor hereby agrees that if Secured Party agrees to a waiver of any provision hereunder, or an exchange of or release of the Collateral, or the addition or release of any Obligor or other Person, any such action shall not constitute a waiver of any of Secured Party's other rights or of Pledgor's obligations hereunder. This Agreement may be amended only by an instrument in writing executed jointly by Pledgor and Secured Party and may be supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

Section 7.03 Copy as Financing Statement. A photocopy or other reproduction

of this Agreement may be delivered by Pledgor or Secured Party to any financial intermediary or other third party for the purpose of transferring or perfecting any or all of the Pledged Securities to Secured Party or its designee or assignee.

Section 7.04 Possession of Collateral. Secured Party shall be deemed to

have possession of any Collateral in transit to it or set apart for it (or, in either case, any of its agents, affiliates or correspondents).

Section 7.05 Redelivery of Collateral. If any sale or transfer of

Collateral by Secured Party results in full satisfaction of the Obligations, and after such sale or transfer and discharge there remains a surplus of proceeds, Secured Party will deliver to Pledgor such excess proceeds in a commercially reasonable time; provided, however, that Secured Party shall not have any liability for any interest, cost or expense in connection with any delay in delivering such proceeds to Pledgor.

Section 7.06 Governing Law; Jurisdiction. This Agreement and the security

interest granted hereby shall be construed in accordance with and governed by the laws of the State of Texas (except to the extent that the laws of any other jurisdiction govern the perfection and priority of the security interests granted hereby).

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Section 7.07 Continuing Security Agreement.

(a) Except as otherwise provided by applicable law (including, without limitation, Section 9.620 of the Code), no action taken or omission to act by Secured Party hereunder, including, without limitation, any exercise of voting or consensual rights pursuant to Section 6.06 or any other action taken or inaction pursuant to Section 6.02, shall be deemed to constitute a retention of the Collateral in satisfaction of the Obligations or otherwise to be in full satisfaction of the Obligations, and the Obligations shall remain in full force and effect, until Secured Party shall have applied payments (including, without limitation, collections from Collateral) towards the Obligations in the full amount then outstanding or until such subsequent time as is hereinafter provided in subsection (b) below.

(b) To the extent that any payments on the Obligations or proceeds of the Collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent the Obligations so satisfied shall be revived and continue as if such payment or proceeds had not been received by Secured Party, and Secured Party's security interests, rights, powers and remedies hereunder shall continue in full force and effect. In such event, this Agreement shall be automatically reinstated if it shall theretofore have been terminated pursuant to Section 7.08.

Section 7.08 Termination. The grant of a security interest hereunder and all of Secured Party's rights, powers and remedies in connection therewith shall remain in full force and effect until Secured Party has (i) retransferred and delivered all Collateral in its possession to Pledgor, and (ii) executed a written release or termination statement and reassigned to Pledgor without recourse or warranty any remaining Collateral and all rights conveyed hereby. Upon (i) the complete payment of the Obligations (other than any indemnity which is not yet due and payable), (ii) the expiration of all outstanding Letters of Credit, and (iii) the termination of the Commitments, Secured Party, at the written request and expense of Pledgor, will release, reassign and transfer the Collateral to Pledgor and declare this Agreement to be of no further force or effect. Notwithstanding the foregoing, Section 4.04 and the provisions of subsection 7.07(b) shall survive the termination of this Agreement.

Section 7.09 Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts. Each counterpart is deemed an original, but all such

counterparts taken together constitute one and the same instrument. This Agreement becomes effective upon the execution hereof by Pledgor and delivery of the same to Secured Party, and it is not necessary for Secured Party to execute any acceptance hereof or otherwise signify or express its acceptance hereof.

Section 7.10 Limitation by Law. All rights, remedies and powers provided in this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they shall not render this Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

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Section 7.11 Interest. It is the intention of the parties hereto to conform

strictly to usury laws applicable to Secured Party or any Lender. Accordingly, if the transactions contemplated hereby would be usurious under applicable state or federal law, then, notwithstanding anything to the contrary in this Agreement or in any other Loan Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to Secured Party or any Lender that is contracted for, taken, reserved, charged or received under the Obligations, this Agreement or under any other Loan Document or otherwise in connection with the Obligations shall under no circumstances exceed the maximum amount allowed by such applicable law, (ii) in the event that the maturity of the Obligations is accelerated for any reason, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to Secured Party or any Lender may never include more than such maximum amount, and (iii) excess interest, if any, provided for in this Agreement, any other Loan Document or otherwise shall be cancelled automatically and, if theretofore paid, shall be credited by Secured Party on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Secured Party to Pledgor). The right to accelerate the maturity of the Obligations does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and neither Secured Party nor any Lender intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Secured Party or any Lender for the use, forbearance or detention of sums included in the initial Obligations shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest on account of the initial Obligations does not exceed the applicable usury ceiling, if any.

[Signatures begin on next page]

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PLEDGOR:

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

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PLEDGE AND SECURITY AGREEMENT

Between

NANCE PETROLEUM CORPORATION,
as Pledgor

and

WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent,
as Secured Party

Effective as of January 27, 2003

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT is made effective as of January 27, 2003, by NANCE PETROLEUM CORPORATION, a Montana corporation with principal offices at 550 N. 31st Street, Suite 500, Billings, Montana 59103-7168 ("Pledgor"), in favor of WACHOVIA BANK, NATIONAL ASSOCIATION (formerly known as

First Union National Bank), a national banking association with offices at 301 South College Street, Charlotte, North Carolina 28288, as Administrative Agent (in such capacity, the "Secured Party") for the benefit of the several lenders

now or hereafter parties to the hereinafter defined Credit Agreement (individually, a "Lender" and collectively, the "Lenders").

RECITALS

A. St. Mary Land & Exploration Company, a Delaware corporation ("Parent"), Secured Party and the Lenders have executed a Credit Agreement dated

as of even date herewith (such agreement, as may from time to time be amended or supplemented, being hereinafter called the "Credit Agreement") pursuant to

which, upon the terms and conditions stated therein, the Lenders agree to make loans to and extend credit on behalf of Parent.

B. Pledgor, among others, has guaranteed the prompt payment and performance of all indebtedness, obligations and liabilities of the Parent to the Lenders and/or Secured Party under or in connection with the Credit Agreement pursuant to the terms and conditions of the "Guaranty Agreement" (as defined in the Credit Agreement).

C. The Lenders conditioned their obligations under the Credit Agreement upon the execution and delivery by Pledgor of this Pledge and Security Agreement and Pledgor has agreed to execute and deliver this Pledge and Security Agreement.

D. Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Pledgor hereby agrees with Secured Party as follows:

ARTICLE

SECURITY INTEREST

Section 1.01 Pledge. Pledgor hereby pledges, assigns and grants to Secured Party a security interest in and right of set-off against the assets referred to in Section 1.02 (the "Collateral") to secure the prompt payment and performance of the "Obligations" (as defined in Section 2.02) and the performance by Pledgor of this Pledge and Security Agreement.

Section 1.02 Collateral. The Collateral consists of the following types or items of property which are owned by Pledgor:

(a) The securities described or referred to in Exhibit A attached hereto and made a part hereof.

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(b) (i) The certificates or instruments, if any, representing such membership interests and such units, (ii) all dividends (cash, stock or otherwise), cash, instruments, rights to subscribe, purchase or sell and all other rights and property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such membership interests or such units, (iii) all replacements and substitutions for any of the property referred to in this Section 1.02, including, without limitation, claims against third parties, and (iv) the proceeds, interest, profits and other income of or on any of the property referred to in this Section 1.02.

It is expressly contemplated that additional securities or other property may from time to time be pledged, assigned or granted to Secured Party as additional security for the Obligations, and the term "Collateral" as used herein shall be deemed for all purposes hereof to include all such additional membership interests, units and property, together with all other property of the types described above related thereto.

Section 1.03 Transfer of Collateral. All certificates or instruments representing or evidencing the Pledged Securities shall be delivered to and held pursuant hereto by Secured Party or a Person designated by Secured Party and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, or (in the case of either certificated or uncertificated securities) Secured Party shall have been provided with evidence that the Pledged Securities have been otherwise delivered to Secured Party in accordance with Section 8.301 of the Code, all in form and substance satisfactory to Secured Party. Notwithstanding the preceding sentence, at Secured Party's discretion, all Pledged Securities must be delivered or transferred in such manner as to permit Secured Party to meet the requirements of Section 8.303(a)(3) of the Code to the extent of its security interest. Secured Party shall have the right, at any time in its discretion and without notice to Pledgor, to transfer to or to register in the name of Secured Party or any of its nominees any or all of the Pledged Securities, subject only to the revocable rights specified in Section 4.02. In addition, Secured Party shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Securities for certificates or instruments of smaller or larger denominations.

ARTICLE 2

DEFINITIONS

Section 2.01 Terms Defined Above. As used in this Pledge and Security Agreement, the terms defined above shall have the meanings respectively assigned to them.

Section 2.02 Certain Definitions. As used in this Pledge and Security Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

"Agreement" means this Pledge and Security Agreement, as the same may

from time to time be amended, supplemented or otherwise modified.

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"Code" means the Uniform Commercial Code as presently in effect in the

State of Texas, Articles 1 through 9. Unless otherwise indicated by the
context herein, all uncapitalized terms which are defined in the Code shall
have their respective meanings as used in Articles 8 and 9 of the Code.

"Event of Default" means any event specified in Section 6.01.

"Obligations" means the collective reference to (a) all indebtedness,

obligations and liabilities of Parent under or in connection with the Loan
Documents, including, without limitation, the unpaid principal of and
interest on the Loans and the LC Exposure and all other obligations and
liabilities of Parent (including, without limitation, interest accruing at
the then applicable rate provided in the Credit Agreement after the
maturity of the Loans and the LC Exposure and interest accruing at the then
applicable rate provided in the Credit Agreement after the filing of any
petition in bankruptcy, or the commencement of any insolvency,
reorganization or like proceeding, relating to Parent, whether or not a
claim for post-filing or post-petition interest is allowed in such
proceeding) to Secured Party or any Lender (or, in the case of any Swap
Agreement referred to below, any Affiliate of any Lender), whether direct
or indirect, absolute or contingent, due or to become due, or now existing
or hereafter incurred, which may arise under, out of, or in connection
with, the Credit Agreement, the other Loan Documents or any Swap Agreement
entered into by Parent with any Lender (or any Affiliate of any Lender), or
any other document made, delivered or given in connection therewith, in
each case whether on account of principal, interest, reimbursement
obligations, fees, indemnities, costs, expenses or otherwise (including,
without limitation, all reasonable fees and disbursements of counsel to
Secured Party or to the Lenders that are required to be paid by Parent
pursuant to the terms of any of the foregoing agreements), (b) all
indebtedness, obligations and liabilities of Pledgor under or in connection
with the Guaranty Agreement and (c) all obligations of Pledgor which may
arise under or in connection with this Agreement or any other Loan Document
to which Pledgor is a party.

The term "Obligations" shall mean all indebtedness, obligations and

liabilities described, referred to or mentioned in the immediately
preceding paragraph of this definition, and all renewals, rearrangements,
increases, substitutions and extensions for any period thereof and
amendments, supplements or modifications thereto, in whole or in part.

"Obligor" means any Person, other than Pledgor, liable (whether

directly or indirectly, primarily or secondarily) for the payment or
performance of any of the Obligations whether as maker, co-maker, endorser,
guarantor, accommodation party, general partner or otherwise.

"Pledged Securities" means all of the securities and other property

(whether or not the same constitutes a "security" under the Code) referred
to in Section 1.02(a) or 1.02(b) and all additional securities, if any,
constituting Collateral under this Agreement.

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Section 2.03 Credit Agreement Terms. Unless otherwise defined herein, terms

defined in the Credit Agreement and used herein shall have the meanings given to
them in the Credit Agreement.

Section 2.04 Section References. Unless otherwise provided for herein, all

references herein to Sections are to Sections of this Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES -----

In order to induce Secured Party to accept this Agreement, Pledgor
represents and warrants to Secured Party (which representations and warranties
will survive the creation and payment of the Obligations) that:

Section 3.01 Ownership of Collateral; Encumbrances. Except as otherwise

permitted by the Credit Agreement, Pledgor is the record and beneficial owner of the Collateral free and clear of any Lien except for the security interest created by this Agreement, and Pledgor has full right, power and authority to pledge, assign and grant a security interest in the Collateral to Secured Party.

Section 3.02 No Required Consent. No authorization, consent, approval or

other action by, and no notice to or filing with, any governmental authority or regulatory body (other than the filing of financing statements) is required for (i) the due execution, delivery and performance by Pledgor of this Agreement, (ii) the grant by Pledgor of the security interest granted by this Agreement or (iii) the perfection of such security interest.

Section 3.03 Pledged Securities. The Pledged Securities have been duly

authorized and validly issued, and are fully paid and non-assessable.

Section 3.04 First Priority Security Interest. The pledge of Pledged

Securities pursuant to this Agreement, the delivery to Secured Party of the certificates representing the Pledged Securities accompanied by stock powers duly executed in blank and the filing of appropriate financing statements in the relevant locations create a valid and perfected first priority security interest in the Collateral, enforceable against Pledgor and all third parties and securing payment of the Obligations.

ARTICLE 4

COVENANTS AND AGREEMENTS -----

Pledgor will at all times comply with the covenants and agreements contained in this Article 4, from the date hereof and for so long as any part of the Obligations (other than any indemnity which is not yet due and payable) are outstanding.

Section 4.01 Sale, Disposition or Encumbrance of Collateral. Except as

otherwise not prohibited by the Credit Agreement or this Agreement, Pledgor will not in any way encumber any of the Collateral (or permit or suffer any of the

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Collateral to be encumbered) or sell, pledge, assign, lend or otherwise dispose of or transfer any of the Collateral to or in favor of any Person other than Secured Party.

Section 4.02 Voting Rights; Dividends or Distributions. Until both (i) an

Event of Default shall have occurred and be continuing and (ii) either (a) the Loans have become due and payable at their stated maturity and have not been paid, (b) the Loans have been declared due and payable pursuant to Article X of the Credit Agreement, or (c) Secured Party has given notice to Pledgor of Secured Party's intent to exercise its rights under Section 6.02:

(a) Pledgor shall be entitled to exercise any and all voting, management and/or other consensual rights and powers inuring to an owner of the Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement and the other Loan Documents.

(b) Pledgor shall be entitled to receive and retain (free and clear of and no longer subject to this Agreement or the Lien created pursuant to this Agreement) any and all dividends, distributions and interest paid in respect of the Collateral, provided, however, that any and all

(i) dividends and interest paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for (including, without limitation, any certificate, share or interest purchased or exchanged in connection with a tender offer or merger agreement), any Collateral,

(ii) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution, or reclassification, and

(iii) cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or in exchange for, any Collateral,

shall be, and shall be promptly delivered to Secured Party to hold as, Collateral and shall, if received by Pledgor, be received in trust for the benefit of Secured Party, be segregated from the other property or funds of

Pledgor, and be promptly delivered to Secured Party as Collateral in the same form as so received (with any necessary endorsement)), provided further,

however, in no event shall the foregoing proviso be applicable to, or prevent

the Pledgor from receiving and retaining any securities that are not pledged or intended or required to be pledged to the Secured Party pursuant to any Security Instrument, including this Agreement.

Section 4.03 Records and Information. Pledgor shall keep accurate and complete records of the Collateral (including proceeds, payments, distributions, income and profits). Pledgor will promptly provide written notice to Secured Party of all information which in any way affects the filing of any financing statement or other public notices or recordings pertaining to the perfection of

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a security interest in the Collateral, or the delivery and possession of items of Collateral for the purpose of perfecting a security interest in the Collateral.

Section 4.04 Certain Liabilities. Pledgor hereby assumes all liability for the Collateral, the security interest created hereunder and any use, possession, maintenance, management, enforcement or collection of any or all of the Collateral.

Section 4.05 Further Assurances. Upon the request of Secured Party, Pledgor shall (at Pledgor's expense) execute and deliver all such assignments, certificates, instruments, securities, financing statements, notifications to financial intermediaries, clearing corporations, issuers of securities or other third parties or other documents and give further assurances and do all other acts and things as Secured Party may reasonably request to perfect Secured Party's interest in the Collateral or to protect, enforce or otherwise effect Secured Party's rights and remedies hereunder.

Section 4.06 Rights to Sell. If Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to its rights hereunder, Pledgor agrees that, upon request of Secured Party, Pledgor will, at its own expense:

(a) execute and deliver, and use all reasonable efforts to cause each issuer of the Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the reasonable opinion of Secured Party, advisable to register such Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), if such registration is, in the reasonable opinion of Secured Party, necessary or advisable to effect a public distribution of the Collateral, and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the reasonable opinion of Secured Party, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto;

(b) use all reasonable efforts to qualify the Collateral under the state securities or "Blue Sky" laws and to obtain all necessary governmental approvals for the sale of the Collateral, as requested by Secured Party;

(c) use all reasonable efforts to cause each such issuer to make available to its security holders, as soon as practicable, an earnings statement which will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) use all reasonable efforts to do or cause to be done all such other acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by Secured Party by reason of the failure by Pledgor to perform any of the covenants contained in this Section 4.06 and

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consequently agrees that if Pledgor shall fail to perform any of such covenants,

it shall pay (to the extent permitted by law), as liquidated damages, and not as penalty, an amount (in no event to exceed the amount of Obligations then outstanding) equal to the value of the Collateral affected by Pledgor's failure to perform any of the covenants contained in this Section 4.06 on the date the Secured Party shall demand compliance with this Section 4.06.

ARTICLE 5

RIGHTS, DUTIES AND POWERS OF SECURED PARTY

The following rights, duties and powers of Secured Party are applicable irrespective of whether an Event of Default occurs and is continuing:

Section 5.01 Discharge Encumbrances. Secured Party may, at its option,

three (3) Business Days after receipt by Pledgor of prior written notice from Secured Party of its intent to do so, discharge any Liens at any time levied or placed on the Collateral that are prohibited by the Credit Agreement and that are not being contested in good faith by appropriate proceedings. Pledgor agrees to reimburse Secured Party within five (5) days after demand for any payment so made, plus interest thereon from the date of Secured Party's demand at the rate per annum equal to 2% plus the rate applicable to ABR Loans as provided in Section 3.02(a) of the Credit Agreement.

Section 5.02 Transfer of Collateral. Subject to the terms of the Credit

Agreement, Secured Party may transfer any or all of the Obligations, and upon any such transfer Secured Party may transfer its interest in any or all of the Collateral and shall be fully discharged thereafter from all liability therefor. Any transferee of the Collateral shall be vested with all rights, powers, duties and remedies of Secured Party hereunder.

Section 5.03 Cumulative and Other Rights. The rights, powers and remedies

of Secured Party hereunder are in addition to all rights, powers and remedies given by law or in equity. The exercise by Secured Party of any one or more of the rights, powers and remedies herein shall not be construed as a waiver of any other rights, powers and remedies, including, without limitation, any other rights of set-off.

Section 5.04 Disclaimer of Certain Duties. The powers conferred upon

Secured Party by this Agreement are to protect its interest in the Collateral and shall not impose any duty upon Secured Party to exercise any such powers. Pledgor hereby agrees that Secured Party shall not be liable for, nor shall the indebtedness evidenced by the Obligations be diminished by, Secured Party's delay or failure to collect upon, foreclose, sell, take possession of or otherwise obtain value for the Collateral.

5.5 Custody and Preservation of the Collateral. Secured Party shall be

deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which comparable secured parties accord comparable collateral, it being understood and agreed, however, that Secured Party shall not have responsibility for (i) ascertaining or taking action with respect to

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calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against Persons or entities with respect to any Collateral.

ARTICLE 6

EVENTS OF DEFAULT

Section 6.01 Events. An "Event of Default" (as defined in the Credit

Agreement) which has occurred and is continuing shall constitute an Event of Default under this Agreement.

Section 6.02 Remedies. Upon the occurrence and during the continuance of

any Event of Default, Secured Party may take any or all of the following actions without notice or demand to Pledgor (except that Secured Party will not take any action in the case of paragraphs (b) and (f) below until five (5) Business Days after receipt by Pledgor of written notice from Secured Party of its intent to do so):

(a) Subject to applicable provisions contained in the Credit

Agreement, declare all or part of the indebtedness pursuant to the Obligations immediately due and payable and enforce payment of the same by Pledgor or any Obligor.

(b) Sell, in one or more sales and in one or more parcels, or otherwise dispose of any or all of the Collateral in any commercially reasonable manner as Secured Party may elect, in a public or private transaction, at any location as deemed reasonable by Secured Party either for cash or credit or for future delivery at such price as Secured Party may reasonably deem fair, and (unless prohibited by the Uniform Commercial Code, as adopted in any applicable jurisdiction) Secured Party may be the purchaser of any or all Collateral so sold and may apply upon the purchase price therefor any Obligations secured hereby. Any such sale or transfer by Secured Party either to itself or to any other Person shall be absolutely free from any claim of right by Pledgor, including any equity or right of redemption, stay or appraisal which Pledgor has or may have under any rule of law, regulation or statute now existing or hereafter adopted. Upon any such sale or transfer, Secured Party shall have the right to deliver, assign and transfer to the purchaser or transferee thereof the Collateral so sold or transferred. If Secured Party reasonably deems it advisable to do so, it may restrict the bidders or purchasers of any such sale or transfer to Persons or entities who will represent and agree that they are purchasing the Collateral for their own account and not with the view to the distribution or resale of any of the Collateral. Secured Party may, at its discretion, provide for a public sale, and any such public sale shall be held at such time or times within ordinary business hours and at such place or places as Secured Party may fix in the notice of such sale. Secured Party shall not be obligated to make any sale pursuant to any such notice. Secured Party may, without notice or publication, adjourn any public or private sale by announcement at any time and place fixed for such sale, and such sale may be made at any time or place to which the same may be so adjourned. In the event any sale or transfer hereunder is not completed or is defective in the opinion of Secured Party, such sale or transfer shall not exhaust the rights of Secured Party hereunder, and

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Secured Party shall have the right to cause one or more subsequent sales or transfers to be made hereunder. If only part of the Collateral is sold or transferred such that the Obligations remain outstanding (in whole or in part), Secured Party's rights and remedies hereunder shall not be exhausted, waived or modified, and Secured Party is specifically empowered to make one or more successive sales or transfers until all the Collateral shall be sold or transferred and all the Obligations are paid. In the event that Secured Party elects not to sell the Collateral, Secured Party retains its rights to dispose of or utilize the Collateral or any part or parts thereof in any manner authorized or permitted by law or in equity, and to apply the proceeds of the same towards payment of the Obligations.

(c) Apply proceeds of the disposition of the Collateral to the Obligations in any manner elected by Secured Party and permitted by the Code or otherwise permitted by law or in equity. Such application may include, without limitation, the reasonable attorneys' fees and legal expenses incurred by Secured Party.

(d) Appoint any Person as agent to perform any act or acts necessary or incident to any sale or transfer by Secured Party of the Collateral.

(e) Receive, change the address for delivery, open and dispose of mail addressed to Pledgor, and to execute, assign and endorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, shipment or storage for any form of Collateral on behalf of and in the name of Pledgor.

(f) Exercise all other rights and remedies permitted by law or in equity.

Section 6.03 Attorney-in-Fact. Pledgor hereby irrevocably appoints Secured

Party as Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor or otherwise, from time to time in Secured Party's discretion upon the occurrence and during the continuance of an Event of Default, but at Pledgor's cost and expense, three (3) Business Days after receipt by Pledgor of written notice from Secured Party of its intent to do so, to take any action and to execute any assignment, certificate, financing statement, stock power, notification, document or instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to Pledgor representing any dividend, interest payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

Section 6.04 Liability for Deficiency. If any sale or other disposition of

Collateral by Secured Party in compliance with the Loan Documents and applicable law or any other action of Secured Party hereunder in compliance with the Loan Documents and applicable law results in reduction of the Obligations, such action will not release Pledgor from its liability to Secured Party for any unpaid Obligations, including (to the extent permitted by law) costs, charges and expenses incurred in the liquidation of Collateral, together with interest thereon until paid at the rate per annum equal to 2% plus the rate applicable to ABR Loans as provided in Section 3.02(a) of the Credit Agreement, and the same shall be immediately due and payable to Secured Party at Secured Party's address set forth in the opening paragraph hereof.

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Section 6.05 Reasonable Notice. If any applicable provision of any law

requires Secured Party to give reasonable notice of any sale or disposition or other action, Pledgor hereby agrees that ten days' prior written notice shall constitute reasonable notice thereof. Such notice, in the case of public sale, shall state the time and place fixed for such sale and, in the case of private sale, the time after which such sale is to be made.

Section 6.06 Pledged Securities. Upon both (i) the occurrence and during

the continuance of an Event of Default and (ii) either (a) the Loans becoming due and payable at their stated maturity and not paid, (b) the Loans being declared due and payable pursuant to Article X of the Credit Agreement, or (c) Secured Party giving prior written notice to Pledgor of Secured Party's intent to exercise its rights under Section 6.02:

(a) All rights of Pledgor to receive the dividends and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 4.02 shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Collateral such dividends and interest payments, but Secured Party shall have no duty to receive and hold such dividends and interest payments and shall not be responsible for any failure to do so or delay in so doing.

(b) All dividends and interest payments which are received by Pledgor contrary to the provisions of this Section 6.06 shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Pledgor and shall be promptly paid over to Secured Party as Collateral in the same form as so received (with any necessary endorsement).

(c) Secured Party may exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Pledged Securities as if it were the absolute owner thereof, including without limitation, the right to exchange at its discretion, any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer of such Pledged Securities or upon the exercise by any such issuer or Secured Party of any right, privilege or option pertaining to any of the Pledged Securities and in connection therewith, to deposit and deliver any and all of the Pledged Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but Secured Party shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

Section 6.07 Non-judicial Enforcement. To the extent permitted by law,

Secured Party may enforce its rights hereunder without prior judicial process or judicial hearing, and to the extent permitted by law Pledgor expressly waives any and all legal rights which might otherwise require Secured Party to enforce its rights by judicial process.

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ARTICLE 7

MISCELLANEOUS PROVISIONS

Section 7.01 Notices. Any notice required or permitted to be given under or

in connection with this Agreement shall be in writing and shall be mailed by first class or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid written transmission or personally delivered to the receiving party. All such communications shall be mailed, sent or delivered at the address respectively indicated in the opening paragraph hereof or at such other address as either party may have furnished the other party in writing. Any communication so addressed and mailed shall be deemed to

be given three days after so mailed, any notice so sent by rapid written transmission shall be deemed to be given when receipt of such transmission is acknowledged by the receiving operator or equipment, and any communication so delivered in person shall be deemed to be given when receipted for or actually received by Pledgor or Secured Party, as the case may be.

Section 7.02 Amendments and Waivers. Secured Party's acceptance of partial

or delinquent payments or any forbearance, failure or delay by Secured Party in exercising any right, power or remedy hereunder shall not be deemed a waiver of any obligation of Pledgor or any Obligor, or of any right, power or remedy of Secured Party; and no partial exercise of any right, power or remedy shall preclude any other or further exercise thereof. Secured Party may remedy any Event of Default hereunder or in connection with the Obligations without waiving the Event of Default so remedied. Pledgor hereby agrees that if Secured Party agrees to a waiver of any provision hereunder, or an exchange of or release of the Collateral, or the addition or release of any Obligor or other Person, any such action shall not constitute a waiver of any of Secured Party's other rights or of Pledgor's obligations hereunder. This Agreement may be amended only by an instrument in writing executed jointly by Pledgor and Secured Party and may be supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

Section 7.03 Copy as Financing Statement. A photocopy or other reproduction

of this Agreement may be delivered by Pledgor or Secured Party to any financial intermediary or other third party for the purpose of transferring or perfecting any or all of the Pledged Securities to Secured Party or its designee or assignee.

Section 7.04 Possession of Collateral. Secured Party shall be deemed to

have possession of any Collateral in transit to it or set apart for it (or, in either case, any of its agents, affiliates or correspondents).

Section 7.05 Redelivery of Collateral. If any sale or transfer of

Collateral by Secured Party results in full satisfaction of the Obligations, and after such sale or transfer and discharge there remains a surplus of proceeds, Secured Party will deliver to Pledgor such excess proceeds in a commercially reasonable time; provided, however, that Secured Party shall not have any liability for any interest, cost or expense in connection with any delay in delivering such proceeds to Pledgor.

Section 7.06 Governing Law; Jurisdiction. This Agreement and the security

interest granted hereby shall be construed in accordance with and governed by the laws of the State of Texas (except to the extent that the laws of any other

jurisdiction govern the perfection and priority of the security interests granted hereby).

Section 7.07 Continuing Security Agreement.

(a) Except as otherwise provided by applicable law (including, without limitation, Section 9.620 of the Code), no action taken or omission to act by Secured Party hereunder, including, without limitation, any exercise of voting or consensual rights pursuant to Section 6.06 or any other action taken or inaction pursuant to Section 6.02, shall be deemed to constitute a retention of the Collateral in satisfaction of the Obligations or otherwise to be in full satisfaction of the Obligations, and the Obligations shall remain in full force and effect, until Secured Party shall have applied payments (including, without limitation, collections from Collateral) towards the Obligations in the full amount then outstanding or until such subsequent time as is hereinafter provided in subsection (b) below.

(b) To the extent that any payments on the Obligations or proceeds of the Collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent the Obligations so satisfied shall be revived and continue as if such payment or proceeds had not been received by Secured Party, and Secured Party's security interests, rights, powers and remedies hereunder shall continue in full force and effect. In such event, this Agreement shall be automatically reinstated if it shall theretofore have been terminated pursuant to Section 7.08.

Section 7.08 Termination. The grant of a security interest hereunder and

all of Secured Party's rights, powers and remedies in connection therewith shall remain in full force and effect until Secured Party has (i) retransferred and delivered all Collateral in its possession to Pledgor, and (ii) executed a

written release or termination statement and reassigned to Pledgor without recourse or warranty any remaining Collateral and all rights conveyed hereby. Upon (i) the complete payment of the Obligations (other than any indemnity which is not yet due and payable), (ii) the expiration of all outstanding Letters of Credit, and (iii) the termination of the Commitments, Secured Party, at the written request and expense of Pledgor, will release, reassign and transfer the Collateral to Pledgor and declare this Agreement to be of no further force or effect. Notwithstanding the foregoing, Section 4.04 and the provisions of subsection 7.07(b) shall survive the termination of this Agreement.

Section 7.09 Counterparts; Effectiveness. This Agreement may be executed in

two or more counterparts. Each counterpart is deemed an original, but all such counterparts taken together constitute one and the same instrument. This Agreement becomes effective upon the execution hereof by Pledgor and delivery of the same to Secured Party, and it is not necessary for Secured Party to execute any acceptance hereof or otherwise signify or express its acceptance hereof.

Section 7.10 Limitation by Law. All rights, remedies and powers provided in

this Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that

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they shall not render this Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 7.11 Interest. It is the intention of the parties hereto to conform

strictly to usury laws applicable to Secured Party or any Lender. Accordingly, if the transactions contemplated hereby would be usurious under applicable state or federal law, then, notwithstanding anything to the contrary in this Agreement or in any other Loan Document, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to Secured Party or any Lender that is contracted for, taken, reserved, charged or received under the Obligations, this Agreement or under any other Loan Document or otherwise in connection with the Obligations shall under no circumstances exceed the maximum amount allowed by such applicable law, (ii) in the event that the maturity of the Obligations is accelerated for any reason, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to Secured Party or any Lender may never include more than such maximum amount, and (iii) excess interest, if any, provided for in this Agreement, any other Loan Document or otherwise shall be cancelled automatically and, if theretofore paid, shall be credited by Secured Party on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by Secured Party to Pledgor, or to the Company, as appropriate). The right to accelerate the maturity of the Obligations does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and neither Secured Party nor any Lender intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Secured Party or any Lender for the use, forbearance or detention of sums included in the initial Obligations shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest on account of the initial Obligations does not exceed the applicable usury ceiling, if any.

[Signatures begin on next page]

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PLEDGOR:

NANCE PETROLEUM CORPORATION

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

FIRST SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE,
 LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT,
 FIXTURE FILING AND FINANCING STATEMENT

THIS FIRST SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Supplement") is entered into as of the effective time and date hereinafter stated (the "Effective Date") by ST. MARY LAND & EXPLORATION COMPANY ("Parent"), a Delaware corporation (Taxpayer I.D. No. 41-0518430); ST. MARY ENERGY COMPANY ("Energy"), a Delaware corporation (Taxpayer I.D. No. 76-0554924); NANCE PETROLEUM CORPORATION ("Nance"), a Montana corporation (Taxpayer I.D. No. 81-0309883); ST. MARY MINERALS INC. ("Minerals"), a Colorado corporation (Taxpayer I.D. No. 84-1200318); ROSWELL, L.L.C. ("Roswell"), a Texas limited liability company (Taxpayer I.D. No. 74-2788509); and ST. MARY OPERATING COMPANY ("Operating"), a Colorado corporation (Taxpayer I.D. No. 84-0723492) (individually and collectively called "Mortgagor"); to Jay Chernosky, as Trustee with respect to Property located in the State of Texas, whose address for notice is 1001 Fannin Street, Suite 2255, Houston, Texas 77002, and First American Title Company of Utah, as Trustee for Property located in the State of Utah, whose address for notice is 3300 East 400 South, Salt Lake City, Utah 84111, in both cases for the benefit of WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Agent") for the lenders (collectively, the "Lenders") party to the hereinafter defined Credit Agreement.

RECITALS

A. Parent, Bank of America, N.A., as Agent (the "Former Agent") and the "Former Lenders" (as hereinafter defined) entered into that certain Credit Agreement dated as of June 30, 1998, by and among Parent, the Former Agent, and each of the lenders (collectively the "Former Lenders") party thereto (together with all amendments or modifications thereof and supplements thereto the "Existing Credit Agreement").

B. The indebtedness of the Parent under or in connection with the Existing Credit Agreement is secured by, among other things, that certain Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated May 2, 2002, from Mortgagor to Agent (together with all supplements and amendments thereto, the "Mortgage").

C. The Mortgage was duly recorded as set forth on Schedule I attached hereto and made a part hereof for all purposes.

D. By separate Assignment of Note and Liens dated of even date herewith, each of the Former Lenders assigned to the Former Agent all indebtedness of Parent owing to such Former Lender under or in connection with the Existing Credit Agreement (all such indebtedness herein and in the Mortgage called the "Assigned Indebtedness"), together with their beneficial interest in and to all

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liens securing the payment thereof including, without limitation, the liens created by and existing under the Mortgage.

E. By Assignment of Undivided Interest in Notes and Liens dated of even date herewith, the Former Agent has assigned to Agent the Assigned Indebtedness and all liens securing the payment thereof including, without limitation, the liens created by and existing under the Mortgage.

F. Parent, Agent and the Lenders have entered into that certain Credit Agreement dated of even date herewith (together with all amendments or modifications thereof and supplements thereto, the "Credit Agreement"), the initial advance of loan proceeds thereunder to be used to renew, extend, rearrange and modify the Assigned Indebtedness.

G. Energy, Nance and Operating have guaranteed the prompt payment and performance of all indebtedness, obligations and liabilities of the Parent to the Lenders and/or Agent pursuant to the terms and conditions of the "Guaranty Agreement" (as defined in the Credit Agreement).

H. In view of the foregoing, Mortgagor and Agent mutually desire to supplement and amend the Mortgage as hereinafter provided.

NOW, THEREFORE, for good and valuable consideration in hand paid by Mortgagor to Agent and in consideration of the debts and trusts hereinafter mentioned, the receipt and sufficiency of all of which is hereby acknowledged, Mortgagor and Agent do hereby agree as follows:

1. All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Mortgage, as supplemented and amended hereby.

2. All references in the Mortgage to "this Mortgage" shall mean the Mortgage as supplemented and amended hereby and as the same may from time to time be further amended or supplemented.

3. All references in the Mortgage to "Credit Agreement" shall mean the Credit Agreement (as defined in the Recitals hereto).

4. All references in the Mortgage to "Agent" shall mean Wachovia Bank, National Association, as Administrative Agent for the Lenders.

5. All references in the Mortgage to "Lenders" shall mean the Lenders now or hereafter party to the Credit Agreement.

6. All references in the Mortgage to "Trustee" shall mean (a) with respect to Property located in the State of Texas, Jay Chernosky, as Trustee for the benefit of Agent, whose address for notice is 1001 Fannin Street, Suite 2255, Houston, Texas 77002, and (b) with respect to Property located in the State of Utah, First American Title Company of Utah, as Trustee for the benefit of Agent,

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whose address for notice is 3300 East 400 South, Salt Lake City, Utah 84111.

7. All references in the Mortgage to "secured indebtedness" shall mean all indebtedness, obligations and liabilities of Mortgagor referred to in Section 1.3 of the Mortgage, as amended and supplemented hereby, together with any and all renewals, rearrangements, modifications, increases and extensions thereof.

8. All references in the Mortgage to "Notes" shall mean the promissory notes issued, executed and delivered by the Parent to the Lenders under the Credit Agreement, together with any and all renewals, rearrangements, modifications, increases and extensions thereof.

9. All references in the Mortgage to "Loan Documents" shall mean the Loan Documents (as defined in the Credit Agreement).

10. Section 1.3 of the Mortgage is hereby amended in its entirety to read as follows:

"Section 1.3 Secured Indebtedness. This Mortgage is executed and

delivered by the Mortgagor to secure and enforce the payment and performance of the following:

(a) Payment of and performance of any and all indebtedness, obligations and liabilities, including interest (including, without limitation, interest accruing after the maturity of the "Loans" (as defined in the hereinafter defined Credit Agreement) made by each Lender and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Parent, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) of the Parent whether now existing or hereafter arising under or in connection with that certain Credit Agreement dated as of January 27, 2003, by and among Parent, Agent and the Lenders (as the same may from time to time be amended or supplemented, the "Credit Agreement") or any other "Loan Document" (as defined in the Credit Agreement), including, without limitation, the "Notes" (as defined in the Credit Agreement) in the aggregate original principal amount of \$300,000,000 with final maturity on or before January 27, 2006. To the extent set forth in the Credit Agreement, the Loans made by the Lenders to the Parent under the Credit Agreement represent a renewal, extension, rearrangement and modification of the Assigned Indebtedness.

(b) Payment and performance of any and all indebtedness, obligations and liabilities of Energy, Nance and Operating whether now existing or hereafter arising under or in connection with the

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"Guaranty Agreement" (as defined in the Credit Agreement).

(c) Any sums which may be advanced or paid by the Agent or any Lender under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Mortgagor to comply with the covenants of the Mortgage contained herein or in the Credit Agreement or any other Loan Document; and all other indebtedness of the Mortgagor arising pursuant to the provisions of this Mortgage.

(d) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future interest rate or currency swap, rate cap, rate floor, rate collar, forward rate agreement or other exchange or rate protection

agreements or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(e) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future swap agreements, cap, floor, collar, forward agreement or other exchange or protection agreements relating to crude oil, natural gas or other hydrocarbons or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(f) Performance of all "Letter of Credit Agreements" (as defined in the Credit Agreement) executed from time to time by the Parent or any Subsidiary of the Parent under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any "Letter of Credit" (as defined in the Credit Agreement) now outstanding or hereafter issued under or pursuant to the Credit Agreement."

11. Mortgagor hereby confirms that it has heretofore granted, bargained, sold, conveyed, transferred, assigned, set over, mortgaged, warranted, pledged and hypothecated to the Former Agent, and granted a security interest to the Former Agent in, the "Property" (as defined in the Mortgage), and Mortgagor hereby further grants, bargains, sells, conveys, transfers, assigns, sets over, mortgages, warrants, pledges and hypothecates to Agent, and grants a security interest to Agent in, the Property, to secure the payment and performance of the "secured indebtedness" (as such term has been amended hereby).

12. Mortgagor hereby confirms that it has heretofore absolutely and unconditionally assigned, transferred and set over and does hereby absolutely

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and unconditionally assign, transfer and set over to Agent, its successors and assigns, all of the "Production" (as defined in the Mortgage) which accrues to Mortgagor's interest in the Mortgaged Properties, and all Production Proceeds (as defined in the Mortgage), together with the immediate and continuing right to collect and receive all such Production Proceeds.

13. The parties hereto hereby acknowledge and agree that except as specifically amended, changed or modified hereby, the Mortgage shall remain in full force and effect in accordance with its terms. None of the rights, titles and interests existing and to exist under the Mortgage are hereby released, diminished or impaired, and Mortgagor hereby reaffirms all covenants, representations and warranties made in the Mortgage.

14. This Supplement may be executed in two or more counterparts, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof.

15. For purposes of Louisiana law, including but not limited to the availability of executory process, Mortgagor has appeared on this date before the undersigned Notary Public and witnesses in order to execute this Supplement. Mortgagor attaches, as Annex I, to counterparts hereof being recorded in Louisiana certified resolutions of its Board of Directors authorizing the execution and delivery of this Mortgage. Mortgagor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public to be paraphed for identification herewith.

[SIGNATURES BEGIN NEXT PAGE]

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THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES:
/s/ KAREN M. POLLY

Name: Karen M. Polly

ST. MARY LAND & EXPLORATION
COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo

/s/ ROBERT T. HANLEY

Vice President - Land & Legal

Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Parent are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 41-05 18430

The address of Agent is:

201 South College Street
8th Floor NC 0680
Charlotte, NC 28288

The addresses of Trustees are:

Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah

3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:

Craig W. Murray
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, TX 77002

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STATE OF COLORADO

ss.

ss.

COUNTY OF DENVER

ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA

The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires:
Feb. 14, 2005

(printed name)

[SEAL]

THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY ENERGY COMPANY
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

/s/ ROBERT T. HANLEY

Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 76-0554924

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as tile above designated officer of the corporation specified following

such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in tile presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: NANCE PETROLEUM CORPORATION
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

/s/ RICHARD C. NORRIS

Name: Richard C. Norris

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer ID. No. 8 1-0309883

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24TH day of January, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before mc on this
MEXICO, NORTH day, by such person, the above designated officer of the
DAKOTA corporation specified following such person's name, on
OKLAHOMA, TEXAS, behalf of said corporation.
UTAH, WYOMING and

LOUISIANA On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following

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such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

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OTHUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY MINERALS INC.

/s/ KAREN M. POLLY

Name: Karem M. Polly

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Vice President - Finance

/s/ ROBERT T. HANLEY

Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-12003 18

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine

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signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

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THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ROSWELL, L.L.C.
/s/ KAREN M. POLLY

Name: Karen M. Polly By: St. Mary Land & Exploration Company, as Member

/s/ ROBERT T. HANLEY By: /s/ MILAM RANDOLPH PHARO
Name: Robert T. Hanley Milam Randolph Pharo Vice President - Land & Legal

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 74-2788509

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of St. Mary Land & Exploration Company acting in its capacity

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OKLAHOMA, TEXAS, UTAH, WYOMING, and LOUISIANA as member of the limited liability company specified following such person's name, on behalf of said corporation acting in its capacity as member of the limited liability company, and on behalf of said limited liability company.

On this date before me, the undersigned authority. personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires:
Feb. 14, 2005

(printed name)

[SEAL]

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THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY OPERATING COMPANY
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

/s/ ROBERT T. HANLEY

Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-0723492

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before me on this
MEXICO, NORTH day, by such person, the above designated officer of the
DAKOTA corporation specified following such person's name, on
OKLAHOMA, TEXAS, behalf of said corporation.
UTAH, WYOMING and

LOUISIANA On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following

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such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

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THUS DONE AND PASSED this 27th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Agent and me, Notary, after reading of the whole.

WITNESSES: WACHOVIA BANK, NATIONAL
/s/ JEFF CARMICHAEL ASSOCIATION, as Administrative Agent

Name: Jeff Carmichael

By: /s/ PHILIP J. TRINDER

Name: Philip J. Trinder
Title: Vice President

/s/ LUKE ALBRECHT

Name: Luke Albrecht

/s/ MICHELE J COX

NOTARY PUBLIC

The address of Agent is:

201 South College Street
8th Floor NC 0680
Charlotte, North Carolina 28288

STATE OF TEXAS ss.
ss.
COUNTY OF HARRIS ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 27th day of January, 2003, there personally appeared before me: Philip J. Trinder, the Vice President of Wachovia Bank, National Association, a national banking association, known to me to be such officer, such banking association being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before me on this
MEXICO, NORTH day, by such person, the above designated officer of the
DAKOTA banking association specified following such person's name,
OKLAHOMA, TEXAS, on behalf of said banking association.
UTAH, WYOMING and

LOUISIANA On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the banking association specified following such person's name, who signed said document

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before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such banking association by authority of its board of directors and as the free act and deed of such banking association and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Houston, Harris County, Texas, on the day and year first above written.

/s/ MICHELE J COX

NOTARY PUBLIC, in and for the State of Texas
Michele J. Cox

My commission expires:
9-4-05

(printed name)

[SEAL]

DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT FROM

(LA, MT, ND, NM, OK, TX, UT, WY)

ST. MARY LAND & EXPLORATION COMPANY
(Taxpayer I.D. No. 41-05 18430)

ST. MARY ENERGY COMPANY
(Taxpayer I.D. No. 76-0554924)

NANCE PETROLEUM CORPORATION
(Taxpayer I.D. No. 8 1-0309883)

ST. MARY MINERALS INC.
(Taxpayer I.D. No. 84-1200318)

ROSWELL, L.L.C.
(Taxpayer I.D. No. 74-2788509)

ST. MARY OPERATING COMPANY
(Taxpayer I.D. No. 84-0723492)

NPC INC.
(Taxpayer I.D. No. 11-3668557)

TO

JAY CHERNOSKY, TRUSTEE
FIRST AMERICAN TITLE COMPANY OF UTAH, TRUSTEE (for Utah Properties only)

AND

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

Dated Effective as of January 27, 2003

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS
SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF
FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS, AMONG OTHER THINGS, (A) GOODS WHICH ARE OR ARE TO BECOME
FIXTURES RELATED TO THE REAL PROPERTY DESCRIBED HEREIN, AND (B) AS-EXTRACTED
COLLATERAL RELATED TO THE REAL PROPERTY DESCRIBED HEREIN (INCLUDING WITHOUT
LIMITATION, OIL, GAS, OTHER MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE

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EXTRACTED FROM THE EARTH AND ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR
MINEHEAD THEREOF). THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER
PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES AND/OR PARISHES
REFERENCED IN EXHIBIT A HERETO AND SUCFI FILING SHALL SERVE, AMONG OTHER
PURPOSES, AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED
COLLATERAL. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND/OR
IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS
INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW

AGENT (AS HEREINAFTER DEFINED) OR TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE

THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE

ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS

MORTGAGE.

Note to Utah Recording Officer: This is not a Purchase Money Mortgage

Note to North Dakota Recording Officer: Attached to counterparts hereto to be
filed in the State of North Dakota (as Annex II) is an adequate statement of the
interest.

WHEN RECORDED OR FILED RETURN TO:

THIS DOCUMENT PREPARED BY:

Vinson & Elkins L.L.P.

Craig W. Murray

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DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this "Mortgage")

ARTICLE I.

Granting Clauses: Secured Indebtedness

Section 1.1 Grant and Mortgage. St. Mary Land & Exploration Company, a

Delaware corporation ("Parent"), St. Mary Energy Company, a Delaware corporation
("Energy"), Nance Petroleum Corporation, a Montana corporation ("Nance"), St.
Mary Minerals Inc., a Colorado corporation ("Minerals"), Roswell, L.L.C., a
Texas limited liability company ("Roswell"), St. Mary Operating Company, a
Colorado corporation ("Operating"), and NPC Inc., a Colorado corporation
("NPC"); Parent, Energy, Nance, Minerals, Roswell, Operating and NPC being
herein collectively called "Mortgagor" and Energy, Nance, Minerals, Roswell,
Operating and NPC being herein sometimes collectively called a "Subsidiary
Mortgagor", for and in consideration of the sum of Ten Dollars (\$10.00) to
Mortgagor in hand paid, and in order to secure the payment of the secured
indebtedness hereinafter referred to and the performance of the obligations,
covenants, agreements, warranties and undertakings of Mortgagor hereinafter
described, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND
SET OVER to Trustee (as hereinafter defined), and grant to Trustee a POWER OF
SALE (pursuant to this Mortgage and applicable law) with respect to, those of
the following described properties, rights and interests which are located in
(or cover properties located in) the State of Texas or the State of Utah or
which are located within (or cover properties located within) the offshore area
over which the United States of America asserts jurisdiction and to which the
laws of any such state are applicable with respect to this Mortgage and/or the
liens or security interests created hereby (the "Deed of Trust Mortgaged
Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to Agent
(as defined in Section 1.3(a) below), and grant to Agent a POWER OF SALE
(pursuant to this Mortgage and applicable law) with respect to, all of the
following described rights, interests and properties which were not granted to
Trustee in clause (a) above (including, without limitation, those of the
following described properties, rights and interests which are located in (or
cover properties located in) the States of Louisiana, Montana, New Mexico,
North Dakota, Oklahoma or Wyoming or which are located within (or cover
properties located within) the offshore area over which the United States of
America asserts jurisdiction and to which the laws of any such state are
applicable with respect to this Mortgage and/or the liens or security interests
created hereby) (the "Other Mortgaged Properties"):

A. The oil, gas and/or other mineral properties, mineral servitudes,
and/or mineral rights which are described in Exhibit A attached hereto and made
a part hereof;

B. Without limitation of the foregoing, all other right, title and
interest of Mortgagor of whatever kind or character (whether now owned or
hereafter acquired by operation of law or otherwise) in and to (i) the oil, gas
and/or mineral leases or other agreements described in Exhibit A hereto, (ii)
the lands described or referred to in Exhibit A (or described in any of the
instruments described or referred to in Exhibit A), without regard to any

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limitations as to specific lands or depths that may be set forth in Exhibit A
hereto or in any of the leases or other agreements described in Exhibit A hereto
and (iii) any other lands (including submerged lands) located anywhere in the
United States of America or located offshore the United States of America but
within the offshore area over which the United States of America or any State
thereof asserts jurisdiction;

C. All of Mortgagor's interest (whether now owned or hereafter
acquired by operation of law or otherwise) in and to all presently existing and
hereafter created oil, gas and/or mineral unitization, pooling and/or
communitization agreements, declarations and/or orders, and in and to the
properties, rights and interests covered and the units created thereby
(including, without limitation, units formed under orders, rules, regulations or
other official acts of any federal, state or other authority having
jurisdiction), which cover, affect or otherwise relate to the properties, rights
and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time; and

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Other Mortgaged Properties unto Agent, and Agent's successors and assigns, upon the terms, provisions and conditions herein set forth (the Deed of Trust Mortgaged Properties and the Other Mortgaged

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Properties are herein sometimes collectively called the "Mortgaged Properties"). As used throughout this Mortgage, the term "Trustee" shall mean (a) with respect to all of the Deed of Trust Mortgaged Properties which are located in (or which cover properties located in) the State of Utah, The First American Title Company of Utah, and (b) with respect to all other Deed of Trust Mortgaged Properties, Jay Chernosky.

Section 1.2 Grant of Security Interest. In order to further secure the

payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as defined in Section 1.3(a) below) a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) to the extent a security interest may be created therein, the Mortgaged Properties;

(b) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Production"), together with all proceeds of Production (regardless of whether Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Production, including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(c) without limitation of any other provisions of this Section 1.2, all payments received in lieu of production from the Mortgaged Properties (regardless of whether such payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken

less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (C) being herein called "Payments in Lieu of Production");

(d) all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (Or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

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(e) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder), commercial tort claims and other general intangibles (regardless of whether the same arose, and/or the events which gave rise to the same occurred, on or before or after the date hereof) related to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Production (including, without limitation, any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(f) Without limitation of the generality of the foregoing, any rights and interests of Mortgagor under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(g) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, software and other forms of recording or obtaining access to such data;

(h) all money, documents, instruments, chattel paper (including without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, securities, accounts, payment intangibles, general intangibles, letters of credit, letter-of-credit rights, supporting obligations and rights to payment of money arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Mortgaged Properties, the Production or any other item of Property;

(i) all rights, titles and interests now owned or hereafter acquired by Mortgagor in any and all goods, inventory, equipment, as-extracted collateral, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including, without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f), (g) and (h) above and this subsection (i) being herein sometimes collectively called the "Collateral"); and

(j) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, payment intangibles, general intangibles, fixtures, real/immovable property, personal/ movable property or other assets (the Mortgaged Properties, the Collateral and the proceeds of the Collateral being herein sometimes collectively called the "Property").

Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the Texas Uniform Commercial Code (the "UCC")

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shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if

the UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect on the date of this Mortgage, such amendment or holding shall be disregarded in defining terms used in this Mortgage

Section 1.3 Secured Indebtedness. This Mortgage is executed and delivered

by the Mortgagor to secure and enforce the payment and performance of the following:

(a) Payment of and performance of any and all indebtedness, obligations and liabilities, including interest (including, without limitation, interest accruing after the maturity of the "Loans" (as defined in the hereinafter defined Credit Agreement) made by each Lender and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Parent, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) of the Parent whether now existing or hereafter arising under or in connection with that certain Credit Agreement dated as of January 27, 2003, by and among Parent, Wachovia Bank, National Association, as Administrative Agent (in such capacity, the "Agent") and the Lenders (as the same may from time to time be amended or supplemented, the "Credit Agreement") or any other "Loan Document" (as defined in the Credit Agreement), including, without limitation, the "Notes" (as defined in the Credit Agreement) in the aggregate original principal amount of \$300,000,000 with final maturity on or before January 27, 2006.

(b) Payment and performance of any and all indebtedness, obligations and liabilities of Energy, Nance, Operating and NPC whether now existing or hereafter arising under or in connection with the "Guaranty Agreement" (as defined in the Credit Agreement).

(c) Any sums which may be advanced or paid by the Agent or any Lender under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Mortgagor to comply with the covenants of the Mortgagor contained herein or in the Credit Agreement or any other Loan Document; and all other indebtedness of the Mortgagor arising pursuant to the provisions of this Mortgage.

(d) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future interest rate or currency swap, rate cap, rate floor, rate collar, forward rate agreement or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(e) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future swap agreements, cap, floor, collar, forward agreement or other exchange or protection agreements relating to crude oil, natural gas or other hydrocarbons

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or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

Performance of all "Letter of Credit Agreements" (as defined in the Credit Agreement) executed from time to time by the Parent or any Subsidiary of the Parent under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any "Letter of Credit" (as defined in the Credit Agreement) now outstanding or hereafter issued under or pursuant to the Credit Agreement.

Section 1.4 Secured Indebtedness. The indebtedness referred to in Section

1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby". It is contemplated and acknowledged that the secured indebtedness may include revolving credit loans and advances from time to time, and that this Mortgage shall have effect, as of the date hereof, to secure all secured indebtedness, regardless of whether any amounts are advanced on the date hereof or on a later date or, whether having been advanced, are later repaid in part or in whole and further advances made at a later date.

Section 1.5 MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO

THE CONTRARY, THE OUTSTANDING INDEBTEDNESS SECURED BY PROPERTY LOCATED IN THE STATES OF LOUISIANA, MONTANA OR NEW MEXICO SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$400,000,000.

Section 1.6 Line of Credit Mortgage. THIS INSTRUMENT SECURES A LINE OF

CREDIT USED PRIMARILY FOR BUSINESS, COMMERCIAL, OR AGRICULTURAL PURPOSES. THIS
MORTGAGE WILL CONSTITUTE A LINE OF CREDIT MORTGAGE IN ACCORDANCE WITH SECTION
48-7-4.B NMSA 1978 COMP.

Section 1.7 Limit on Secured Indebtedness and Collateral. It is the

intention of each Subsidiary Mortgagor, Agent and Lenders that this Mortgage not
constitute a fraudulent transfer or fraudulent conveyance under any state or
federal law that may be applied hereto. Each Subsidiary Mortgagor and, by its
acceptance hereof, Agent hereby acknowledge and agree that, notwithstanding any
other provision of this Mortgage: (a) the indebtedness secured hereby by such
Subsidiary Mortgagor shall be limited to the maximum amount of indebtedness that
can be incurred or secured by such Subsidiary Mortgagor without rendering this
Mortgage subject to avoidance under Section 548 of the United States Bankruptcy
Code or any comparable provisions of any applicable state or federal law, and
(b) the Property granted by such Subsidiary Mortgagor hereunder shall be limited
to the maximum amount of Property that can be granted by such Subsidiary
Mortgagor without rendering this Mortgage subject to avoidance under Section 548
of the United States Bankruptcy Code or any comparable provisions of any
applicable state or federal law.

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ARTICLE II.

Representations, Warranties and Covenants -----

Section 2.1 Mortgagor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Mortgagor has, and Mortgagor

covenants to maintain, good and defensible title to the Property, free and clear
of all liens, security interests, and encumbrances except for (i) the contracts,
agreements, burdens, encumbrances and other matters set forth in the
descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii)
the liens and security interests evidenced by this Mortgage, (iii) statutory
liens for taxes which are not yet delinquent, (iv) liens under operating
agreements, pooling orders and unitization agreements, and mechanics' and
materialmen's liens, with respect to obligations which are not yet due, and (v)
other liens and security interests (if any) in favor of Agent (the matters
described in the foregoing clauses (i), (ii), (iii), (iv), and (v) being herein
called the "Permitted Encumbrances"); Mortgagor will warrant and defend title to
the Property, subject as aforesaid, against the claims and demands (including
claims which would be a Permitted Encumbrance under item (vi) above) of all
persons claiming or to claim the same or any part thereof. Without limitation of
the foregoing, the ownership by Mortgagor of the Mortgaged Properties does and
will, with respect to each well or unit identified on Schedule I, attached
hereto and made a part hereof, entitle Mortgagor to receive (subject to the
terms and provisions of this Mortgage) a decimal or percentage share of the oil,
gas and other hydrocarbons produced from, or allocated to, such well or unit
equal to not less than the decimal or percentage share set forth, for such well
or unit, in the column headed "Net Revenue Interest" (or words of similar
import) on Schedule I, and cause Mortgagor to be obligated to bear a decimal or
percentage share of the cost of operation of such well or unit equal to not more
than the decimal or percentage share set forth, for such well or unit, in the
column headed "Working Interest" (or words of similar import on Schedule I. The
above-described shares of production which Mortgagor is entitled to receive and
shares of expenses which Mortgagor is obligated to bear are not and will not be
subject to change (other than changes which arise pursuant to non-consent
provisions of operating agreements described in Exhibit A in connection with
operations hereafter proposed), except, and only to the extent that, such
changes are reflected in Schedule I. There is not and will not be any unexpired
financing statement covering any part of the Property on file in any public
office naming any party other than Agent as secured party. Upon request by
Agent, Mortgagor will deliver to Agent schedules of all internal and third party
information identifying the Mortgaged Properties (such as, for example, lease
names and numbers assigned by Mortgagor or the operator of any Mortgaged
Property, well and/or unit and/or property names and numbers assigned by
purchasers of Production, and internal identification names and numbers used by
Mortgagor in accounting for revenues, costs, and joint interest transactions
attributable to the Mortgaged Properties). The listing of Permitted Encumbrances
above is made for the purpose of limiting certain warranties and covenants made
by Mortgagor herein; such listing is not intended to affect the description
herein of the Mortgaged Properties nor to subordinate the liens and security
interests hereunder to any Permitted Encumbrances.

(b) Leases and Contracts; Performance of Obligations. The oil, gas and/or

mineral leases, contracts, servitudes and other agreements forming a part of the
Property, to the extent the same cover or otherwise relate to the Property, are
in full force and effect, and Mortgagor agrees to so maintain them in full force

and effect. All rents, royalties and other payments due and payable under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of the Property, have been, and will continue to be, properly and timely paid. Mortgagor is not in default with respect to Mortgagor's obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could adversely affect the ownership or operation of the Property; Mortgagor will fulfill all such obligations coming due in the future. There are no situations where Mortgagor is aware that a contingent liability may exist to account on a basis less favorable to Mortgagor than on the basis on which Mortgagor is currently accounting.

(c) Sale of Production. No Mortgaged Property is or will become subject to

any contractual or other arrangement (i) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (i.e., for wells in pay status, in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days, and for wells not in pay status, the time period provided by statute) or (ii) whereby payments are made to Mortgagor other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements or transportation agreements (or other agreements relating to the marketing of Production) listed on Exhibit A (in connection with the Mortgaged Properties to where they relate), (1) except for the contracts and Mortgaged Properties associated therewith as set forth on Schedule 2.1 (c)A, no Mortgaged Property is or will become subject to any contractual or other arrangement for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) which cannot be cancelled on 120 days' (or less) notice and (ii) all contractual or other arrangements for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) shall be bona fide transactions, and except for contractual and other arrangements with Four Winds Marketing, LLC, will be with third parties not affiliated with Mortgagor, and shall, with respect to all contracts and other arrangements be at the best price (and on the best terms) then available (such price shall, in the case of Production sales which are subject to price controls, be determined giving consideration to such fact). Mortgagor is presently receiving a price for all production from (or attributable to) each Mortgaged Property covered by a production sales contract listed on Exhibit A as computed in accordance with the terms of such contract, and is not having deliveries of production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Mortgagor, nor any of its predecessors in title, has received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from the Mortgaged Properties after the date hereof, and Mortgagor hereby covenants not to enter into any such advance or prepayment arrangements whereby it accepts consideration for oil, gas or other hydrocarbons not yet produced. No Mortgaged Property is or will become subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from the Mortgaged Properties may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. To the best of Mortgagor's knowledge, the gas imbalances set forth

in the attached Schedule 2.1(c)B reflects the gas balancing position of the Mortgaged Properties as of December 31, 2001. Except as set forth on Schedule 2.1 (c)B, as of December 31, 2001, there is no Mortgaged Property with respect to which Mortgagor, or its predecessors in title, has, prior to such date, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Mortgaged Property would entitle it to take which has resulted, on such date, in Mortgagor being materially overproduced or materially under-produced with respect to such Mortgaged Property. Mortgagor will not after the date hereof become "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate), in an amount in excess of Mortgagor's share of gas produced from such well during the preceding four calendar months. No Mortgaged Property is or will become subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Mortgaged Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Mortgaged Property is subject at the present time to any regulatory refund obligation and, to the best of Mortgagor's

knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal or Movable Property. The equipment, inventory,

improvements, fixtures, goods and other tangible personal/movable property forming a part of the Property are and will remain (and with respect to Property not operated by Mortgagor, to the best of Mortgagor's knowledge, such equipment, inventory, fixtures, goods and other tangible personal/movable property are and will remain) in good repair and condition and are and will be adequate for the normal operation of the Property in accordance with prudent industry standards; all of such Property is, and will remain, located on the Mortgaged Properties, except for that portion thereof which is or shall be located elsewhere (including that usually located on the Mortgaged Properties but temporarily located elsewhere) in the course of the normal operation of the Property, or which is hereafter sold or otherwise disposed of as permitted under the Credit Agreement.

(e) Operation of Mortgaged Properties. The Mortgaged Properties, and with

respect to Mortgaged Properties not operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Mortgaged Properties, (and properties unitized therewith) are being (and, to the extent the same could adversely affect the ownership or operation of the Mortgaged Properties after the date hereof, have in the past been), and hereafter will be, maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances; specifically in this connection, (i) no Mortgaged Property is subject to having allowable production after the date hereof reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (ii) none of the wells located on the Mortgaged Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, and will remain, bottomed under and producing from, with the well bores wholly within, the Mortgaged Properties (or, in the

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case of wells located on properties unitized therewith, such unitized properties). There are no wells listed on Schedule I hereto ("Schedule I Wells") being redrilled, deepened, plugged back or reworked, and no other operations are being conducted for which consent is required under the applicable operating agreement (or which are other than normal operation of existing wells on the Mortgaged Properties); except as set forth on Schedule 2.1(e), there are no proposals in excess of \$500,000 net to Mortgagor's interest currently outstanding (whether made by Mortgagor or by any other party) to re-drill, deepen, plug back, or rework Schedule I Wells, or to conduct any other operations under the applicable joint operating agreement, or to abandon any Schedule I Wells (nor are there any such proposals which have been approved either by Mortgagor or any other party, with respect to which the operations covered thereby have not been commenced). Except as set forth on Schedule 2.1(e), there are no dry holes, or otherwise inactive wells, located on the Mortgaged Properties or on lands pooled or unitized therewith (including, without limitation, any wells which would, if located in Texas, require compliance with Railroad Commission Rule 14(b)(2)) that in the aggregate will cost more than \$500,000, net to Mortgagor's interest and net of salvage proceeds, to plug and abandon, except for wells that have been properly plugged and abandoned. Mortgagor has, and will have in the future, all governmental licenses and permits necessary or appropriate to own and operate the Property; Mortgagor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Mortgagor will not, without the prior written consent

of Agent, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) sales, transfers and other dispositions of machinery, equipment and other personal/ movable property and fixtures made in connection with a release, surrender or abandonment of a lease, (ii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures in connection with the abandonment of a well, (iii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures which are (A) obsolete for their intended purpose and disposed of in the ordinary course of business or (B) replaced by articles of at least equal suitability and value owned by Mortgagor free and clear of all liens except this Mortgage and the Permitted Encumbrances, (iv) sales of Production which are made in the ordinary course of business and in compliance with Section 2.1(c) hereof; provided that nothing in clause (iv) shall be construed as limiting Agent's rights under Article III of this Mortgage, and (v) sales, transfers and other dispositions of oil and gas leases, but only to the extent such sale, transfer or other disposition is in the ordinary course of business and does not materially and adversely affect the

value of the Property in the aggregate. In the event and during the continuation of a default (as hereinafter defined), Mortgagor shall at all times keep the Property and its proceeds separate and distinct from other property of Mortgagor and shall keep accurate and complete records of the Property and its proceeds.

(g) Suits and Claims. Except as set forth on Schedule 2.1(g) attached

hereto and made a part hereof, there are no Suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to the best of Mortgagor's knowledge, threatened) which affect the Properties (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Properties) and no judicial or administrative actions, suits or proceedings pending (or, to the best of Mortgagor's knowledge, threatened) against Mortgagor. Notwithstanding the foregoing, Mortgagor's representation in this Section with respect to pending suits, actions, claims, investigations, inquiries, proceedings or demands which affect Properties which are not operated

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by Mortgagor, except those pertaining to Mortgagor's title to such non-operated Properties, will be limited to the best of Mortgagor's knowledge.

(h) Environmental.

(A) Current Status. The Property (and with respect to Property not

operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Property) and Mortgagor are not in material violation of Applicable Environmental Laws (below defined), or subject to any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority or any other person under or with respect to Applicable Environmental Laws, or subject to any remedial obligations under Applicable Environmental Laws, and are in compliance with all permits and licenses required under Applicable Environmental Laws, and this representation will continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Mortgagor. "Applicable Environmental Laws" shall mean any applicable laws, orders, rules, or regulations (including, without limitation, the common law) pertaining to safety, health or the environment, as such laws, orders, rules or regulations now exist or are hereafter enacted and/or amended. Applicable Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state and local law). Mortgagor undertook, at the time of acquisition of the Property, all appropriate inquiry into the previous ownership and uses of the Property consistent with good commercial or customary practice. Mortgagor has taken all commercial and reasonable steps necessary to determine and has determined that no hazardous substances or solid wastes have been disposed of or otherwise released at, into, upon or under the Property. The use which Mortgagor makes and intends to make of the Property will not result in the use, treatment, storage or disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property, except such usage, and temporary storage in anticipation of usage, as is in the ordinary course of business and in compliance with Applicable Environmental Laws. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. The "Associated Property" (as such term is hereinafter defined) is not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in the Property would be responsible. The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and or carved out of) the lands which

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are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(B) Future Performance. Mortgagor will use its best efforts not to

cause or permit the Property or the Associated Property or Mortgagor to be in material violation of, or do anything or permit anything to be done which will subject the Property or the Associated Property to any material remedial obligations under, or result in material noncompliance with applicable permits and licenses under, any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property or the Associated Property and Mortgagor will promptly notify Agent in writing of any existing, pending or, to the best knowledge of Mortgagor, threatened investigation, claim, suit or inquiry by any governmental authority or any person in connection with any Applicable Environmental Laws, provided that, with respect to Properties not operated by Mortgagor, Mortgagor shall notify Agent of any investigations, claims, suits or inquiries, whether existing, pending, or threatened, of which Mortgagor becomes aware. Mortgagor will take all steps reasonably necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property or the Associated Property. Mortgagor will use commercial and reasonable efforts not to cause or permit the disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property or the Associated Property and covenants and agrees to keep or cause the Property and/or the Associated Property to be kept free of any hazardous substance or solid waste (except such use, and temporary storage in anticipation of use, as is required in the ordinary course of business, all while in compliance with Applicable Environmental Laws), and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Upon Agent's reasonable request, at any time and from time to time during the existence of this Mortgage, Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Property and the Associated Property from an engineering or consulting firm approved by Agent, indicating the presence or absence of hazardous substances and solid waste on the Property and/or the Associated Property and compliance with Applicable Environmental Laws. In the event of a violation, Mortgagor will diligently work to cure such violation, including remediation, if necessary, and so long as Mortgagor diligently prosecutes efforts to cure the violation, Mortgagor will not be in breach of this provision.

(i) Not Abandon Wells; Participate in Operations. Mortgagor will not,

without prior written consent of Agent, abandon, or consent to the abandonment of, any well producing from the Mortgaged Properties (or properties unitized therewith) so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct) of producing oil, gas, or other hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of this Mortgage). In the event and during the continuation of a default, Mortgagor will not, without prior written consent of Agent, elect not to participate in a proposed operation on the Mortgaged Properties where the effect of such election would be the forfeiture either temporarily (i.e. until a

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certain sum of money is received out of the forfeited interest) or permanently of any material interest in the Mortgaged Properties.

(j) Defense of Mortgage. If the validity or priority of this Mortgage or of

any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Agent, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all reasonable expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(k) Fees and Expenses; Indemnity. Mortgagor will pay all reasonable

appraisal fees, recording fees, taxes, brokerage fees and commissions, abstract and other records search fees, attorneys' fees and expenses and all other reasonable costs and expenses of every character incurred by Mortgagor or Agent or any Lender in connection with the closing of the loan or loans evidenced by the Loan Documents and any and all amendments, supplements or modifications to such loan transaction or transactions. Mortgagor will reimburse Trustee, Agent and each Lender (for purposes of this paragraph, the terms "Trustee", "Agent" and "Lender" shall include the directors, officers, partners, employees and agents of Trustee, Agent or any Lender, respectively, and any persons or entities owned or controlled by or affiliated with Trustee, Agent or any Lender, respectively) for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Mortgagor of any covenant, agreement or condition contained herein or in any other Loan Document, (ii) the exercise of any rights and remedies hereunder or under any other Loan Document, and (iii) the protection of the Property and/or liens and security interests therein. Mortgagor will indemnify and hold harmless Trustee, Agent and each Lender from and against (and will reimburse such indemnified parties for) all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by the Trustee, the Agent or any Lender on account of, in connection with, or arising out of (A) any bodily injury or death or natural resource, human health or property damage occurring in, at, into, under or upon (or, to the extent such injury, death or damage is related to Mortgagor or Mortgagor's ownership or operation of the Property, in the vicinity of) the

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Property through any cause whatsoever, (B) any act performed or omitted to be performed hereunder or the breach of any representation or warranty herein, (C) the exercise of any rights and remedies hereunder or under any other Loan Document, (D) any transaction, act, omission, event or circumstance arising out of or in any way connected with the Property or with this Mortgage or any other Loan Document, (E) any violation on or prior to the Release Date (as hereinafter defined) of any Applicable Environmental Law, (F) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on or under the Property or the Associated Property or release at, into, upon, under or from the Property or the Associated Property of hazardous substances or solid wastes disposed of or otherwise released) resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property or the Associated Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (G) any and all claims or proceedings (whether brought by private party or governmental agencies) for human health, bodily injury, property damage, abatement or remediation. environmental damage. cleanup. mitigation, removal, natural resource damage or impairment or any other injury or damage resulting from or relating to any hazardous or toxic substance, solid waste or contaminated material located upon or migrating into, from or through the Property or the Associated Property (whether or not the release of such materials was caused by Mortgagor, a tenant or subtenant or a prior owner or tenant or subtenant on the Property or the Associated Property and whether or not the alleged liability is attributable to the use, treatment, handling, storage, generation, transportation, removal or disposal of such substance, waste or material or the mere presence of such substance, waste or material on or under the Property or the Associated Property), which the Trustee any or the Agent and/or any Lender may have liability with respect to due to the making of the loan or loans evidenced by any Notes, the granting of this Mortgage, the exercise of any rights under the Loan Documents, or otherwise. Agent shall have the right to compromise and adjust any such claims, actions and judgments. and in addition to the rights to be indemnified as herein provided, all amounts paid in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, reasonable attorneys' fees and other expenses of every character expended by Agent, Trustee or any Lender pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the applicable party or parties. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full, or (ii) the date on which the lien of this Mortgage is foreclosed or a deed in lieu of such foreclosure is fully effective and recorded. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party. The

release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Agent, Trustee and/or any Lender shall be a demand obligation owing by Mortgagor to the applicable party or parties and shall be subject to and covered by the provisions of Section 2.3 hereof.

(l) Insurance. Mortgagor will keep (and with respect to Property not

operated by Mortgagor, will use its best efforts to keep) such part of the Property which is of an insurable nature and of a character usually insured by persons operating similar properties, insured with companies of recognized responsibility satisfactory to Agent and in such amounts as are acceptable to Agent (and in the absence of specification of such amounts by Agent, in the amount of the full value of such property, less reasonable deductibles not to exceed deductibles customary in the industry for similarly situated businesses and properties), against loss or damage by fire, casualty and from other hazards customarily insured against by persons operating similar properties. Mortgagor shall also provide such other insurance as Agent may from time to time reasonably require; such coverage to be carried with companies of recognized responsibility satisfactory to Agent. All policies evidencing such insurance shall contain clauses providing that the proceeds thereof shall be payable to Agent as its interest may appear and providing that such policies may not be cancelled, reduced or otherwise affected without at least thirty (30) days prior written notice to Agent. Upon request by Agent, Mortgagor shall deliver to Agent the original policies, evidence of payment of premiums, certificates evidencing renewals, and such other information regarding such insurance as Agent may request. In the event of any loss under any insurance policies so carried by Mortgagor, Agent shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Agent in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Agent is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Agent is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title. Mortgagor shall at all times maintain adequate insurance against its liability on account of damages to persons or property, which insurance shall be carried by companies of recognized responsibility satisfactory to Agent, and shall be for such amounts and insure against such risks as are customary in the industry for similarly situated businesses and properties. Mortgagor shall at all times maintain cost of regaining control of well insurance and similar insurance to the extent customary in the industry in the pertinent area of operations.

(m) Further Assurances. Mortgagor will, on request of Agent, (i) promptly

correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or

acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Agent to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

(n) Name and Place of Business and Formation. Except as disclosed in the

Credit Agreement, Mortgagor has not, during the preceding five years, been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity, state of formation or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Agent of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Agent for the purpose of further perfecting or protecting the liens and security interests in the Property created hereby. Mortgagor's exact name is the name set forth in this Mortgage. Mortgagor's location is as follows:

Mortgagor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company). Mortgagor is located (as determined pursuant to the UCC) in the state under the laws which it was organized, as follows:

Name of Mortgagor	State of Organization
Parent	Delaware
Energy	Delaware
Minerals	Colorado
Nance	Montana
Roswell	Texas
Operating	Colorado
NPC	Colorado

Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Property (including, particularly, the records with respect to "Production Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Properties) has for the preceding four months, been, and will continue to be (unless Mortgagor notifies Agent of any change in writing at least thirty (30) days prior to the date

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of such change), the address set forth opposite the signature of Mortgagor to this Mortgage.

(o) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2 Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Mortgagor agrees to take all such commercial and reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor to cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein; and as to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Mortgagor, Mortgagor agrees to take all such commercial and reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with the covenants and agreements contained herein.

Section 2.3 Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder Mortgagor is required to pay, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by Mortgagor to Agent (which obligation Mortgagor hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Agent and/or any Lender pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due principal under the Notes (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest

thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

ARTICLE III.

Assignment of Production, Accounts and Proceeds

Section 3.1 Assignment of Production. Mortgagor does hereby absolutely and

unconditionally assign, transfer and set over to Agent all Production which accrues to Mortgagor's interest in the Mortgaged Properties, all proceeds of such Production and all Payments in Lieu of Production (herein collectively referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds, Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor's interest until such time

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as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchasers of the Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2 Effectuating Payment of Production Proceeds to Agent.

Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Agent as Mortgagor's special attorney in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly inclusive, but not limited to, the right, power and authority to:

(a) Execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) If under any product sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by Agent through any person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect

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until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a

demand obligation of Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the rate described in Section 2.3 hereof.

Section 3.3 Change of Purchaser. To the extent a default has occurred

hereunder and is continuing, should any person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4 Application of Production Proceeds. So long as no default has

occurred hereunder, the Production Proceeds received by Agent during each calendar month shall on the first business day of the next succeeding calendar month (or, at the option of Agent, on any earlier date) be applied by Agent as follows:

FIRST, to the payment of all secured indebtedness then due and payable, in such manner and order as Agent deems advisable;

SECOND, to the prepayment of the remainder of the secured indebtedness in such manner and order and to such extent as Agent deems advisable; and

THIRD, the remainder, if any, of the Production Proceeds shall be paid over to Mortgagor or to Mortgagor's order or to such other parties as may be entitled thereto by law.

After a default hereunder has occurred, all Production Proceeds from time to time in the hands of Agent shall be applied by it toward the payment of all secured indebtedness (principal, interest, attorneys' fees and other fees and expenses) at such times and in such manner and order and to such extent as Agent deems advisable.

Section 3.5 Release From Liability; Indemnification. Agent and its

successors and assigns are hereby released and absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. Mortgagor agrees to indemnify and hold harmless Agent (for purposes of this paragraph, the term "Agent" shall include the directors, officers, partners, employees and agents of Agent and any persons or entities owned or controlled by or affiliated with Agent) from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by Agent by reason of the assertion that Agent received, either before or after payment in full of the secured indebtedness, funds from the production of oil, gas, other hydrocarbons or other minerals claimed by third

persons (and/or funds attributable to sales of production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Agent shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to it, Agent shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by Agent in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, reasonable attorneys' fees and other expenses of every character expended by Agent pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date expended until paid, at the rate described in Section 2.3 hereof. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES)

WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party.

Section 3.6 Mortgagor's Absolute Obligation to Pay Notes. Nothing herein -----
contained shall detract from or limit the obligations of Mortgagor to make prompt payment of the Notes, and any and all other secured indebtedness, at the time and in the manner provided herein and in the Loan Documents, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights under the Loan Documents.

Section 3.7 Rights Under Oklahoma Oil and Gas Owners' Lien Act. Mortgagor -----
hereby grants, sells, assigns and sets over unto Agent during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of the Oil and Gas Owners' Lien Act (OKLA. STAT. tit. 52, ss.ss. 548.1-548.6 (the "Oklahoma Act")), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the Oklahoma Act.

Section 3.8 Rights Under New Mexico Act. Mortgagor hereby grants, sells, -----
assigns and sets over unto Agent, during the term hereof, all of Mortgagor's

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rights and interests pursuant to the provisions of Sections 48-9-1, et seq., N.M.S.A. 1978 Comp. (the "New Mexico Act"), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the New Mexico Act.

Section 3.9 Rights Under Wyoming Statutes. Mortgagor hereby appoints Agent -----
as its attorney-in-fact to pursue any and all lien rights of the Mortgagor to liens and security interests in the Mortgaged Properties securing payment of Production Proceeds attributable to the Mortgaged Properties, including, without limitation, those liens and security interests provided for by Section 34.1-9-3 19, Wyoming Statutes Annotated, 1988 Republished Edition (June 1991), as amended or recodified. Mortgagor further assigns to Agent any and all such liens, security interests, financing statements, or similar interests of Mortgagor attributable to its interests in the Mortgaged Properties or Production Proceeds therefrom arising under or created by statutory provision, judicial decision, or otherwise.

ARTICLE IV.

Remedies Upon Default -----

Section 4.1 Default. The term "default" as used in this Mortgage shall mean -----
the occurrence of any of the following events:

(a) the occurrence of an "Event of Default" as defined in the Credit Agreement; or

(b) the failure of Mortgagor to make due and punctual payment of any Note or of any other secured indebtedness or of any installment of principal thereof or interest thereon, or any part thereof, as the same shall become due and payable (taking into account any applicable grace period, if any, provided in the Loan Documents), whether at a date for payment of a fixed installment or contingent or other payment, or as a result of acceleration, or otherwise; or

(c) the failure of Mortgagor to pay over to Agent any Production Proceeds which are receivable by Agent under this Mortgage but which are paid to Mortgagor rather than Agent (either as provided for in Section 3.2 hereof or otherwise), except Production Proceeds paid over to Mortgagor by Agent under clause THIRD of Section 3.4; or

(d) the failure of Mortgagor timely and properly to observe, keep or perform any covenant, agreement, warranty or condition herein or in any other Loan Document required to be observed, kept or performed, if such failure is not remedied within the applicable grace period provided for in such Loan Document

or, if such Loan Document does not provide for such a grace period, within 30 days after written notice and demand by Agent for the performance of such covenant, agreement, warranty or condition; or

(e) any representation contained herein (or in any certificate delivered by Mortgagor in connection herewith) or contained in any other Loan Document, or otherwise heretofore or hereafter made by or on behalf of Mortgagor, shall prove to have been false or misleading in any material respect on the date made (or on the date as of which made); or

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(f) the occurrence of a "default" or "event of default" under any Loan Document other than this Mortgage, which default is not cured within the applicable grace period (if any) provided for in such other Loan Document; or

(g) Mortgagor suffers the entry against it of a judgment, decree or order for relief by a court of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar law of any jurisdiction now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or has such a proceeding commenced against it which remains undismissed for a period of 30 days; or

(h) Mortgagor commences a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or applies for or consents to the entry of an order for relief in an involuntary case under any such law; or Mortgagor makes a general assignment for the benefit of creditors or fails to pay (or admits in writing its inability to pay) its debts as such debts become due; or Mortgagor takes corporate or other action in furtherance of any of the foregoing; or

(i) Mortgagor suffers the appointment of or taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets or for any part of the Property in a proceeding brought against or initiated by it and (1) such appointment or taking is neither made ineffective nor discharged within 30 days after the making of such appointment or within 30 days after such taking, or (2) such appointment or taking is consented to, requested by, or acquiesced to by Mortgagor; or

(j) Mortgagor suffers a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial part of its assets or any part of the Property, and such writ or warrant of attachment or any similar process is not stayed or released within 30 days after the entry or levy thereof or after any stay is vacated or set aside; or

(k) Any of the events referred to above in subsections (g), (h), (i) or (j) shall occur with respect to any guarantor of the secured indebtedness and shall not be remedied within the applicable grace period (if any) set forth in such subsections.

Section 4.2 Acceleration of Secured Indebtedness. Upon the occurrence of a

default described in subsection (g), (h), (i) or (j) of Section 4.1 above, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect. During the continuance of any other default, Agent at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor,

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and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect.

Section 4.3 Pre-Foreclosure Remedies. Upon the occurrence of a default, or

any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, and following any period to attempt to cure such default, if any, provided in the Credit Agreement, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to

exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor, including, without limitation, summary proceeding or restraining order, Mortgagor agrees to peacefully surrender possession of the Property upon default. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the rate described in Section 2.3 hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT (INCLUDING AGENT'S OWN NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF AGENT, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3.

Section 4.4 Foreclosure.

(a) Upon the occurrence of a default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Deed of Trust Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to any portion of the Deed of Trust Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Deed of Trust Mortgaged Properties shall be conducted at the courthouse of

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any county (whether or not the counties in which such Deed of Trust Mortgaged Properties are located are contiguous) ill the State of Texas in which any part of such Deed of Trust Mortgaged Properties is situated or which lies shoreward of any Deed of Trust Mortgaged Property (i.e., to the extent a particular Deed of Trust Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY

ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING

TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS

MORTGAGE.

(b) Upon the occurrence of a default, this Mortgage may be foreclosed as to the Other Mortgaged Properties, or any part thereof, in any manner permitted by applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to Other Mortgaged Properties located in the State of Louisiana (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), Agent may foreclose this Mortgage by executory process, or any other process, subject to, and on the terms and conditions required or permitted by, applicable law, and shall have the right to appoint a keeper of such Other Mortgaged Properties.

(ii) As to Other Mortgaged Properties located in the State of Oklahoma, Mortgagor hereby confers on Agent the power to sell the Mortgaged

Properties in accordance with the Oklahoma Power of Sale Mortgage Foreclosure Act (OKLA. STAT. tit. 46, ss.ss. 41-49), as the same maybe amended from time to time. Mortgagor hereby represents and warrants that this Mortgage transaction does not involve a consumer loan as said term is defined in Section 3-104 of Title 14A of the Oklahoma Statutes, that this Mortgage does not secure an extension of credit made primarily for agricultural purposes as defined in paragraph 4 of Section 1-301 of Title 14A of the Oklahoma Statutes, and that this Mortgage is not a mortgage on the Mortgagor's homestead.

(iii) As to Other Mortgaged Properties located in the State of New Mexico, Lender may, at its election, proceed by suit or suits, at law or in equity, to enforce the payment of the secured indebtedness in accordance with the terms hereof and of the Notes or other instruments evidencing it, to foreclose the lien and security interest of this Mortgage against all or any portion of the Other Mortgaged Properties., and to have said properties sold under the judgment or decree of a court of competent jurisdiction pursuant to Section 39-5-19 NMSA 1978, as that statutory provision may be amended or recodified.

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A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF

SALE MAY ALLOW AGENT TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM

WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY

MORTGAGOR UNDER THIS MORTGAGE.

(c) Upon the occurrence of a default, Agent may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended, the Louisiana Commercial Laws, as amended, the Uniform Commercial Code of the State of Oklahoma, as amended, the Uniform Commercial Code of the State of New Mexico, or under the Uniform Commercial Code or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) To the extent permitted by law, Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at a place Agent designates which is mutually convenient to allow Agent to take possession or dispose of the Collateral; and

(iii) Written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) as to the Collateral located in or otherwise subject to the laws of the State of Louisiana, Agent may foreclose this Mortgage as a security agreement affecting the Collateral by executory process, or any other process, subject to, and on the terms and conditions required or permitted by applicable law, and shall have the right to appoint a keeper of such Collateral.

(d) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of

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such sale of less than the whole of the Property shall be less than the

aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded, Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. Notwithstanding any reference herein to the Notes or the Credit Agreement or any other Loan Document, all persons dealing with the Mortgaged Properties shall be entitled to rely on any document, or certificate, of the Agent as to the occurrence of an event, such as an Event of Default, and shall not be charged with or forced to review any provision of any other document to determine the accuracy thereof. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

(e) As to Property now or hereafter located in, or otherwise subject to the laws of, the State of Louisiana, Mortgagor acknowledges the secured indebtedness, whether now existing or to arise hereafter, and for Mortgagor, Mortgagor's heirs, devisees, personal representatives, successors and assigns, hereby confesses judgment for the full amount of the secured indebtedness in favor of the Lender. Mortgagor further agrees that the Agent may cause all or any part of the Property to be seized and sold after due process of law, the Mortgagor waiving the benefit of all laws or parts of laws relative to the appraisalment of property seized and sold under executory process or other legal process, and consenting that all or any part of the Property may be sold without appraisalment, either in its entirety or ill lots and parcels, as the Agent may determine, to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct. Mortgagor hereby waives (i) the benefit of appraisalment provided for in articles 2332, 2336, 2723, and 2724 of the Louisiana Code of Civil Procedure and all other laws conferring the same; (ii) the demand and three (3) days notice of demand as provided in articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure provided for in articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three (3) days delay provided for in articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (v) all other laws providing rights of

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notice, demand, appraisalment, or delay. Mortgagor expressly authorizes and agrees that Agent shall have the right to appoint a keeper of such Property pursuant to the terms and provisions of La. R.S. 9:5131 et seq. and La. R.S. 9:5136 et seq., which keeper may be the Agent, any agent or employee thereof, or any other person, firm, or corporation. Compensation for the services of the keeper is hereby fixed at five percent (5%) of the amount due or sued for or claimed or sought to be protected, preserved, or enforced in the proceeding for the recognition or enforcement of this Mortgage and shall be secured by the liens and security interests of this Mortgage.

Section 4.5 Effective as Mortgage. As to the Deed of Trust Mortgaged

Properties, this instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to the Deed of Trust Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Deed of Trust Mortgaged Properties to Agent. In the event a foreclosure hereunder as to the Deed of Trust Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the

foreclosure of this Mortgage, Agent may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Deed of Trust Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6 Receiver. In addition to all other remedies herein provided

for, Mortgagor agrees that, upon the occurrence of a default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Agent or any Lender of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date of making such advancement by Agent until paid, at the rate described in Section 2.3 hereof.

Section 4.7 Proceeds of Foreclosure. The proceeds of any sale held in

foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses

incident to such foreclosure sale, including but not limited to all

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court costs and charges of every character in the event foreclosed by suit or any judicial proceeding and including but not limited to a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a) and including but not limited to the compensation of the keeper, if any;

SECOND, to the payment of the secured indebtedness (including

specifically without limitation the principal, interest and attorneys' fees due and unpaid on the Notes and the amounts due and unpaid and owed under this Mortgage) in such manner and order as Agent may elect; and

THIRD, the remainder, if any there shall be, shall be paid to

Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other persons as may be entitled thereto by law.

Section 4.8 Lender as Purchaser. Any Lender shall have the right to become

the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any Lender purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Lender, or if such Lender holds less than all of such indebtedness, the pro rata part thereof owing to such Lender, accounting to all other Lenders not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Lender or Lenders.

Section 4.9 Foreclosure as to Matured Debt. Upon the occurrence of a

default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of Section 3.4 hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10 Remedies Cumulative. All remedies herein provided for are

cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11 Discretion as to Security. Agent may resort to any security

given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in

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such portions and in such order as may seem best to Agent in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

Section 4.12 Mortgagor's Waiver of Certain Rights. To the full extent

Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisalment, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever, If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13 Mortgagor as Tenant Post-Foreclosure. In the event there is a

foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 4.14 Waiver of Oklahoma Appraisalment. As to Property situated in or

otherwise subject to the laws of the State of Oklahoma, appraisalment of the Property is hereby waived (or not) at the option of Agent, such option to be exercised at the time judgment is rendered in any foreclosure hereof or at any time prior thereto.

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Section 4.15 Limitation on New Mexico Redemption Period. Pursuant to

Section 39-5-19 of New Mexico Statutes, 1978 Annotated, the redemption period after foreclosure sale for any Property situated in or otherwise subject to the laws of the State of New Mexico shall be limited to one (1) month,

ARTICLE V.

Miscellaneous

Section 5.1 Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real/immovable and personal/movable property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures.

Section 5.2 Effective as a Financing Statement. This Mortgage, among other things, covers goods which are or are to become fixtures related to the real property described herein, and covers as-extracted collateral related to the real property described herein. This Mortgage shall be effective as a financing statement (i) filed as a fixture filing with respect to all fixtures included within the Property, (ii) covering as-extracted collateral with respect to all as-extracted collateral included within the Property (including, without limitation, all oil, gas, other minerals and other substances of value which may be extracted from the earth and all accounts arising out of the sale at the wellhead or minehead thereof), and (iii) covering all other Property. This Mortgage is to be filed for record in the real/immovable property records of each county or parish where any part of the Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a Mortgaged Property lies offshore within the projected seaward extension of the relevant county or parish boundaries), and may also be filed in the offices of the Bureau of Land Management, the Minerals Management Service, the General Land Office or any relevant federal, state, local or tribal agency (or any successor agencies). The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage. Nothing contained in this paragraph shall be construed to limit the scope of this Mortgage nor its effectiveness as a financing statement covering any type of Property.

Section 5.3 Reproduction of Mortgage as Financing Statement; Authorization to File. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any purpose. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file, in any filing or recording office, one or more financing statements and any renewal or continuation statements thereof, describing the Property, including, without limitation, a financing statement covering "all assets of Mortgagor, all proceeds therefrom and all rights and privileges with respect thereto."

Section 5.4 Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Agent may, at any time after a default has occurred that is continuing, notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

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Section 5.5 Waivers. Agent may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.6 No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which maybe granted in respect of the Property (including without limitation Production Proceeds), or any part thereof or any

interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.7 Acts Not Constituting Waiver. Any default may be waived without

waiving any other prior or subsequent default. Any default may be remedied without waiving the default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time, No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 5.8 Mortgagor's Successors. In the event the ownership of the

Property or any part thereof becomes vested in a person other than Mortgagor, then, without notice to Mortgagor, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured

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hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 5.9 Place of Payment. All secured indebtedness which may be owing

hereunder at any time by Mortgagor shall be payable at the place designated in the Credit Agreement (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place as Agent may designate in writing.

Section 5.10 Subrogation to Existing Liens. To the extent that proceeds of

the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the party or parties advancing the same shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.11 Application of Payments to Certain Indebtedness. If any part

of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.12 Compliance With Usury Laws. It is the intent of Mortgagor,

Lender and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein or in the other Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 5.13 Substitute Trustee. The Trustee may resign by an instrument in

writing addressed to Agent, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any

reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall also have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this section, Such appointment and designation by Agent shall be full evidence of the right and authority to make

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the same and of all facts therein recited. if Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of ally action by the board of directors or any superior officer of the corporation or association. Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Deed of Trust Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Deed of Trust Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.14 No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR

ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE). EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.15 Release of Mortgage. If all of the secured indebtedness be

paid as the same becomes due and payable, all other requirements of the Credit Agreement are satisfied and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed, and if neither the Mortgagor nor any Lender is bound to the other or to any third person to permit any obligation or secured indebtedness to be incurred then or thereafter, then, upon sixty (60) days prior written notice (or such lesser number of days as may

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be mandated by applicable law), the Mortgagor may request that this Mortgage be terminated. Upon such termination the Mortgagor may further request that a written act of release of this Mortgage be provided (except this mortgage shall be reinstated to the extent expressly provided herein, and will continue with respect to indemnification and other rights which are to continue following the release hereof). Agent agrees to deliver such an act of release (subject to the

foregoing limitation), all at the cost and expense of the Mortgagor, within thirty (30) days (or such lesser number of days as may be mandated by applicable law) of receiving such request unless Agent in good faith, has cause to believe that Mortgagor is not entitled to a termination of this Mortgage. Notwithstanding the foregoing, it is understood and agreed that certain indemnifications, and other rights, which are provided herein to continue following the release hereof, shall continue in effect notwithstanding such release; and provided that if any payment to Lender, or Agent, is held to constitute a preference or a voidable transfer under applicable state or federal laws or if for any other reason Lender, or Agent, is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

Section 5.16 Notices. All notices, requests, consents, demands and other

communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, (b) in the case of telecopy, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Lender or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.17 Invalidity of Certain Provisions. A determination that any

provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 5.18 Gender; Titles. Within this Mortgage, words of any gender

shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

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Section 5.19 Recording. Mortgagor will cause this Mortgage and all

amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Agent shall reasonably request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

Section 5.20 Reporting Compliance. Mortgagor agrees to comply with any and

all reporting requirements applicable to the transaction evidenced by the Notes and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Agent to furnish Agent with evidence of such compliance.

Section 5.21 Certain Consents. Except where otherwise expressly provided

herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Lender is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party. and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 5.22 Certain Obligations of Mortgagor. Without limiting Mortgagor's

obligations hereunder, Mortgagor's liability hereunder and the indebtedness secured hereby shall extend to and include all post petition interest, expenses,

and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 5.23 Authority of Agent. The persons constituting Lender may, by

agreement among them, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such persons and recorded in the same counties and parishes as this Mortgage is recorded, (i) all persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Lenders, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any persons constituting Lender and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Section 5.24 Counterparts. This Mortgage may be executed in several

counterparts, all of which are identical, except that, (a) to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A shall be included in such counterparts by reference only and (b) Schedule I is attached only to the master counterparts hereof being retained by Mortgagor and

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Agent, (c) only those counterparts hereof being retained by Agent and Mortgagor or otherwise containing counterpart descriptions of Mortgaged Properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the State of Louisiana will have Annex I attached thereto, Annex I is included in all other counterparts by reference only, (d) the execution of this Mortgage by Mortgagor may not be witnessed on those counterparts hereof containing descriptions of Mortgaged Properties located in states where witnesses are not required and/or encouraged by applicable law, (e) only those counterparts hereof being retained by Agent and Mortgagor otherwise containing counterpart descriptions of Mortgaged Properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) in State of North Dakota will have Annex II attached thereto, Annex II is included in all other counterparts by reference only, and (f) the following schedules will be attached only to the master counterparts hereof being retained by Agent and Mortgagor, and are included in all other counterparts by reference only: Schedules 2.1(c)A, 2.1(c)B, 2.1(e) and 2.1(g). All of such counterparts together shall constitute one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A and Schedule I, and being fully executed by Agent, and witnessed by two individuals, have been retained by Mortgagor and Agent and one such copy (without Schedules 2.1(c)A, 2.1(c)B, 2.1(e) and 2.1(g)) has been recorded in Pointe Coupee Parish, Louisiana.

Section 5.25 Multiple Parties Constituting Mortgagor. Unless the context

clearly indicates otherwise, as used in this Mortgage, "Mortgagor" means the Mortgagors named in Section 1.1 hereof or any of them. The obligations of Mortgagor hereunder shall be joint and several.

Section 5.26 Successors and Assigns. The terms, provisions, covenants,

representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and each person constituting Lender and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lenders (including the respective successors and assigns of each person constituting Lender named herein) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Agent, Trustee or Lenders shall be deemed to include all such successors and assigns.

Section 5.27 FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS

REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY

EVIDENCE OF PRIOR. CONTEMPORANEOUS. OR SUBSEQUENT ORAL AGREEMENTS OF THE

PARTIES. THERE ARE NO UNWRHTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.28 CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF

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AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF LENDER, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE LENDER GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.

Section 5.29 Reliance on Certificate or Statement of Agent. All third parties may rely upon a certificate or statement of the Agent as to the occurrence of any act or event, including, but not limited to, the occurrence of a default hereunder, or the occurrence of an Event of Default under the Credit Agreement.

Section 5.30 Appearance. Resolutions, For purposes of Louisiana law, including but not limited to the availability of executory process, Mortgagor has appeared on this date before the undersigned Notary Public and witnesses in order to execute this Mortgage. Mortgagor attaches, as Annex I, to counterparts hereof being recorded in Louisiana certified resolutions of its Board of Directors authorizing the execution and delivery of this Mortgage.

Section 5.31 Paraph. Mortgagor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public to be paraphed for identification herewith.

Section 5.32 Acceptance by Agent. In accordance with the provisions of Louisiana Civil Code article 3289, Agent has accepted the benefits of the Mortgage without the necessity of execution by Agent.

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THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES:
/s/ KAREN M. POLLY

ST. MARY LAND & EXPLORATION
COMPANY

Name: Karen M. Polly

By: /s/ MILAM RANDOLPH PHARO
Milam Randolph Pharo
Vice President - Land & Legal

/s/ ROBERT T. HANLEY
Name: Robert T. Hanley

/s/ JAMES C. ROBERSTON

NOTARY PUBLIC

The address and tax identification number of Parent are:
1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 41-05 18430

The address of Agent is:
201 South College Street
8th Floor NC 0680

The addresses of Trustees are:
Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah
3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:
Craig W. Murray
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, TX 77002

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY ENERGY COMPANY
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo

/s/ ROBERT T. HANLEY

Vice President - Land & Legal

Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 76-0554924

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: Feb. 14, 2005 (printed name)

[SEAL]

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THUS DONE AND PASSED this ___ day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: NANCE PETROLEUM CORPORATION
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

/s/ RICHARD C. NORRIS

Name: Richard C. Norris

/s/ JAMES C. ROBERSTON

NOTARY PUBLIC

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 8 1-0309883

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: Feb. 14, 2005 (printed name)

[SEAL]

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THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY MINERALS INC.
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Vice President - Finance

/s/ ROBERT T. HANLEY

Name: Robert T. Hanley

/s/ JAMES C. ROBERSTON

NOTARY PUBLIC

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-12003 18

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: Feb. 14, 2005 (printed name)

[SEAL]

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THUS DONE AND PASSED this ___ day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ROSWELL, L.L.C.
/s/ KAREN M. POLLY

Name: Karen M. Polly By: St. Mary Land & Exploration Company, as Member

/s/ ROBERT T. HANLEY By: /s/ MILAM RANDOLPH PHARO

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 74-2788509

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before me on this
MEXICO, NORTH day, by such person, the above designated officer of St.
DAKOTA Mary Land & Exploration Company acting in its capacity
OKLAHOMA, TEXAS, as member of the limited liability company specified
UTAH, WYOMING and following such person's name, on behalf of said corporation
LOUISIANA acting ill its capacity as member of the limited liability
 company, and on behalf of said limited liability and company.

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On this date before me, the undersigned authority. personally came and appeared such person, to me personally known and known by me o be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires:
Feb. 14, 2005
- - - - -

(printed name)

[SEAL]

THUS DONE AND PASSED this 24th day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY OPERATING COMPANY
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ MILAM RANDOLPH PHARO
Milam Randolph Pharo
Vice President - Land & Legal

/s/ ROBERT T. HANLEY
Name: Robert T. Hanley

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-0723492

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON
NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

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THUS DONE AND PASSED this ___ day of January, 2003, to be effective, however, as of January 27, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: NPC INC.
/s/ KAREN M. POLLY

Name: Karen M. Polly

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

/s/ RICHARD C. NORRIS

Name: Richard C. Norris

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Operating are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 11-3668557

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 24th day of January, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of NPC Inc., a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado
James C. Robertson

My commission expires: (printed name)
Feb. 14, 2005

[SEAL]

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(CO, NV, SD)

DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE.
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

FROM

ST. MARY LAND & EXPLORATION COMPANY
(Taxpayer I.D. No. 41-05 18430)

ST. MARY ENERGY COMPANY
(Taxpayer I.D. No. 76-0554924)

NANCE PETROLEUM CORPORATION
(Taxpayer I.D. No. 8 1-0309883)

ST. MARY MINERALS INC.
(Taxpayer I.D. No. 84-1200318)

ROSWELL, L.L.C.
(Taxpayer I.D. No. 74-2788509)

ST. MARY OPERATING COMPANY
(Taxpayer I.D. No. 84-0723492)

NPC INC.
(Taxpayer I.D. No. 11-3668557)

TO

JAY CHERNOSKY (for Nevada Properties only)

AND

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

Dated Effective as of April 16th, 2003

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS, AMONG OTHER THINGS, (A) GOODS WHICH ARE OR ARE TO BECOME

FIXTURES RELATED TO THE REAL PROPERTY DESCRIBED HEREIN, AND (B) AS-EXTRACTED COLLATERAL RELATED TO THE REAL PROPERTY DESCRIBED HEREIN (INCLUDING WITHOUT LIMITATION, OIL, GAS, OTHER MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH AND ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR MINEHEAD THEREOF). THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES AND/OR PARISHES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND/OR IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW

AGENT (AS HEREINAFTER DEFINED) OR THE TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE

THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE

ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS

MORTGAGE.

WHEN RECORDED OR FILED RETURN TO:

THIS DOCUMENT PREPARED BY:

Vinson & Elkins L.L.P.
2300 First City Tower
Houston, Texas 77002
Attention: Craig W. Murray

Craig W. Murray
Vinson & Elkins L.L.P.
2300 First City Tower
Houston, Texas 77002

DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this "Mortgage")

ARTICLE I.

Granting Clauses: Secured Indebtedness

Section 1.1 Grant and Mortgage. St. Mary Land & Exploration Company, a

Delaware corporation ("Parent"), St. Mary Energy Company, a Delaware corporation ("Energy"), Nance Petroleum Corporation, a Montana corporation ("Nance"), St. Mary Minerals Inc., a Colorado corporation ("Minerals"), Roswell, L.L.C., a Texas limited liability company ("Roswell"), St. Mary Operating Company, a Colorado corporation ("Operating"), and NPC Inc., a Colorado corporation ("NPC"; Parent, Energy, Nance, Minerals, Roswell, Operating and NPC being herein collectively called "Mortgagor" and Energy, Nance, Minerals, Roswell, Operating and NPC being herein sometimes collectively called a "Subsidiary Mortgagor"), for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to Trustee (as hereinafter defined), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the State of Nevada and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby (the "Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to Agent (as defined in Section 1.3(a) below), and grant to Agent a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above (including, without limitation, those of the following described properties, rights and interests which are located in (or cover properties located in) the States of Colorado, Nevada, and South Dakota and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby) (the "Other Mortgaged Properties"):

A. The oil, gas and/or other mineral properties, mineral servitudes, and/or mineral rights which are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in and to (i) the oil, gas and/or mineral leases or other agreements described in Exhibit A hereto, (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A hereto and (iii) any other lands (including submerged lands) located anywhere in the United States of America;

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C. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's interest (whether now owned or hereafter

acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Other Mortgaged Properties unto Agent, and Agent's successors and assigns, upon the terms, provisions and conditions herein set forth (the Deed of Trust Mortgaged Properties and the Other Mortgaged Properties are herein sometimes collectively called the "Mortgaged Properties"). As used throughout this Mortgage, the term "Trustee" shall mean, with respect to all of the Deed of Trust Mortgaged Properties which are located in (or which cover properties located in) the State of Nevada, Jay Chernosky.

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Section 1.2 Grant of Security Interest. In order to further secure the -----
payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as defined in Section 1.3(a) below) a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) to the extent a security interest may be created therein, the Mortgaged Properties;

(b) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Production"), together with all proceeds of Production (regardless of whether Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Production, including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(c) without limitation of any other provisions of this Section 1.2, all payments received in lieu of production from the Mortgaged Properties (regardless of whether such payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (c) being herein called "Payments in Lieu of Production");

(d) all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(e) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder), commercial tort claims and other general intangibles (regardless of whether the same arose, and/or the events

which gave rise to the same occurred, on or before or after the date hereof) related to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing,

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transporting, or marketing of Production (including, without limitation, any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(f) Without limitation of the generality of the foregoing, any rights and interests of Mortgagor under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(g) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, software and other forms of recording or obtaining access to such data;

(h) all money, documents, instruments, chattel paper (including without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, securities, accounts, payment intangibles, general intangibles, letters of credit, letter-of-credit rights, supporting obligations and rights to payment of money arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Mortgaged Properties, the Production or any other item of Property;

(i) all rights, titles and interests now owned or hereafter acquired by Mortgagor in any and all goods, inventory, equipment, as-extracted collateral, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including, without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f), (g) and (h) above and this subsection (i) being herein sometimes collectively called the "Collateral"); and

(j) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, payment intangibles, general intangibles, fixtures, real/immovable property, personal/ movable property or other assets (the Mortgaged Properties, the Collateral and the proceeds of the Collateral being herein sometimes collectively called the "Property").

Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the Texas Uniform Commercial Code (the "UCC") shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the UCC shall in the future be amended or held by a court to define any term

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used herein more broadly or inclusively than the UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect on the date of this Mortgage, such amendment or holding shall be disregarded in defining terms used in this Mortgage

Section 1.3 Secured Indebtedness. This Mortgage is executed and delivered

by the Mortgagor to secure and enforce the payment and performance of the following:

(a) Payment of and performance of any and all indebtedness, obligations and liabilities, including interest (including, without limitation, interest accruing after the maturity of the "Loans" (as defined in the hereinafter defined Credit Agreement) made by each Lender and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency,

reorganization or like proceeding, relating to the Parent, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) of the Parent whether now existing or hereafter arising under or in connection with that certain Credit Agreement dated as of January 27, 2003, by and among Parent, Wachovia Bank, National Association, as Administrative Agent (in such capacity, the "Agent") and the Lenders (as amended by First Amendment to Credit Agreement dated as of January 27, 2003, and as the same may from time to time be further amended or supplemented, the "Credit Agreement") or any other "Loan Document" (as defined in the Credit Agreement), including, without limitation, the "Notes" (as defined in the Credit Agreement) in the aggregate original principal amount of \$300,000,000 with final maturity on or before January 27, 2006.

(b) Payment and performance of any and all indebtedness, obligations and liabilities of Energy, Nance, Operating and NPC whether now existing or hereafter arising under or in connection with the "Guaranty Agreement" (as defined in the Credit Agreement).

(c) Any sums which may be advanced or paid by the Agent or any Lender under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Mortgagor to comply with the covenants of the Mortgagor contained herein or in the Credit Agreement or any other Loan Document; and all other indebtedness of the Mortgagor arising pursuant to the provisions of this Mortgage.

(d) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future interest rate or currency swap, rate cap, rate floor, rate collar, forward rate agreement or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(e) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future swap agreements, cap, floor, collar, forward agreement or other exchange or protection agreements relating to crude oil, natural gas or other hydrocarbons or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

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(f) Performance of all "Letter of Credit Agreements" (as defined in the Credit Agreement) executed from time to time by the Parent or any Subsidiary of the Parent under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any "Letter of Credit" (as defined in the Credit Agreement) now outstanding or hereafter issued under or pursuant to the Credit Agreement.

Section 1.4 Secured Indebtedness. The indebtedness referred to in Section

1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby". It is contemplated and acknowledged that the secured indebtedness may include revolving credit loans and advances from time to time, and that this Mortgage shall have effect, as of the date hereof, to secure all secured indebtedness, regardless of whether any amounts are advanced on the date hereof or on a later date or, whether having been advanced, are later repaid in part or in whole and further advances made at a later date.

Section 1.5 MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO

THE CONTRARY, THE OUTSTANDING INDEBTEDNESS SECURED HEREBY SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$400,000,000.

Section 1.6 Limit on Secured Indebtedness and Collateral. It is the

intention of each Subsidiary Mortgagor, Agent and Lenders that this Mortgage not constitute a fraudulent transfer or fraudulent conveyance under any state or federal law that may be applied hereto. Each Subsidiary Mortgagor and, by its acceptance hereof, Agent hereby acknowledge and agree that, notwithstanding any other provision of this Mortgage: (a) the indebtedness secured hereby by such Subsidiary Mortgagor shall be limited to the maximum amount of indebtedness that can be incurred or secured by such Subsidiary Mortgagor without rendering this Mortgage subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal law, and (b) the Property granted by such Subsidiary Mortgagor hereunder shall be limited to the maximum amount of Property that can be granted by such Subsidiary Mortgagor without rendering this Mortgage subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal law.

Representations, Warranties and Covenants

Section 2.1 Mortgagor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Mortgagor has, and Mortgagor

covenants to maintain, good and defensible title to the Property, free and clear of all liens, security interests, and encumbrances except for (i) the contracts, agreements, burdens, encumbrances and other matters set forth in the descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii) the liens and security interests evidenced by this Mortgage, (iii) statutory liens for taxes which are not yet delinquent, (iv) liens under operating agreements, pooling orders and unitization agreements, and mechanics' and

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materialmen's liens, with respect to obligations which are not yet due subject to applicable permitted payment periods, and (v) other liens and security interests (if any) in favor of Agent (the matters described in the foregoing clauses (i), (ii), (iii), (iv), and (v) being herein called the "Permitted Encumbrances"); Mortgagor will warrant and defend title to the Property, subject as aforesaid, against the claims and demands (including claims which would be a Permitted Encumbrance under item (vi) above) of all persons claiming or to claim the same or any part thereof. Without limitation of the foregoing, the ownership by Mortgagor of the Mortgaged Properties does and will, with respect to each well or unit identified on Schedule I, attached hereto and made a part hereof, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal or percentage share of the oil, gas and other hydrocarbons produced from, or allocated to, such well or unit equal to not less than the decimal or percentage share set forth, for such well or unit, in the column headed "Net Revenue Interest" (or words of similar import) on Schedule I, and cause Mortgagor to be obligated to bear a decimal or percentage share of the cost of operation of such well or unit equal to not more than the decimal or percentage share set forth, for such well or unit, in the column headed "Working Interest" (or words of similar import) on Schedule I. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of operating agreements described in Exhibit A in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Schedule I. There is not and will not be any unexpired financing statement covering any part of the Property on file in any public office naming any party other than Agent as secured party. Upon request by Agent, Mortgagor will deliver to Agent schedules of all internal and third party information identifying the Mortgaged Properties (such as, for example, lease names and numbers assigned by Mortgagor or the operator of any Mortgaged Property, well and/or unit and/or property names and numbers assigned by purchasers of Production, and internal identification names and numbers used by Mortgagor in accounting for revenues, costs, and joint interest transactions attributable to the Mortgaged Properties). The listing of Permitted Encumbrances above is made for the purpose of limiting certain warranties and covenants made by Mortgagor herein; such listing is not intended to affect the description herein of the Mortgaged Properties nor to subordinate the liens and security interests hereunder to any Permitted Encumbrances.

(b) Leases and Contracts; Performance Of Obligations. The oil, gas and/or

mineral leases, contracts, servitudes and other agreements forming a part of the Property, to the extent the same cover or otherwise relate to the Property, are in full force and effect, and Mortgagor agrees to so maintain them in full force and effect. All rents, royalties and other payments due and payable under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of the Property, have been, and will continue to be, properly and timely paid. Mortgagor is not in default with respect to Mortgagor's obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could adversely affect the ownership or operation of the Property; Mortgagor will fulfill all such obligations coming due in the future. There are no situations where Mortgagor is aware that a contingent liability may exist to account on a basis less favorable to Mortgagor than on the basis on which Mortgagor is currently accounting.

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(c) Sale of Production. No Mortgaged Property is or will become subject to

any contractual or other arrangement (i) whereby payment for production is or can be deferred for a substantial period after the month in which such

production is delivered (i.e., for wells in pay status, in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days, and for wells not in pay status, the time period provided by statute) or (ii) whereby payments are made to Mortgagor other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements or transportation agreements (or other agreements relating to the marketing of Production) listed on Exhibit A (in connection with the Mortgaged Properties to where they relate), (i) except as otherwise disclosed to Agent in writing, no Mortgaged Property is or will become subject to any contractual or other arrangement for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) which (except for contracts with a term of 270 days or less) cannot be cancelled on 120 days' (or less) notice and (ii) all contractual or other arrangements for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) shall be bona fide transactions, and will be with third parties not affiliated with Mortgagor, and shall, with respect to all contracts and other arrangements be at the best price (and on the best terms) then available (such price shall, in the case of Production sales which are subject to price controls, be determined giving consideration to such fact). Mortgagor is presently receiving a price for all production from (or attributable to) each Mortgaged Property covered by a production sales contract listed on Exhibit A as computed in accordance with the terms of such contract, and is not having deliveries of production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Mortgagor, nor any of its predecessors in title, has received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from the Mortgaged Properties after the date hereof, and Mortgagor hereby covenants not to enter into any such advance or prepayment arrangements whereby it accepts consideration for oil, gas or other hydrocarbons not yet produced. No Mortgaged Property is or will become subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from the Mortgaged Properties may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. To the best of Mortgagor's knowledge, the gas imbalances set forth in Schedule 7.19 of the Credit Agreement reflects the gas balancing position of the Mortgaged Properties as of January 27, 2003. Except as otherwise disclosed to Agent in writing, as of December 31, 2002, there is no Mortgaged Property with respect to which Mortgagor, or its predecessors in title, has, prior to such date, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Mortgaged Property would entitle it to take which has resulted, on such date, in Mortgagor being materially overproduced or materially underproduced with respect to such Mortgaged Property in violation of Section 9.18 of the Credit Agreement. Mortgagor will not after the date hereof become "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate), in violation of Section 9.18 of the Credit Agreement. No Mortgaged Property is or will become subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Mortgaged

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Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Mortgaged Property is subject at the present time to any regulatory refund obligation and, to the best of Mortgagor's knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal or Movable Property. The equipment, inventory,

improvements, fixtures, goods and other tangible personal/movable property forming a part of the Property are and will remain (and with respect to Property not operated by Mortgagor, to the best of Mortgagor's knowledge, such equipment, inventory, fixtures, goods and other tangible personal/movable property are and will remain) in good repair and condition and are and will be adequate for the normal operation of the Property in accordance with prudent industry standards; all of such Property is, and will remain, located on the Mortgaged Properties, except for that portion thereof which is or shall be located elsewhere (including that usually located on the Mortgaged Properties but temporarily located elsewhere) in the course of the normal operation of the Property, or which is hereafter sold or otherwise disposed of as permitted under the Credit Agreement.

(e) Operation of Mortgaged Properties. The Mortgaged Properties, and with

respect to Mortgaged Properties not operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Mortgaged Properties, (and properties unitized therewith) are being (and, to the extent the same could adversely affect the ownership or operation of the Mortgaged Properties after the date hereof, have in the past been), and hereafter will be, maintained, operated and

developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances; specifically in this connection, (i) no Mortgaged Property is subject to having allowable production after the date hereof reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (ii) none of the wells located on the Mortgaged Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, and will remain, bottomed under and producing from, with the well bores wholly within, the Mortgaged Properties (or, in the case of wells located on properties unitized therewith, such unitized properties). There are no wells listed on Schedule I hereto ("Schedule I Wells") being redrilled, deepened, plugged back or reworked, and no other operations are being conducted for which consent is required under the applicable operating agreement (or which are other than normal operation of existing wells on the Mortgaged Properties); except as otherwise disclosed to Agent in writing, there are no proposals in excess of \$500,000 net to Mortgagor's interest currently outstanding (whether made by Mortgagor or by any other party) to re-drill, deepen, plug back, or rework Schedule I Wells, or to conduct any other operations under the applicable joint operating agreement, or to abandon any Schedule I Wells (nor are there any such proposals which have been approved either by Mortgagor or any other party, with respect to which the operations covered thereby have not been commenced). Except as otherwise disclosed to Agent in writing, there are no dry holes, or otherwise inactive wells, located on the Mortgaged Properties or on lands pooled or unitized therewith (including,

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without limitation, any wells which would, if located in Texas, require compliance with Railroad Commission Rule 14(b)(2)) that in the aggregate will cost more than \$500,000, net to Mortgagor's interest and net of salvage proceeds, to plug and abandon, except for wells that have been properly plugged and abandoned. Mortgagor has, and will have in the future, all governmental licenses and permits necessary or appropriate to own and operate the Property; Mortgagor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Mortgagor will not, without the prior written consent

of Agent, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) sales, transfers and other dispositions of machinery, equipment and other personal/ movable property and fixtures made in connection with a release, surrender or abandonment of a lease, (ii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures in connection with the abandonment of a well, (iii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures which are (A) obsolete for their intended purpose and disposed of in the ordinary course of business or (B) replaced by articles of at least equal suitability and value owned by Mortgagor free and clear of all liens except this Mortgage and the Permitted Encumbrances, (iv) sales of Production which are made in the ordinary course of business and in compliance with Section 2.1(c) hereof; provided that nothing in clause (iv) shall be construed as limiting Agent's rights under Article III of this Mortgage, and (v) sales, transfers and other dispositions of oil and gas leases, but only to the extent such sale, transfer or other disposition is in the ordinary course of business and does not materially and adversely affect the value of the Property in the aggregate. In the event and during the continuation of a default (as hereinafter defined), Mortgagor shall at all times keep the Property and its proceeds separate and distinct from other property of Mortgagor and shall keep accurate and complete records of the Property and its proceeds.

(g) Suits and Claims. Except as otherwise disclosed to Agent in writing,

there are no Suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to the best of Mortgagor's knowledge, threatened) which affect the Properties (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Properties) and no judicial or administrative actions, suits or proceedings pending (or, to the best of Mortgagor's knowledge, threatened) against Mortgagor. Notwithstanding the foregoing, Mortgagor's representation in this Section with respect to pending suits, actions, claims, investigations, inquiries, proceedings or demands which affect Properties which are not operated by Mortgagor, except those pertaining to Mortgagor's title to such non-operated Properties, will be limited to the best of Mortgagor's knowledge.

(h) Environmental.

(A) Current Status. The Property (and with respect to Property

not operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Property) and Mortgagor are not in material violation of Applicable Environmental Laws (below defined), or subject to any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority or any other person under or with respect to Applicable Environmental Laws, or subject to any remedial obligations under Applicable Environmental Laws, and are in compliance with all permits and licenses required under Applicable Environmental Laws, and this representation will

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continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Mortgagor. "Applicable Environmental Laws" shall mean any applicable laws, orders, rules, or regulations (including, without limitation, the common law) pertaining to safety, health or the environment, as such laws, orders, rules or regulations now exist or are hereafter enacted and/or amended. Applicable Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state and local law). Mortgagor undertook, at the time of acquisition of the Property, all appropriate inquiry into the previous ownership and uses of the Property consistent with good commercial or customary practice. Mortgagor has taken all commercial and reasonable steps necessary to determine and has determined that no hazardous substances or solid wastes have been disposed of or otherwise released at, into, upon or under the Property. The use which Mortgagor makes and intends to make of the Property will not result in the use, treatment, storage or disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property, except such usage, and temporary storage in anticipation of usage, as is in the ordinary course of business and in compliance with Applicable Environmental Laws. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. The "Associated Property" (as such term is hereinafter defined) is not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in the Property would be responsible. The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and or carved out of) the lands which are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(B) Future Performance. Mortgagor will use its best efforts not

to cause or permit the Property or the Associated Property or Mortgagor to be in material violation of, or do anything or permit anything to be done which will subject the Property or the Associated Property to any material remedial obligations under, or result in material noncompliance with applicable permits and licenses under, any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property or the Associated Property and Mortgagor will promptly notify Agent in writing of any

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existing, pending or, to the best knowledge of Mortgagor, threatened investigation, claim, suit or inquiry by any governmental authority or any person in connection with any Applicable Environmental Laws, provided that, with respect to Properties not operated by Mortgagor, Mortgagor shall notify Agent of any investigations, claims, suits or inquiries, whether existing, pending, or threatened, of which Mortgagor becomes aware. Mortgagor will take all steps reasonably necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property or

the Associated Property. Mortgagor will use commercial and reasonable efforts not to cause or permit the disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property or the Associated Property and covenants and agrees to keep or cause the Property and/or the Associated Property to be kept free of any hazardous substance or solid waste (except such use, and temporary storage in anticipation of use, as is required in the ordinary course of business, all while in compliance with Applicable Environmental Laws), and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Upon Agent's reasonable request, at any time and from time to time during the existence of this Mortgage, Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Property and the Associated Property from an engineering or consulting firm approved by Agent, indicating the presence or absence of hazardous substances and solid waste on the Property and/or the Associated Property and compliance with Applicable Environmental Laws. In the event of a violation, Mortgagor will diligently work to cure such violation, including remediation, if necessary, and so long as Mortgagor diligently prosecutes efforts to cure the violation, Mortgagor will not be in breach of this provision.

(i) Not Abandon Wells; Participate in Operations. Mortgagor will not,

without prior written consent of Agent, abandon, or consent to the abandonment of, any well producing from the Mortgaged Properties (or properties unitized therewith) so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct) of producing oil, gas, or other hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of this Mortgage). In the event and during the continuation of a default, Mortgagor will not, without prior written consent of Agent, elect not to participate in a proposed operation on the Mortgaged Properties where the effect of such election would be the forfeiture either temporarily (i.e. until a certain sum of money is received out of the forfeited interest) or permanently of any material interest in the Mortgaged Properties.

(j) Defense of Mortgage. If the validity or priority of this Mortgage or of

any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Agent, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their

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judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all reasonable expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(k) Fees and Expenses; Indemnity. Mortgagor will pay all reasonable

appraisal fees, recording fees, taxes, brokerage fees and commissions, abstract and other records search fees, attorneys' fees and expenses and all other reasonable costs and expenses of every character incurred by Mortgagor or Agent or any Lender in connection with the closing of the loan or loans evidenced by the Loan Documents and any and all amendments, supplements or modifications to such loan transaction or transactions. Mortgagor will reimburse Trustee, Agent and each Lender (for purposes of this paragraph, the terms "Trustee", "Agent" and "Lender" shall include the directors, officers, partners, employees and agents of Trustee, Agent or any Lender, respectively, and any persons or entities owned or controlled by or affiliated with Trustee, Agent or any Lender, respectively) for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Mortgagor of any covenant, agreement or condition contained herein or in any other Loan Document, (ii) the exercise of any rights and remedies hereunder or under any

other Loan Document, and (iii) the protection of the Property and/or liens and security interests therein. Mortgagor will indemnify and hold harmless Trustee, Agent and each Lender from and against (and will reimburse such indemnified parties for) all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by the Trustee, the Agent or any Lender on account of, in connection with, or arising out of (A) any bodily injury or death or natural resource, human health or property damage occurring in, at, into, under or upon (or, to the extent such injury, death or damage is related to Mortgagor or Mortgagor's ownership or operation of the Property, in the vicinity of) the Property through any cause whatsoever, (B) any act performed or omitted to be performed hereunder or the breach of any representation or warranty herein, (C) the exercise of any rights and remedies hereunder or under any other Loan Document, (D) any transaction, act, omission, event or circumstance arising out of or in any way connected with the Property or with this Mortgage or any other Loan Document, (E) any violation on or prior to the Release Date (as hereinafter defined) of any Applicable Environmental Law, (F) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on or under the Property or the Associated Property or release at, into, upon, under or from the Property or the Associated Property of hazardous substances or solid wastes disposed of or otherwise released) resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property or the Associated Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (G) any and all claims or proceedings (whether brought by private party or governmental agencies) for human health, bodily

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injury, property damage, abatement or remediation, environmental damage, cleanup, mitigation, removal, natural resource damage or impairment or any other injury or damage resulting from or relating to any hazardous or toxic substance, solid waste or contaminated material located upon or migrating into, from or through the Property or the Associated Property (whether or not the release of such materials was caused by Mortgagor, a tenant or subtenant or a prior owner or tenant or subtenant on the Property or the Associated Property and whether or not the alleged liability is attributable to the use, treatment, handling, storage, generation, transportation, removal or disposal of such substance, waste or material or the mere presence of such substance, waste or material on or under the Property or the Associated Property), which the Trustee and/or the Agent and/or any Lender may have liability with respect to due to the making of the loan or loans evidenced by any Notes, the granting of this Mortgage, the exercise of any rights under the Loan Documents, or otherwise. Agent shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, reasonable attorneys' fees and other expenses of every character expended by Agent, Trustee or any Lender pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the applicable party or parties. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full, or (ii) the date on which the lien of this Mortgage is foreclosed or a deed in lieu of such foreclosure is fully effective and recorded. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Agent, Trustee and/or any Lender shall be a demand obligation owing by Mortgagor to the applicable party or parties and shall be subject to and covered by the provisions of Section 2.3 hereof.

(1) Insurance. Mortgagor will keep (and with respect to Property not

operated by Mortgagor, will use its best efforts to keep) such part of the Property which is of an insurable nature and of a character usually insured by persons operating similar properties, insured with companies of recognized responsibility satisfactory to Agent and in such amounts as are acceptable to Agent (and in the absence of specification of such amounts by Agent, in the

amount of the full value of such property, less reasonable deductibles not to exceed deductibles customary in the industry for similarly situated businesses and properties), against loss or damage by fire, casualty and from other hazards

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customarily insured against by persons operating similar properties. Mortgagor shall also provide such other insurance as Agent may from time to time reasonably require; such coverage to be carried with companies of recognized responsibility satisfactory to Agent. All policies evidencing such insurance shall contain clauses providing that the proceeds thereof shall be payable to Agent as its interest may appear and providing that such policies may not be cancelled, reduced or otherwise affected without at least thirty (30) days prior written notice to Agent. Upon request by Agent, Mortgagor shall deliver to Agent the original policies, evidence of payment of premiums, certificates evidencing renewals, and such other information regarding such insurance as Agent may request. In the event of any loss under any insurance policies so carried by Mortgagor, Agent shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Agent in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Agent is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Agent is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title. Mortgagor shall at all times maintain adequate insurance against its liability on account of damages to persons or property, which insurance shall be carried by companies of recognized responsibility satisfactory to Agent, and shall be for such amounts and insure against such risks as are customary in the industry for similarly situated businesses and properties. Mortgagor shall at all times maintain cost of regaining control of well insurance and similar insurance to the extent customary in the industry in the pertinent area of operations.

(m) Further Assurances. Mortgagor will, on request of Agent, (i) promptly

correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Agent to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

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(n) Name and Place of Business and Formation. Except as disclosed in the

Credit Agreement, Mortgagor has not, during the preceding five years, been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity, state of formation or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Agent of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Agent for the purpose of further perfecting or protecting the liens and security interests in the Property created hereby. Mortgagor's exact name is the name set forth in this Mortgage. Mortgagor's location is as follows:

Mortgagor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company). Mortgagor is located (as determined pursuant to the UCC) in the state under the laws which it was organized, as follows:

Name of Mortgagor	State of Organization
Parent	Delaware
Energy	Delaware
Minerals	Colorado
Nance	Montana
Roswell	Texas
Operating	Colorado
NPC	Colorado

Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Property (including, particularly, the records with respect to "Production Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Properties) has for the preceding four months, been, and will continue to be (unless Mortgagor notifies Agent of any change in writing at least thirty (30) days prior to the date of such change), the address set forth opposite the signature of Mortgagor to this Mortgage.

(o) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2 Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Mortgagor agrees to take all such commercial and reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor to cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein; and as to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Mortgagor, Mortgagor agrees to take all such commercial and reasonable action and to

exercise all rights and remedies as are reasonably available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with the covenants and agreements contained herein.

Section 2.3 Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder Mortgagor is required to pay, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by Mortgagor to Agent (which obligation Mortgagor hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Agent and/or any Lender pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due principal under the Notes (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

ARTICLE III.

Assignment of Production, Accounts and Proceeds

Section 3.1 Assignment of Production. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Agent all Production which accrues to Mortgagor's interest in the Mortgaged Properties, all proceeds of such Production and all Payments in Lieu of Production (herein collectively referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchasers of the Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2 Effectuating Payment of Production Proceeds to Agent.

Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints

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Agent as Mortgagor's special attorney in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly inclusive, but not limited to, the right, power and authority to:

(a) Execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) If under any product sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by Agent through any person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a demand obligation of Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the rate described in Section 2.3 hereof.

Section 3.3 Change of Purchaser. To the extent a default has occurred

hereunder and is continuing, should any person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

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Section 3.4 Application of Production Proceeds. So long as no default has

occurred hereunder, the Production Proceeds received by Agent during each calendar month shall on the first business day of the next succeeding calendar month (or, at the option of Agent, on any earlier date) be applied by Agent as follows:

FIRST, to the payment of all secured indebtedness then due and

payable, in such manner and order as Agent deems advisable;

SECOND, to the prepayment of the remainder of the secured

indebtedness in such manner and order and to such extent as Agent deems
advisable; and

THIRD, the remainder, if any, of the Production Proceeds shall

be paid over to Mortgagor or to Mortgagor's order or to such other
parties as may be entitled thereto by law.

After a default hereunder has occurred, all Production Proceeds from time to
time in the hands of Agent shall be applied by it toward the payment of all
secured indebtedness (principal, interest, attorneys' fees and other fees and
expenses) at such times and in such manner and order and to such extent as Agent
deems advisable.

Section 3.5 Release From Liability; Indemnification. Agent and its

successors and assigns are hereby released and absolved from all liability for
failure to enforce collection of the Production Proceeds and from all other
responsibility in connection therewith, except the responsibility of each to
account to Mortgagor for funds actually received by each. Mortgagor agrees to
indemnify and hold harmless Agent (for purposes of this paragraph, the term
"Agent" shall include the directors, officers, partners, employees and agents of
Agent and any persons or entities owned or controlled by or affiliated with
Agent) from and against all claims, demands, liabilities, losses, damages
(including without limitation consequential damages), causes of action,
judgments, penalties, costs and expenses (including without limitation
reasonable attorneys' fees and expenses) imposed upon, asserted against or
incurred or paid by Agent by reason of the assertion that Agent received, either
before or after payment in full of the secured indebtedness, funds from the
production of oil, gas, other hydrocarbons or other minerals from the Properties
claimed by third persons (and/or funds attributable to sales of production which
(i) were made at prices in excess of the maximum price permitted by applicable
law or (ii) were otherwise made in violation of laws, rules, regulations and/or
orders governing such sales), and Agent shall have the right to defend against
any such claims or actions, employing attorneys of its own selection, and if not
furnished with indemnity satisfactory to it, Agent shall have the right to
compromise and adjust any such claims, actions and judgments, and in addition to
the rights to be indemnified as herein provided, all amounts paid by Agent in
compromise, satisfaction or discharge of any such claim, action or judgment, and
all court costs, reasonable attorneys' fees and other expenses of every
character expended by Agent pursuant to the provisions of this section shall be
a demand obligation (which obligation Mortgagor hereby expressly promises to
pay) owing by Mortgagor to Agent and shall bear interest, from the date expended
until paid, at the rate described in Section 2.3 hereof. The foregoing
indemnities shall not terminate upon the Release Date or upon the release,
foreclosure or other termination of this Mortgage but will survive the Release
Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the
repayment of the secured indebtedness and the discharge and release of this

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Mortgage and the other documents evidencing and/or securing the secured
indebtedness. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR
AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH
INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES,
DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION,
JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION
REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY
OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.
However, such indemnities shall not apply to any particular indemnified party
(but shall apply to the other indemnified parties) to the extent the subject of
the indemnification is caused by or arises out of the gross negligence or
willful misconduct of such particular indemnified party.

Section 3.6 Mortgagor's Absolute Obligation to Pay Notes. Nothing herein

contained shall detract from or limit the obligations of Mortgagor to make
prompt payment of the Notes, and any and all other secured indebtedness, at the
time and in the manner provided herein and in the Loan Documents, regardless of
whether the Production and Production Proceeds herein assigned are sufficient to
pay same, and the rights under this Article III shall be cumulative of all other
rights under the Loan Documents.

ARTICLE IV.

Remedies Upon Default

Section 4.1 Default. The term "default" as used in this Mortgage shall mean

the occurrence of any of the following events:

(a) the occurrence of an "Event of Default" as defined in the Credit Agreement; or

(b) the failure of Mortgagor to make due and punctual payment of any Note or of any other secured indebtedness or of any installment of principal thereof or interest thereon, or any part thereof, as the same shall become due and payable (taking into account any applicable grace period, if any, provided in the Loan Documents), whether at a date for payment of a fixed installment or contingent or other payment, or as a result of acceleration, or otherwise; or

(c) the failure of Mortgagor to pay over to Agent any Production Proceeds which are receivable by Agent under this Mortgage but which are paid to Mortgagor rather than Agent (either as provided for in Section 3.2 hereof or otherwise), except Production Proceeds paid over to Mortgagor by Agent under clause THIRD of Section 3.4; or

(d) the failure of Mortgagor timely and properly to observe, keep or perform any covenant, agreement, warranty or condition herein or in any other Loan Document required to be observed, kept or performed, if such failure is not remedied within the applicable grace period provided for in such Loan Document or, if such Loan Document does not provide for such a grace period, within 30 days after written notice and demand by Agent for the performance of such covenant, agreement, warranty or condition; or

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(e) any representation contained herein (or in any certificate delivered by Mortgagor in connection herewith) or contained in any other Loan Document, or otherwise heretofore or hereafter made by or on behalf of Mortgagor, shall prove to have been false or misleading in any material respect on the date made (or on the date as of which made); or

(f) the occurrence of a "default" or "event of default" under any Loan Document other than this Mortgage, which default is not cured within the applicable grace period (if any) provided for in such other Loan Document; or

(g) Mortgagor suffers the entry against it of a judgment, decree or order for relief by a court of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar law of any jurisdiction now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or has such a proceeding commenced against it which remains undismissed for a period of 30 days; or

(h) Mortgagor commences a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or applies for or consents to the entry of an order for relief in an involuntary case under any such law; or Mortgagor makes a general assignment for the benefit of creditors or fails to pay (or admits in writing its inability to pay) its debts as such debts become due; or Mortgagor takes corporate or other action in furtherance of any of the foregoing; or

(i) Mortgagor suffers the appointment of or taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets or for any part of the Property in a proceeding brought against or initiated by it and (1) such appointment or taking is neither made ineffective nor discharged within 30 days after the making of such appointment or within 30 days after such taking, or (2) such appointment or taking is consented to, requested by, or acquiesced to by Mortgagor; or

(j) Mortgagor suffers a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial part of its assets or any part of the Property, and such writ or warrant of attachment or any similar process is not stayed or released within 30 days after the entry or levy thereof or after any stay is vacated or set aside; or

(k) Any of the events referred to above in subsections (g), (h), (i) or (j) shall occur with respect to any guarantor of the secured indebtedness and shall not be remedied within the applicable grace period (if any) set forth in such subsections.

Section 4.2 Acceleration of Secured Indebtedness. Upon the occurrence of a

default described in subsection (g), (h), (i) or (j) of Section 4.1 above, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or

provided for by law as Agent may elect. During the continuance of any other default, Agent at any time and from time to time may without notice to Mortgagor

or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect.

Section 4.3 Pre-Foreclosure Remedies. Upon the occurrence of a default, or -----

any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, and following any period to attempt to cure such default, if any, provided in the Credit Agreement, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor, including, without limitation, summary proceeding or restraining order, Mortgagor agrees to peacefully surrender possession of the Property upon default. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the rate described in Section 2.3 hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT (INCLUDING AGENT'S OWN NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF AGENT, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3.

Section 4.4 Foreclosure. -----

(a) Upon the occurrence of a default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Deed of Trust Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY -----
ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING

TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS

MORTGAGE.

(b) Upon the occurrence of a default (i) this Mortgage may be foreclosed as to the Other Mortgaged Properties, or any part thereof, in any manner permitted by applicable law, or (ii) the Agent may, to the extent permitted by applicable law, sell the Other Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as the Agent may deem appropriate (Mortgagor expressly granting to the Agent the power of sale).

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY -----
ALLOW AGENT TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO

(c) Upon the occurrence of a default, Agent may exercise its rights of enforcement with respect to the Collateral under the Uniform Commercial Code or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) To the extent permitted by law, Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at a place Agent designates which is mutually convenient to allow Agent to take possession or dispose of the Collateral; and

(iii) Written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

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(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds.

(d) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded, Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. Notwithstanding any reference herein to the Notes or the Credit Agreement or any other Loan Document, all persons dealing with the Mortgaged Properties shall be entitled to rely on any document, or certificate, of the Agent as to the occurrence of an event, such as an Event of Default, and shall not be charged with or forced to review any provision of any other document to determine the accuracy thereof. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

Properties, this instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to the Deed of Trust Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Deed of Trust Mortgaged Properties to Agent. In the event a foreclosure hereunder as to the Deed of Trust Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and

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may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Deed of Trust Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6 Receiver. In addition to all other remedies herein provided

for, Mortgagor agrees that, upon the occurrence of a default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Agent or any Lender of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date of making such advancement by Agent until paid, at the rate described in Section 2.3 hereof.

Section 4.7 Proceeds of Foreclosure. The proceeds of any sale held in

foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to

such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit or any judicial proceeding and including but not limited to a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a) and including but not limited to the compensation of the keeper, if any;

SECOND, to the payment of the secured indebtedness (including

specifically without limitation the principal, interest and attorneys' fees due and unpaid on the Notes and the amounts due and unpaid and owed under this Mortgage) in such manner and order as Agent may elect; and

THIRD, the remainder, if any there shall be, shall be paid to

Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other persons as may be entitled thereto by law.

Section 4.8 Lender as Purchaser. Any Lender shall have the right to become

the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any Lender purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Lender, or

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if such Lender holds less than all of such indebtedness, the pro rata part thereof owing to such Lender, accounting to all other Lenders not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Lender or Lenders.

Section 4.9 Foreclosure as to Matured Debt. Upon the occurrence of a

default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of Section 3.4 hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10 Remedies Cumulative. All remedies herein provided for are

cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11 Discretion as to Security. Agent may resort to any security

given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Agent in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

Section 4.12 Mortgagor's Waiver of Certain Rights. To the full extent

Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisal, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of

decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13 Mortgagor as Tenant Post-Foreclosure. In the event there is a

foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain

a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

ARTICLE V.

Miscellaneous

Section 5.1 Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real/immovable and personal/movable property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures.

Section 5.2 Effective as a Financing Statement. This Mortgage, among other things, covers goods which are or are to become fixtures related to the real property described herein, and covers as-extracted collateral related to the real property described herein. This Mortgage shall be effective as a financing statement (i) filed as a fixture filing with respect to all fixtures included within the Property, (ii) covering as-extracted collateral with respect to all as-extracted collateral included within the Property (including, without limitation, all oil, gas, other minerals and other substances of value which may be extracted from the earth and all accounts arising out of the sale at the wellhead or minehead thereof), and (iii) covering all other Property. This Mortgage is to be filed for record in the real/immovable property records of each county where any part of the Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property, and may also be filed in the offices of the Bureau of Land Management, the Minerals Management Service, the General Land Office or any relevant federal, state, local or tribal agency (or any successor agencies). The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage. Nothing contained in

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this paragraph shall be construed to limit the scope of this Mortgage nor its effectiveness as a financing statement covering any type of Property.

Section 5.3 Reproduction of Mortgage as Financing Statement; Authorization to File. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any purpose. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file, in any filing or recording office, one or more financing statements and any renewal or continuation statements thereof, describing the Property, including, without limitation, a financing statement covering "all assets of Mortgagor, all proceeds therefrom and all rights and privileges with respect thereto."

Section 5.4 Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Agent may, at any time after a default has occurred that is continuing, notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

Section 5.5 Waivers. Agent may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.6 No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.7 Acts Not Constituting Waiver. Any default may be waived without

waiving any other prior or subsequent default. Any default may be remedied without waiving the default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time, No modification or waiver of any

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provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 5.8 Mortgagor's Successors. In the event the ownership of the

Property or any part thereof becomes vested in a person other than Mortgagor, then, without notice to Mortgagor, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 5.9 Place of Payment. All secured indebtedness which may be owing

hereunder at any time by Mortgagor shall be payable at the place designated in the Credit Agreement (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place as Agent may designate in writing.

Section 5.10 Subrogation to Existing Liens. To the extent that proceeds of

the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the party or parties advancing the same shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.11 Application of Payments to Certain Indebtedness. If any part

of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.12 Compliance With Usury Laws. It is the intent of Mortgagor,

Lender and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein or in the other Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money,

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interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 5.13 Substitute Trustee. The Trustee may resign by an instrument in

writing addressed to Agent, or Trustee may be removed at any time with or

without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall also have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this section, Such appointment and designation by Agent shall be full evidence of the right and authority to make the same and of all facts therein recited. If Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Deed of Trust Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Deed of Trust Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.14 No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR

ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability

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for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.15 Release of Mortgage. If all of the secured indebtedness be

paid as the same becomes due and payable, all other requirements of the Credit Agreement are satisfied and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed, and if neither the Mortgagor nor any Lender is bound to the other or to any third person to permit any obligation or secured indebtedness to be incurred then or thereafter, then, upon sixty (60) days prior written notice (or such lesser number of days as may be mandated by applicable law), the Mortgagor may request that this Mortgage be terminated. Upon such termination the Mortgagor may further request that a written act of release of this Mortgage be provided (except this Mortgage shall be reinstated to the extent expressly provided herein, and will continue with respect to indemnification and other rights which are to continue following the release hereof). Agent agrees to deliver such an act of release (subject to the foregoing limitation), all at the cost and expense of the Mortgagor, within thirty (30) days (or such lesser number of days as may be mandated by applicable

law) of receiving such request unless Agent in good faith, has cause to believe that Mortgagor is not entitled to a termination of this Mortgage. Notwithstanding the foregoing, it is understood and agreed that certain indemnifications, and other rights, which are provided herein to continue following the release hereof, shall continue in effect notwithstanding such release; and provided that if any payment to Lender, or Agent, is held to constitute a preference or a voidable transfer under applicable state or federal laws or if for any other reason Lender, or Agent, is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

Section 5.16 Notices. All notices, requests, consents, demands and other

communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, (b) in the case of telecopy, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Lender or

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Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.17 Invalidity of Certain Provisions. A determination that any

provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 5.18 Gender; Titles. Within this Mortgage, words of any gender

shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

Section 5.19 Recording. Mortgagor will cause this Mortgage and all

amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Agent shall reasonably request and will pay all such recording, filing, re-recording and re-filing taxes, fees and other charges.

Section 5.20 Reporting Compliance. Mortgagor agrees to comply with any and

all reporting requirements applicable to the transaction evidenced by the Notes and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Agent to furnish Agent with evidence of such compliance.

Section 5.21 Certain Consents. Except where otherwise expressly provided

herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Lender is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party, and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 5.22 Certain Obligations of Mortgagor. Without limiting Mortgagor's

obligations hereunder, Mortgagor's liability hereunder and the indebtedness secured hereby shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations

hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 5.23 Authority of Agent. The persons constituting Lender may, by agreement among them, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such persons and recorded in the same counties as this Mortgage is recorded, (i) all persons other than Mortgagor and its affiliates shall be

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entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Lenders, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any persons constituting Lender and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Section 5.24 Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, (a) to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A shall be included in such counterparts by reference only and (b) Schedule I is attached only to the master counterparts hereof being retained by Mortgagor and Agent.

Section 5.25 Multiple Parties Constituting Mortgagor. Unless the context clearly indicates otherwise, as used in this Mortgage, "Mortgagor" means the Mortgagors named in Section 1.1 hereof or any of them. The obligations of Mortgagor hereunder shall be joint and several.

Section 5.26 Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and each person constituting Lender and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lenders (including the respective successors and assigns of each person constituting Lender named herein) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Agent, Trustee or Lenders shall be deemed to include all such successors and assigns.

Section 5.27 FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR. CONTEMPORANEOUS. OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.28 CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF

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THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF LENDER, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE LENDER GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.

Section 5.29 Reliance on Certificate or Statement of Agent. All third

parties may rely upon a certificate or statement of the Agent as to the occurrence of any act or event, including, but not limited to, the occurrence of a default hereunder, or the occurrence of an Event of Default under the Credit Agreement.

[Signatures begin on next page]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY LAND & EXPLORATION
COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Parent are:
1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 41-05 18430

The address of Agent is:
201 South College Street
8th Floor NC 0680
Charlotte, NC 28288

The addresses of Trustees are:
Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah
3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:
Craig W. Murray
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, TX 77002

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STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto

subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY ENERGY COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 76-0554924

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes

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therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

NANCE PETROLEUM CORPORATION

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 8 1-0309883

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY MINERALS INC.

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Vice President - Finance

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-12003 18

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ROSWELL, L.L.C.

By: St. Mary Land & Exploration
Company, as Member

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 74-2788509

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of St.
SOUTH DAKOTA Mary Land & Exploration Company acting in its capacity
 as member of the limited liability company specified
 following such person's name, on behalf of said corporation
 acting in its capacity as member of the limited liability
 company, and on behalf of said limited liability company.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine

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signature is affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY OPERATING COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-0723492

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation

by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

NPC INC.

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Operating are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 11-3668557

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of NPC Inc., a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

COLORADO, The foregoing instrument was acknowledged before me on this
NEVADA and day, by such person, the above designated officer of the
SOUTH DAKOTA corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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(LA, MT, ND, NM, OK, TX, UT, WY)

DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

FROM

ST. MARY LAND & EXPLORATION COMPANY
(Taxpayer I.D. No. 41-05 18430)

ST. MARY ENERGY COMPANY
(Taxpayer I.D. No. 76-0554924)

NANCE PETROLEUM CORPORATION
(Taxpayer I.D. No. 8 1-0309883)

ST. MARY MINERALS INC.
(Taxpayer I.D. No. 84-1200318)

ROSWELL, L.L.C.
(Taxpayer I.D. No. 74-2788509)

ST. MARY OPERATING COMPANY
(Taxpayer I.D. No. 84-0723492)

NPC INC.
(Taxpayer I.D. No. 11-3668557)

TO

JAY CHERNOSKY, TRUSTEE
FIRST AMERICAN TITLE COMPANY OF UTAH, TRUSTEE (for Utah Properties only)

AND

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

Dated Effective as of April 16th, 2003

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS, AMONG OTHER THINGS, (A) GOODS WHICH ARE OR ARE TO BECOME FIXTURES RELATED TO THE REAL PROPERTY DESCRIBED HEREIN, AND (B) AS-EXTRACTED

COLLATERAL RELATED TO THE REAL PROPERTY DESCRIBED HEREIN (INCLUDING WITHOUT LIMITATION, OIL, GAS, OTHER MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH AND ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR MINEHEAD THEREOF). THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES AND/OR PARISHES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND/OR IMMOVABLE PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. APOWER OF SALE MAY ALLOW

AGENT (AS HEREINAFTER DEFINED) OR TI-IF TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE

THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE

ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS

MORTGAGE.

Note to Utah Recording Officer: This is not a Purchase Money Mortgage

WHEN RECORDED OR FILED RETURN TO:

Vinson & Elkins L.L.P.
2300 First City Tower
Houston, Texas 77002
Attention: Craig W. Murray

THIS DOCUMENT PREPARED BY:

Craig W. Murray
Vinson & Elkins L.L.P.
2300 First City Tower
Houston, Texas 77002

DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this "Mortgage")

ARTICLE I.

Granting Clauses: Secured Indebtedness

Section 1.1 Grant and Mortgage. St. Mary Land & Exploration Company, a

Delaware corporation ("Parent"), St. Mary Energy Company, a Delaware corporation ("Energy"), Nance Petroleum Corporation, a Montana corporation ("Nance"), St. Mary Minerals Inc., a Colorado corporation ("Minerals"), Roswell, L.L.C., a Texas limited liability company ("Roswell"), St. Mary Operating Company, a Colorado corporation ("Operating"), and NPC Inc., a Colorado corporation ("NPC"); Parent, Energy, Nance, Minerals, Roswell, Operating and NPC being herein collectively called "Mortgagor" and Energy, Nance, Minerals, Roswell, Operating and NPC being herein sometimes collectively called a "Subsidiary Mortgagor"), for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to Trustee (as hereinafter defined), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the State of Texas or the State of Utah or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby (the "Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to Agent (as defined in Section 1.3(a) below), and grant to Agent a POWER OF SALE (pursuant to this Mortgage and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above (including, without limitation, those of the following described properties, rights and interests which are located in (or cover properties located in) the States of Louisiana, Montana, New Mexico, North Dakota, Oklahoma or Wyoming or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of any such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby) (the "Other Mortgaged Properties"):

A. The oil, gas and/or other mineral properties, mineral servitudes, and/or mineral rights which are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in and to (i) the oil, gas and/or mineral leases or other agreements described in Exhibit A hereto, (ii) the lands described or referred to in Exhibit A (or described in any of the instruments described or referred to in Exhibit A), without regard to any

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limitations as to specific lands or depths that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A hereto and (iii) any other lands (including submerged lands) located anywhere in the United States of America or located offshore the United States of America but within the offshore area over which the United States of America or any State thereof asserts jurisdiction;

C. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales

contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Other Mortgaged Properties unto Agent, and Agent's successors and assigns, upon the terms, provisions and conditions herein set forth (the Deed of Trust Mortgaged Properties and the Other Mortgaged

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Properties are herein sometimes collectively called the "Mortgaged Properties"). As used throughout this Mortgage, the term "Trustee" shall mean (a) with respect to all of the Deed of Trust Mortgaged Properties which are located in (or which cover properties located in) the State of Utah, The First American Title Company of Utah, and (b) with respect to all other Deed of Trust Mortgaged Properties, Jay Chernosky.

Section 1.2 Grant of Security Interest. In order to further secure the

payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as defined in Section 1.3(a) below) a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) to the extent a security interest may be created therein, the Mortgaged Properties;

(b) all oil, gas, other hydrocarbons, and other minerals produced from or allocated to the Mortgaged Properties, and any products processed or obtained therefrom (herein collectively called the "Production"), together with all proceeds of Production (regardless of whether Production to which such proceeds relate occurred on or before or after the date hereof), and together with all liens and security interests securing payment of the proceeds of the Production, including, but not limited to, those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(c) without limitation of any other provisions of this Section 1.2, all payments received in lieu of production from the Mortgaged Properties (regardless of whether such payments accrued, and/or the events which gave rise to such payments occurred, on or before or after the date hereof), including, without limitation, "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (and/or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (c) being herein called "Payments in Lieu of Production");

(d) all equipment, inventory, improvements, fixtures, accessions, goods and other personal property or movable property of whatever nature now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

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(e) all contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder), commercial tort claims and other general intangibles (regardless of whether the same arose, and/or the events which gave rise to the same occurred, on or before or after the date hereof) related to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator), or the treating, handling, storing, processing, transporting, or marketing of Production (including, without limitation, any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(f) Without limitation of the generality of the foregoing, any rights and interests of Mortgagor under any present or future hedge or swap agreements, cap, floor, collar, exchange, forward or other hedge or protection agreements or transactions relating to crude oil, natural gas or other hydrocarbons, or any option with respect to any such agreement or transaction now existing or hereafter entered into by or on behalf of Mortgagor;

(g) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which are now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, software and other forms of recording or obtaining access to such data;

(h) all money, documents, instruments, chattel paper (including without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, securities, accounts, payment intangibles, general intangibles, letters of credit, letter-of-credit rights, supporting obligations and rights to payment of money arising from or by virtue of any transaction (regardless of whether such transaction occurred on or before or after the date hereof) related to the Mortgaged Properties, the Production or any other item of Property;

(i) all rights, titles and interests now owned or hereafter acquired by Mortgagor in any and all goods, inventory, equipment, as-extracted collateral, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including, without limitation, electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f), (g) and (h) above and this subsection (i) being herein sometimes collectively called the "Collateral"); and

(j) all proceeds of the Collateral, whether such proceeds or payments are goods, money, documents, instruments, chattel paper, securities, accounts, payment intangibles, general intangibles, fixtures, real/immovable property, personal/ movable property or other assets (the Mortgaged Properties, the Collateral and the proceeds of the Collateral being herein sometimes collectively called the "Property").

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Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the Texas Uniform Commercial Code (the "UCC") shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect

on the date of this Mortgage, such amendment or holding shall be disregarded in defining terms used in this Mortgage

Section 1.3 Secured Indebtedness. This Mortgage is executed and delivered

by the Mortgagor to secure and enforce the payment and performance of the following:

(a) Payment of and performance of any and all indebtedness, obligations and liabilities, including interest (including, without limitation, interest accruing after the maturity of the "Loans" (as defined in the hereinafter defined Credit Agreement) made by each Lender and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Parent, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) of the Parent whether now existing or hereafter arising under or in connection with that certain Credit Agreement dated as of January 27, 2003, by and among Parent, Wachovia Bank, National Association, as Administrative Agent (in such capacity, the "Agent") and the Lenders (as amended by First Amendment to Credit Agreement dated as of January 27, 2003, and as the same may from time to time be further amended or supplemented, the "Credit Agreement") or any other "Loan Document" (as defined in the Credit Agreement), including, without limitation, the "Notes" (as defined in the Credit Agreement) in the aggregate original principal amount of \$300,000,000 with final maturity on or before January 27, 2006.

(b) Payment and performance of any and all indebtedness, obligations and liabilities of Energy, Nance, Operating and NPC whether now existing or hereafter arising under or in connection with the "Guaranty Agreement" (as defined in the Credit Agreement).

(c) Any sums which may be advanced or paid by the Agent or any Lender under the terms hereof or of the Credit Agreement or any Loan Document on account of the failure of the Mortgagor to comply with the covenants of the Mortgagor contained herein or in the Credit Agreement or any other Loan Document; and all other indebtedness of the Mortgagor arising pursuant to the provisions of this Mortgage.

(d) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future interest rate or currency swap, rate cap, rate floor, rate collar, forward rate agreement or other exchange or rate protection agreements or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(e) Payment of and performance of any and all present or future obligations of the Mortgagor according to the terms of any present or future swap agreements, cap, floor, collar, forward agreement or other exchange or

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protection agreements relating to crude oil, natural gas or other hydrocarbons or any option with respect to any such transaction now existing or hereafter entered into between the Mortgagor and any Lender (or any Affiliate of such Lender).

(f) Performance of all "Letter of Credit Agreements" (as defined in the Credit Agreement) executed from time to time by the Parent or any Subsidiary of the Parent under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any "Letter of Credit" (as defined in the Credit Agreement) now outstanding or hereafter issued under or pursuant to the Credit Agreement.

Section 1.4 Secured Indebtedness. The indebtedness referred to in Section

1.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby". It is contemplated and acknowledged that the secured indebtedness may include revolving credit loans and advances from time to time, and that this Mortgage shall have effect, as of the date hereof, to secure all secured indebtedness, regardless of whether any amounts are advanced on the date hereof or on a later date or, whether having been advanced, are later repaid in part or in whole and further advances made at a later date.

Section 1.5 MAXIMUM SECURED AMOUNT. NOTWITHSTANDING ANY PROVISION HEREOF TO

THE CONTRARY, THE OUTSTANDING INDEBTEDNESS SECURED BY PROPERTY LOCATED IN THE STATES OF LOUISIANA, MONTANA OR NEW MEXICO SHALL NOT, AT ANY TIME OR FROM TIME TO TIME, EXCEED AN AGGREGATE MAXIMUM AMOUNT OF \$400,000,000.

Section 1.6 Line of Credit Mortgage. THIS INSTRUMENT SECURES A LINE OF

CREDIT USED PRIMARILY FOR BUSINESS, COMMERCIAL, OR AGRICULTURAL PURPOSES. THIS

Section 1.7 Limit on Secured Indebtedness and Collateral. It is the

intention of each Subsidiary Mortgagor, Agent and Lenders that this Mortgage not constitute a fraudulent transfer or fraudulent conveyance under any state or federal law that may be applied hereto. Each Subsidiary Mortgagor and, by its acceptance hereof, Agent hereby acknowledge and agree that, notwithstanding any other provision of this Mortgage: (a) the indebtedness secured hereby by such Subsidiary Mortgagor shall be limited to the maximum amount of indebtedness that can be incurred or secured by such Subsidiary Mortgagor without rendering this Mortgage subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal law, and (b) the Property granted by such Subsidiary Mortgagor hereunder shall be limited to the maximum amount of Property that can be granted by such Subsidiary Mortgagor without rendering this Mortgage subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal law.

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ARTICLE II.

Representations, Warranties and Covenants

Section 2.1 Mortgagor represents, warrants, and covenants as follows:

(a) Title and Permitted Encumbrances. Mortgagor has, and Mortgagor

covenants to maintain, good and defensible title to the Property, free and clear of all liens, security interests, and encumbrances except for (i) the contracts, agreements, burdens, encumbrances and other matters set forth in the descriptions of certain of the Mortgaged Properties on Exhibit A hereto, (ii) the liens and security interests evidenced by this Mortgage, (iii) statutory liens for taxes which are not yet delinquent, (iv) liens under operating agreements, pooling orders and unitization agreements, and mechanics' and materialmen's liens, with respect to obligations which are not yet due, and (v) other liens and security interests (if any) in favor of Agent (the matters described in the foregoing clauses (i), (ii), (iii), (iv), and (v) being herein called the "Permitted Encumbrances"); Mortgagor will warrant and defend title to the Property, subject as aforesaid, against the claims and demands (including claims which would be a Permitted Encumbrance under item (vi) above) of all persons claiming or to claim the same or any part thereof. Without limitation of the foregoing, the ownership by Mortgagor of the Mortgaged Properties does and will, with respect to each well or unit identified on Schedule I, attached hereto and made a part hereof, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal or percentage share of the oil, gas and other hydrocarbons produced from, or allocated to, such well or unit equal to not less than the decimal or percentage share set forth, for such well or unit, in the column headed "Net Revenue Interest" (or words of similar import) on Schedule I, and cause Mortgagor to be obligated to bear a decimal or percentage share of the cost of operation of such well or unit equal to not more than the decimal or percentage share set forth, for such well or unit, in the column headed "Working Interest" (or words of similar import) on Schedule I. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of operating agreements described in Exhibit A in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Schedule I. There is not and will not be any unexpired financing statement covering any part of the Property on file in any public office naming any party other than Agent as secured party. Upon request by Agent, Mortgagor will deliver to Agent schedules of all internal and third party information identifying the Mortgaged Properties (such as, for example, lease names and numbers assigned by Mortgagor or the operator of any Mortgaged Property, well and/or unit and/or property names and numbers assigned by purchasers of Production, and internal identification names and numbers used by Mortgagor in accounting for revenues, costs, and joint interest transactions attributable to the Mortgaged Properties). The listing of Permitted Encumbrances above is made for the purpose of limiting certain warranties and covenants made by Mortgagor herein; such listing is not intended to affect the description herein of the Mortgaged Properties nor to subordinate the liens and security interests hereunder to any Permitted Encumbrances.

(b) Leases and Contracts; Performance of Obligations. The oil, gas and/or

mineral leases, contracts, servitudes and other agreements forming a part of the Property, to the extent the same cover or otherwise relate to the Property, are in full force and effect, and Mortgagor agrees to so maintain them in full force

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and effect. All rents, royalties and other payments due and payable under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of the Property, have been, and will continue to be, properly and timely paid. Mortgagor is not in default with respect to Mortgagor's obligations (and Mortgagor is not aware of any default by any third party with respect to such third party's obligations) under such leases, contracts, servitudes and other agreements, or under the Permitted Encumbrances, or otherwise attendant to the ownership or operation of any part of the Property, where such default could adversely affect the ownership or operation of the Property; Mortgagor will fulfill all such obligations coming due in the future. There are no situations where Mortgagor is aware that a contingent liability may exist to account on a basis less favorable to Mortgagor than on the basis on which Mortgagor is currently accounting.

(c) Sale of Production. No Mortgaged Property is or will become subject to -----

any contractual or other arrangement (i) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (i.e., for wells in pay status, in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days, and for wells not in pay status, the time period provided by statute) or (ii) whereby payments are made to Mortgagor other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements or transportation agreements (or other agreements relating to the marketing of Production) listed on Exhibit A (in connection with the Mortgaged Properties to where they relate), (1) except for the contracts and Mortgaged Properties associated therewith as set forth on Schedule 2.1 (c)A, no Mortgaged Property is or will become subject to any contractual or other arrangement for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) which cannot be cancelled on 120 days' (or less) notice and (ii) all contractual or other arrangements for the sale, processing or transportation of Production (or otherwise related to the marketing of Production) shall be bona fide transactions, and except for contractual and other arrangements with Four Winds Marketing, LLC, will be with third parties not affiliated with Mortgagor, and shall, with respect to all contracts and other arrangements be at the best price (and on the best terms) then available (such price shall, in the case of Production sales which are subject to price controls, be determined giving consideration to such fact). Mortgagor is presently receiving a price for all production from (or attributable to) each Mortgaged Property covered by a production sales contract listed on Exhibit A as computed in accordance with the terms of such contract, and is not having deliveries of production from such Mortgaged Property curtailed substantially below such property's delivery capacity. Neither Mortgagor, nor any of its predecessors in title, has received prepayments (including, but not limited to, payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from the Mortgaged Properties after the date hereof, and Mortgagor hereby covenants not to enter into any such advance or prepayment arrangements whereby it accepts consideration for oil, gas or other hydrocarbons not yet produced. No Mortgaged Property is or will become subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from the Mortgaged Properties may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. To the best of Mortgagor's knowledge, the gas imbalances set forth

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in Schedule 7.19 of the Credit Agreement reflects the gas balancing position of the Mortgaged Properties as of January 27, 2003. Except as otherwise disclosed to Agent in writing, as of December 31, 2001, there is no Mortgaged Property with respect to which Mortgagor, or its predecessors in title, has, prior to such date, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Mortgaged Property would entitle it to take which has resulted, on such date, in Mortgagor being materially overproduced or materially underproduced with respect to such Mortgaged Property. Mortgagor will not after the date hereof become "overproduced" (as above defined) with respect to any well on the Mortgaged Properties (or on any unit in which the Mortgaged Properties participate), in an amount in excess of Mortgagor's share of gas produced from such well during the preceding four calendar months. No Mortgaged Property is or will become subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Mortgaged Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Mortgaged Property is subject at the present time to any regulatory refund obligation and, to the best of Mortgagor's knowledge, no facts exist which might cause the same to be imposed.

(d) Condition of Personal or Movable Property. The equipment, inventory, -----

improvements, fixtures, goods and other tangible personal/movable property forming a part of the Property are and will remain (and with respect to Property not operated by Mortgagor, to the best of Mortgagor's knowledge, such equipment, inventory, fixtures, goods and other tangible personal/movable property are and will remain) in good repair and condition and are and will be adequate for the normal operation of the Property in accordance with prudent industry standards; all of such Property is, and will remain, located on the Mortgaged Properties, except for that portion thereof which is or shall be located elsewhere (including that usually located on the Mortgaged Properties but temporarily located elsewhere) in the course of the normal operation of the Property, or which is hereafter sold or otherwise disposed of as permitted under the Credit Agreement.

(e) Operation of Mortgaged Properties. The Mortgaged Properties, and with

respect to Mortgaged Properties not operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Mortgaged Properties, (and properties unitized therewith) are being (and, to the extent the same could adversely affect the ownership or operation of the Mortgaged Properties after the date hereof, have in the past been), and hereafter will be, maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws and all rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas and/or other mineral leases and other contracts and agreements forming a part of the Property and in conformity with the Permitted Encumbrances; specifically in this connection, (i) no Mortgaged Property is subject to having allowable production after the date hereof reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (ii) none of the wells located on the Mortgaged Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are, and will remain, bottomed under and producing from, with the well bores wholly within, the Mortgaged Properties (or, in the case of wells located on properties unitized therewith, such unitized

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properties). There are no wells listed on Schedule I hereto ("Schedule I Wells") being redrilled, deepened, plugged back or reworked, and no other operations are being conducted for which consent is required under the applicable operating agreement (or which are other than normal operation of existing wells on the Mortgaged Properties); except as otherwise disclosed to Agent in writing, there are no proposals in excess of \$500,000 net to Mortgagor's interest currently outstanding (whether made by Mortgagor or by any other party) to re-drill, deepen, plug back, or rework Schedule I Wells, or to conduct any other operations under the applicable joint operating agreement, or to abandon any Schedule I Wells (nor are there any such proposals which have been approved either by Mortgagor or any other party, with respect to which the operations covered thereby have not been commenced). Except as otherwise disclosed to Agent in writing, there are no dry holes, or otherwise inactive wells, located on the Mortgaged Properties or on lands pooled or unitized therewith (including, without limitation, any wells which would, if located in Texas, require compliance with Railroad Commission Rule 14(b)(2)) that in the aggregate will cost more than \$500,000, net to Mortgagor's interest and net of salvage proceeds, to plug and abandon, except for wells that have been properly plugged and abandoned. Mortgagor has, and will have in the future, all governmental licenses and permits necessary or appropriate to own and operate the Property; Mortgagor has not received notice of any violations in respect of any such licenses or permits.

(f) Sale or Disposal. Mortgagor will not, without the prior written consent

of Agent, sell, exchange, lease, transfer, or otherwise dispose of any part of, or interest in, the Property other than (i) sales, transfers and other dispositions of machinery, equipment and other personal/ movable property and fixtures made in connection with a release, surrender or abandonment of a lease, (ii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures in connection with the abandonment of a well, (iii) sales, transfers and other dispositions of machinery, equipment and other personal/movable property and fixtures which are (A) obsolete for their intended purpose and disposed of in the ordinary course of business or (B) replaced by articles of at least equal suitability and value owned by Mortgagor free and clear of all liens except this Mortgage and the Permitted Encumbrances, (iv) sales of Production which are made in the ordinary course of business and in compliance with Section 2.1(c) hereof; provided that nothing in clause (iv) shall be construed as limiting Agent's rights under Article III of this Mortgage, and (v) sales, transfers and other dispositions of oil and gas leases, but only to the extent such sale, transfer or other disposition is in the ordinary course of business and does not materially and adversely affect the value of the Property in the aggregate. In the event and during the continuation of a default (as hereinafter defined), Mortgagor shall at all times keep the Property and its proceeds separate and distinct from other property of Mortgagor and shall keep accurate and complete records of the Property and its proceeds.

(g) Suits and Claims. Except as otherwise disclosed to Agent in writing,

there are no Suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to the best of Mortgagor's knowledge, threatened) which affect the Properties (including, without limitation, any which challenge or otherwise pertain to Mortgagor's title to the Properties) and no judicial or administrative actions, suits or proceedings pending (or, to the best of Mortgagor's knowledge, threatened) against Mortgagor. Notwithstanding the foregoing, Mortgagor's representation in this Section with respect to pending suits, actions, claims, investigations, inquiries, proceedings or demands which affect Properties which are not operated by Mortgagor, except those pertaining

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to Mortgagor's title to such non-operated Properties, will be limited to the best of Mortgagor's knowledge.

(h) Environmental.

(A) Current Status. The Property (and with respect to Property not

operated by Mortgagor, to the best of Mortgagor's knowledge, such non-operated Property) and Mortgagor are not in material violation of Applicable Environmental Laws (below defined), or subject to any existing, pending or, to the best knowledge of Mortgagor, threatened investigation or inquiry by any governmental authority or any other person under or with respect to Applicable Environmental Laws, or subject to any remedial obligations under Applicable Environmental Laws, and are in compliance with all permits and licenses required under Applicable Environmental Laws, and this representation will continue to be true and correct following disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property and Mortgagor. "Applicable Environmental Laws" shall mean any applicable laws, orders, rules, or regulations (including, without limitation, the common law) pertaining to safety, health or the environment, as such laws, orders, rules or regulations now exist or are hereafter enacted and/or amended. Applicable Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (as amended, hereinafter called "CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984 (as amended, hereinafter called "RCRA") and applicable state and local law). Mortgagor undertook, at the time of acquisition of the Property, all appropriate inquiry into the previous ownership and uses of the Property consistent with good commercial or customary practice. Mortgagor has taken all commercial and reasonable steps necessary to determine and has determined that no hazardous substances or solid wastes have been disposed of or otherwise released at, into, upon or under the Property. The use which Mortgagor makes and intends to make of the Property will not result in the use, treatment, storage or disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property, except such usage, and temporary storage in anticipation of usage, as is in the ordinary course of business and in compliance with Applicable Environmental Laws. The terms "hazardous substance" and "release" as used in this Mortgage shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA; provided, in the event either CERCLA or RCRA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of the states in which the Mortgaged Properties are located establish a meaning for "hazardous substance," "release," "solid waste," or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply. The "Associated Property" (as such term is hereinafter defined) is not in violation of any Applicable Environmental Laws for which Mortgagor or its predecessors in the Property would be responsible. The term "Associated Property" as used in this Mortgage shall mean any and all interests in and to (and or carved out of) the lands which

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are described or referred to in Exhibit A hereto, or which are otherwise described in any of the oil, gas and/or mineral leases or other instruments described in or referred to in such Exhibit A, whether or not such property interests are owned by Mortgagor.

(B) Future Performance. Mortgagor will use its best efforts not to

cause or permit the Property or the Associated Property or Mortgagor to be in material violation of, or do anything or permit anything to be done

which will subject the Property or the Associated Property to any material remedial obligations under, or result in material noncompliance with applicable permits and licenses under, any Applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property or the Associated Property and Mortgagor will promptly notify Agent in writing of any existing, pending or, to the best knowledge of Mortgagor, threatened investigation, claim, suit or inquiry by any governmental authority or any person in connection with any Applicable Environmental Laws, provided that, with respect to Properties not operated by Mortgagor, Mortgagor shall notify Agent of any investigations, claims, suits or inquiries, whether existing, pending, or threatened, of which Mortgagor becomes aware. Mortgagor will take all steps reasonably necessary to determine that no hazardous substances or solid wastes have been disposed of or otherwise released on or to the Property or the Associated Property. Mortgagor will use commercial and reasonable efforts not to cause or permit the disposal or other release of any hazardous substance or solid waste at, into, upon or under the Property or the Associated Property and covenants and agrees to keep or cause the Property and/or the Associated Property to be kept free of any hazardous substance or solid waste (except such use, and temporary storage in anticipation of use, as is required in the ordinary course of business, all while in compliance with Applicable Environmental Laws), and to remove the same (or if removal is prohibited by law, to take whatever action is required by law) promptly upon discovery at its sole expense. Upon Agent's reasonable request, at any time and from time to time during the existence of this Mortgage, Mortgagor will provide at Mortgagor's sole expense an inspection or audit of the Property and the Associated Property from an engineering or consulting firm approved by Agent, indicating the presence or absence of hazardous substances and solid waste on the Property and/or the Associated Property and compliance with Applicable Environmental Laws. In the event of a violation, Mortgagor will diligently work to cure such violation, including remediation, if necessary, and so long as Mortgagor diligently prosecutes efforts to cure the violation, Mortgagor will not be in breach of this provision.

(i) Not Abandon Wells; Participate in Operations. Mortgagor will not,

without prior written consent of Agent, abandon, or consent to the abandonment of, any well producing from the Mortgaged Properties (or properties unitized therewith) so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations which it would be commercially feasible to conduct) of producing oil, gas, or other hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of this Mortgage). In the event and during the continuation of a default, Mortgagor will not, without prior written consent of Agent, elect not to participate in a proposed operation on the Mortgaged Properties where the effect of such election would be the forfeiture either temporarily (i.e. until a certain sum of money is received out of the forfeited interest) or permanently

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of any material interest in the Mortgaged Properties.

(j) Defense of Mortgage. If the validity or priority of this Mortgage or of

any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including, but not limited to, the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and Trustee and Agent, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such additional steps as in their judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests, and all reasonable expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the person receiving such payment.

(k) Fees and Expenses; Indemnity. Mortgagor will pay all reasonable

appraisal fees, recording fees, taxes, brokerage fees and commissions, abstract

and other records search fees, attorneys' fees and expenses and all other reasonable costs and expenses of every character incurred by Mortgagor or Agent or any Lender in connection with the closing of the loan or loans evidenced by the Loan Documents and any and all amendments, supplements or modifications to such loan transaction or transactions. Mortgagor will reimburse Trustee, Agent and each Lender (for purposes of this paragraph, the terms "Trustee", "Agent" and "Lender" shall include the directors, officers, partners, employees and agents of Trustee, Agent or any Lender, respectively, and any persons or entities owned or controlled by or affiliated with Trustee, Agent or any Lender, respectively) for all expenditures, including reasonable attorneys' fees and expenses, incurred or expended in connection with (i) the breach by Mortgagor of any covenant, agreement or condition contained herein or in any other Loan Document, (ii) the exercise of any rights and remedies hereunder or under any other Loan Document, and (iii) the protection of the Property and/or liens and security interests therein. Mortgagor will indemnify and hold harmless Trustee, Agent and each Lender from and against (and will reimburse such indemnified parties for) all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) which may be imposed upon, asserted against or incurred or paid by the Trustee, the Agent or any Lender on account of, in connection with, or arising out of (A) any bodily injury or death or natural resource, human health or property damage occurring in, at, into, under or upon (or, to the extent such injury, death or damage is related to Mortgagor or Mortgagor's ownership or operation of the Property, in the vicinity of) the

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Property through any cause whatsoever, (B) any act performed or omitted to be performed hereunder or the breach of any representation or warranty herein, (C) the exercise of any rights and remedies hereunder or under any other Loan Document, (D) any transaction, act, omission, event or circumstance arising out of or in any way connected with the Property or with this Mortgage or any other Loan Document, (E) any violation on or prior to the Release Date (as hereinafter defined) of any Applicable Environmental Law, (F) any act, omission, event or circumstance existing or occurring on or prior to the Release Date (including without limitation the presence on or under the Property or the Associated Property or release at, into, upon, under or from the Property or the Associated Property of hazardous substances or solid wastes disposed of or otherwise released) resulting from or in connection with the ownership, construction, occupancy, operation, use and/or maintenance of the Property or the Associated Property, regardless of whether the act, omission, event or circumstance constituted a violation of any Applicable Environmental Law at the time of its existence or occurrence, and (G) any and all claims or proceedings (whether brought by private party or governmental agencies) for human health, bodily injury, property damage, abatement or remediation. environmental damage. cleanup. mitigation, removal, natural resource damage or impairment or any other injury or damage resulting from or relating to any hazardous or toxic substance, solid waste or contaminated material located upon or migrating into, from or through the Property or the Associated Property (whether or not the release of such materials was caused by Mortgagor, a tenant or subtenant or a prior owner or tenant or subtenant on the Property or the Associated Property and whether or not the alleged liability is attributable to the use, treatment, handling, storage, generation, transportation, removal or disposal of such substance, waste or material or the mere presence of such substance, waste or material on or under the Property or the Associated Property), which the Trustee and/or the Agent and/or any Lender may have liability with respect to due to the making of the loan or loans evidenced by any Notes, the granting of this Mortgage, the exercise of any rights under the Loan Documents, or otherwise. Agent shall have the right to compromise and adjust any such claims, actions and judgments. and in addition to the rights to be indemnified as herein provided, all amounts paid in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, reasonable attorneys' fees and other expenses of every character expended by Agent, Trustee or any Lender pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to the applicable party or parties. The "Release Date" as used herein shall mean the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full, or (ii) the date on which the lien of this Mortgage is foreclosed or a deed in lieu of such foreclosure is fully effective and recorded. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES, CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party. The foregoing indemnities shall not terminate upon the Release Date or upon the

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release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Agent, Trustee and/or any Lender shall be a demand obligation owing by Mortgagor to the applicable party or parties and shall be subject to and covered by the provisions of Section 2.3 hereof.

(l) Insurance. Mortgagor will keep (and with respect to Property not

operated by Mortgagor, will use its best efforts to keep) such part of the Property which is of an insurable nature and of a character usually insured by persons operating similar properties, insured with companies of recognized responsibility satisfactory to Agent and in such amounts as are acceptable to Agent (and in the absence of specification of such amounts by Agent, in the amount of the full value of such property, less reasonable deductibles not to exceed deductibles customary in the industry for similarly situated businesses and properties), against loss or damage by fire, casualty and from other hazards customarily insured against by persons operating similar properties. Mortgagor shall also provide such other insurance as Agent may from time to time reasonably require; such coverage to be carried with companies of recognized responsibility satisfactory to Agent. All policies evidencing such insurance shall contain clauses providing that the proceeds thereof shall be payable to Agent as its interest may appear and providing that such policies may not be cancelled, reduced or otherwise affected without at least thirty (30) days prior written notice to Agent. Upon request by Agent, Mortgagor shall deliver to Agent the original policies, evidence of payment of premiums, certificates evidencing renewals, and such other information regarding such insurance as Agent may request. In the event of any loss under any insurance policies so carried by Mortgagor, Agent shall have the right (but not the obligation) to make proof of loss and collect the same, and all amounts so received shall be applied toward costs, charges and expenses (including reasonable attorneys' fees), if any, incurred in the collection thereof, then to the payment, in the order determined by Agent in its own discretion, of the secured indebtedness, and any balance remaining shall be subject to the order of Mortgagor. Agent is hereby authorized but not obligated to enforce in its name or in the name of Mortgagor payment of any or all of said policies or settle or compromise any claim in respect thereof, and to collect and make receipts for the proceeds thereof and Agent is hereby appointed Mortgagor's agent and attorney-in-fact to endorse any check or draft payable to Mortgagor in order to collect the proceeds of insurance. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title. Mortgagor shall at all times maintain adequate insurance against its liability on account of damages to persons or property, which insurance shall be carried by companies of recognized responsibility satisfactory to Agent, and shall be for such amounts and insure against such risks as are customary in the industry for similarly situated businesses and properties. Mortgagor shall at all times maintain cost of regaining control of well insurance and similar insurance to the extent customary in the industry in the pertinent area of operations.

(m) Further Assurances. Mortgagor will, on request of Agent, (i) promptly

correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or

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acknowledgment of this Mortgage or any other Loan Document; (ii) execute, acknowledge, deliver and record and/or file such further instruments (including, without limitation, further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; and (iii) execute, acknowledge, deliver, and file and/or record any document or instrument (including specifically any financing statement) desired by Agent to protect the lien or the security interest hereunder against the rights or interests of third persons. Mortgagor shall pay all costs connected with any of the foregoing.

(n) Name and Place of Business and Formation. Except as disclosed in the

Credit Agreement, Mortgagor has not, during the preceding five years, been known by or used any other corporate or partnership, trade or fictitious name. Mortgagor will not cause or permit any change to be made in its name, identity,

state of formation or corporate or partnership structure, or its federal employer identification number unless Mortgagor shall have notified Agent of such change at least thirty (30) days prior to the effective date of such change, and shall have first taken all action required by Agent for the purpose of further perfecting or protecting the liens and security interests in the Property created hereby. Mortgagor's exact name is the name set forth in this Mortgage. Mortgagor's location is as follows:

Mortgagor is a registered organization which is organized under the laws of one of the states comprising the United States (e.g. corporation, limited partnership, registered limited liability partnership or limited liability company). Mortgagor is located (as determined pursuant to the UCC) in the state under the laws which it was organized, as follows:

Name of Mortgagor	State of Organization
Parent	Delaware
Energy	Delaware
Minerals	Colorado
Nance	Montana
Roswell	Texas
Operating	Colorado
NPC	Colorado

Mortgagor's principal place of business and chief executive office, and the place where Mortgagor keeps its books and records concerning the Property (including, particularly, the records with respect to "Production Proceeds", as defined in Section 3.1 hereof, from the Mortgaged Properties) has for the preceding four months, been, and will continue to be (unless Mortgagor notified Agent of any change in writing at least thirty (30) days prior to the

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date of such change), the address set forth opposite the signature of Mortgagor to this Mortgage.

(o) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "Code"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2 Compliance by Operator. As to any part of the Mortgaged Properties which is not a working interest, Mortgagor agrees to take all such commercial and reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor to cause the owner or owners of the working interest in such properties to comply with the covenants and agreements contained herein; and as to any part of the Mortgaged Properties which is a working interest but which is operated by a party other than Mortgagor, Mortgagor agrees to take all such commercial and reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with the covenants and agreements contained herein.

Section 2.3 Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which hereunder Mortgagor is required to perform or take, or to pay any money which hereunder Mortgagor is required to pay, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by Mortgagor to Agent (which obligation Mortgagor hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the person, corporation or body politic receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Agent and/or any Lender pursuant to this Mortgage shall bear interest each day, from the date of such expenditure or payment until paid, at a rate equal to the rate as provided for past due principal under the Notes (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate); all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by

this Mortgage.

ARTICLE III.

Assignment of Production, Accounts and Proceeds

Section 3.1 Assignment of Production. Mortgagor does hereby absolutely and

unconditionally assign, transfer and set over to Agent all Production which accrues to Mortgagor's interest in the Mortgaged Properties, all proceeds of such Production and all Payments in Lieu of Production (herein collectively referred to as the "Production Proceeds"), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor's interest until such time

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as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchasers of the Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2 Effectuating Payment of Production Proceeds to Agent.

Independent of the foregoing provisions and authorities herein granted, Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Agent as Mortgagor's special attorney in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe) in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly inclusive, but not limited to, the right, power and authority to:

(a) Execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) If under any product sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by Agent through any person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All persons dealing with Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect

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until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a demand obligation of Mortgagor and shall be part of the secured indebtedness,

and shall bear interest each day, from the date of such expenditure or payment until paid, at the rate described in Section 2.3 hereof.

Section 3.3 Change of Purchaser. To the extent a default has occurred

hereunder and is continuing, should any person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4 Application of Production Proceeds. So long as no default has

occurred hereunder, the Production Proceeds received by Agent during each calendar month shall on the first business day of the next succeeding calendar month (or, at the option of Agent, on any earlier date) be applied by Agent as follows:

FIRST, to the payment of all secured indebtedness then due and

payable, in such manner and order as Agent deems advisable;

SECOND, to the prepayment of the remainder of the secured indebtedness

in such manner and order and to such extent as Agent deems advisable; and

THIRD, the remainder, if any, of the Production Proceeds shall be paid

over to Mortgagor or to Mortgagor's order or to such other parties as may be entitled thereto by law.

After a default hereunder has occurred, all Production Proceeds from time to time in the hands of Agent shall be applied by it toward the payment of all secured indebtedness (principal, interest, attorneys' fees and other fees and expenses) at such times and in such manner and order and to such extent as Agent deems advisable.

Section 3.5 Release From Liability; Indemnification. Agent and its

successors and assigns are hereby released and absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. Mortgagor agrees to indemnify and hold harmless Agent (for purposes of this paragraph, the term "Agent" shall include the directors, officers, partners, employees and agents of Agent and any persons or entities owned or controlled by or affiliated with Agent) from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by Agent by reason of the assertion that Agent received, either before or after payment in full of the secured indebtedness, funds from the production of oil, gas, other hydrocarbons or other minerals claimed by third

persons (and/or funds attributable to sales of production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Agent shall have the right to defend against any such claims or actions, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to it, Agent shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by Agent in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, reasonable attorneys' fees and other expenses of every character expended by Agent pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date expended until paid, at the rate described in Section 2.3 hereof. The foregoing indemnities shall not terminate upon the Release Date or upon the release, foreclosure or other termination of this Mortgage but will survive the Release Date, foreclosure of this Mortgage or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply

to any particular indemnified party (but shall apply to the other indemnified parties) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular indemnified party.

Section 3.6 Mortgagor's Absolute Obligation to Pay Notes. Nothing herein

contained shall detract from or limit the obligations of Mortgagor to make prompt payment of the Notes, and any and all other secured indebtedness, at the time and in the manner provided herein and in the Loan Documents, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights under the Loan Documents.

Section 3.7 Rights Under Oklahoma Oil and Gas Owners' Lien Act. Mortgagor

hereby grants, sells, assigns and sets over unto Agent during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of the Oil and Gas Owners' Lien Act (OKLA. STAT. tit. 52, ss.ss. 548.1-548.6 (the "Oklahoma Act")), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the Oklahoma Act.

Section 3.8 Rights Under New Mexico Act. Mortgagor hereby grants, sells,

assigns and sets over unto Agent, during the term hereof, all of Mortgagor's rights and interests pursuant to the provisions of Sections 48-9-1, et seq.,

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N.M.S.A. 1978 Comp. (the "New Mexico Act"), hereby vesting in Agent all of Mortgagor's rights as an interest owner to the continuing security interest in and lien upon the oil or gas severed or the proceeds of sale. Agent may, at its option, file the verified notice of lien in order to perfect such lien, but shall not be obligated to make such filing and shall not be held liable to Mortgagor for any act or omission pursuant to the New Mexico Act.

Section 3.9 Rights Under Wyoming Statutes. Mortgagor hereby appoints Agent

as its attorney-in-fact to pursue any and all lien rights of the Mortgagor to liens and security interests in the Mortgaged Properties securing payment of Production Proceeds attributable to the Mortgaged Properties, including, without limitation, those liens and security interests provided for by Section 34.1-9-3 19, Wyoming Statutes Annotated, 1988 Republished Edition (June 1991), as amended or recodified. Mortgagor further assigns to Agent any and all such liens, security interests, financing statements, or similar interests of Mortgagor attributable to its interests in the Mortgaged Properties or Production Proceeds therefrom arising under or created by statutory provision, judicial decision, or otherwise.

ARTICLE IV.

Remedies Upon Default

Section 4.1 Default. The term "default" as used in this Mortgage shall mean

the occurrence of any of the following events:

(a) the occurrence of an "Event of Default" as defined in the Credit Agreement; or

(b) the failure of Mortgagor to make due and punctual payment of any Note or of any other secured indebtedness or of any installment of principal thereof or interest thereon, or any part thereof, as the same shall become due and payable (taking into account any applicable grace period, if any, provided in the Loan Documents), whether at a date for payment of a fixed installment or contingent or other payment, or as a result of acceleration, or otherwise; or

(c) the failure of Mortgagor to pay over to Agent any Production Proceeds which are receivable by Agent under this Mortgage but which are paid to Mortgagor rather than Agent (either as provided for in Section 3.2 hereof or otherwise), except Production Proceeds paid over to Mortgagor by Agent under clause THIRD of Section 3.4; or

(d) the failure of Mortgagor timely and properly to observe, keep or perform any covenant, agreement, warranty or condition herein or in any other Loan Document required to be observed, kept or performed, if such failure is not remedied within the applicable grace period provided for in such Loan Document or, if such Loan Document does not provide for such a grace period, within 30

days after written notice and demand by Agent for the performance of such covenant, agreement, warranty or condition; or

(e) any representation contained herein (or in any certificate delivered by Mortgagor in connection herewith) or contained in any other Loan Document, or otherwise heretofore or hereafter made by or on behalf of Mortgagor, shall prove to have been false or misleading in any material respect on the date made (or on the date as of which made); or

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(f) the occurrence of a "default" or "event of default" under any Loan Document other than this Mortgage, which default is not cured within the applicable grace period (if any) provided for in such other Loan Document; or

(g) Mortgagor suffers the entry against it of a judgment, decree or order for relief by a court of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar law of any jurisdiction now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or has such a proceeding commenced against it which remains undismissed for a period of 30 days; or

(h) Mortgagor commences a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect, including the United States Bankruptcy Code, as from time to time amended, or applies for or consents to the entry of an order for relief in an involuntary case under any such law; or Mortgagor makes a general assignment for the benefit of creditors or fails to pay (or admits in writing its inability to pay) its debts as such debts become due; or Mortgagor takes corporate or other action in furtherance of any of the foregoing; or

(i) Mortgagor suffers the appointment of or taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets or for any part of the Property in a proceeding brought against or initiated by it and (1) such appointment or taking is neither made ineffective nor discharged within 30 days after the making of such appointment or within 30 days after such taking, or (2) such appointment or taking is consented to, requested by, or acquiesced to by Mortgagor; or

(j) Mortgagor suffers a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial part of its assets or any part of the Property, and such writ or warrant of attachment or any similar process is not stayed or released within 30 days after the entry or levy thereof or after any stay is vacated or set aside; or

(k) Any of the events referred to above in subsections (g), (h), (i) or (j) shall occur with respect to any guarantor of the secured indebtedness and shall not be remedied within the applicable grace period (if any) set forth in such subsections.

Section 4.2 Acceleration of Secured Indebtedness. Upon the occurrence of a

default described in subsection (g), (h), (i) or (j) of Section 4.1 above, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect. During the continuance of any other default, Agent at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, putting the Mortgagor in default, dishonor, notice of dishonor or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor,

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and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect.

Section 4.3 Pre-Foreclosure Remedies. Upon the occurrence of a default, or

any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, and following any period to attempt to cure such default, if any, provided in the Credit Agreement, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor

has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor, including, without limitation, summary proceeding or restraining order, Mortgagor agrees to peacefully surrender possession of the Property upon default. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the rate described in Section 2.3 hereof, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT (INCLUDING AGENT'S OWN NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF AGENT, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Encumbrance or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3.

Section 4.4 Foreclosure.

(a) Upon the occurrence of a default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Deed of Trust Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to any portion of the Deed of Trust Mortgaged Properties located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Deed of Trust Mortgaged Properties shall be conducted at the courthouse of

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any county (whether or not the counties in which such Deed of Trust Mortgaged Properties are located are contiguous) in the State of Texas in which any part of such Deed of Trust Mortgaged Properties is situated or which lies shoreward of any Deed of Trust Mortgaged Property (i.e., to the extent a particular Deed of Trust Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY

ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING

TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS

MORTGAGE.

(b) Upon the occurrence of a default, this Mortgage may be foreclosed as to the Other Mortgaged Properties, or any part thereof, in any manner permitted by applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) As to Other Mortgaged Properties located in the State of Louisiana (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), Agent may foreclose this Mortgage by executory process, or any other process, subject to, and on the terms and conditions required or permitted by, applicable law, and shall have the right to appoint a keeper of such Other Mortgaged Properties.

(ii) As to Other Mortgaged Properties located in the State of Oklahoma, Mortgagor hereby confers on Agent the power to sell the Mortgaged Properties in accordance with the Oklahoma Power of Sale Mortgage

Foreclosure Act (OKLA. STAT. tit. 46, ss.ss. 41-49), as the same maybe amended from time to time. Mortgagor hereby represents and warrants that this Mortgage transaction does not involve a consumer loan as said term is defined in Section 3-104 of Title 14A of the Oklahoma Statutes, that this Mortgage does not secure an extension of credit made primarily for agricultural purposes as defined in paragraph 4 of Section 1-301 of Title 14A of the Oklahoma Statutes, and that this Mortgage is not a mortgage on the Mortgagor's homestead.

(iii) As to Other Mortgaged Properties located in the State of New Mexico, Lender may, at its election, proceed by suit or suits, at law or in equity, to enforce the payment of the secured indebtedness in accordance with the terms hereof and of the Notes or other instruments evidencing it, to foreclose the lien and security interest of this Mortgage against all or any portion of the Other Mortgaged Properties, and to have said properties sold under the judgment or decree of a court of competent jurisdiction pursuant to Section 39-5-19 NMSA 1978, as that statutory provision may be amended or recodified.

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A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER

OF SALE MAY ALLOW AGENT TO TAKE THE MORTGAGED PROPERTIES AND SELL

THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT

BY MORTGAGOR UNDER THIS MORTGAGE.

(c) Upon the occurrence of a default, Agent may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended, the Louisiana Commercial Laws, as amended, the Uniform Commercial Code of the State of Oklahoma, as amended, the Uniform Commercial Code of the State of New Mexico, or under the Uniform Commercial Code or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) To the extent permitted by law, Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at a place Agent designates which is mutually convenient to allow Agent to take possession or dispose of the Collateral; and

(iii) Written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) as to the Collateral located in or otherwise subject to the laws of the State of Louisiana, Agent may foreclose this Mortgage as a security agreement affecting the Collateral by executory process, or any other process, subject to, and on the terms and conditions required or permitted by applicable law, and shall have the right to appoint a keeper of such Collateral.

(d) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of

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such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such

sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded. Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. Notwithstanding any reference herein to the Notes or the Credit Agreement or any other Loan Document, all persons dealing with the Mortgaged Properties shall be entitled to rely on any document, or certificate, of the Agent as to the occurrence of an event, such as an Event of Default, and shall not be charged with or forced to review any provision of any other document to determine the accuracy thereof. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

(e) As to Property now or hereafter located in, or otherwise subject to the laws of, the State of Louisiana, Mortgagor acknowledges the secured indebtedness, whether now existing or to arise hereafter, and for Mortgagor, Mortgagor's heirs, devisees, personal representatives, successors and assigns, hereby confesses judgment for the full amount of the secured indebtedness in favor of the Lender. Mortgagor further agrees that the Agent may cause all or any part of the Property to be seized and sold after due process of law, the Mortgagor waiving the benefit of all laws or parts of laws relative to the appraisal of property seized and sold under executory process or other legal process, and consenting that all or any part of the Property may be sold without appraisal, either in its entirety or in lots and parcels, as the Agent may determine, to the highest bidder for cash or on such terms as the plaintiff in such proceedings may direct. Mortgagor hereby waives (i) the benefit of appraisal provided for in articles 2332, 2336, 2723, and 2724 of the Louisiana Code of Civil Procedure and all other laws conferring the same; (ii) the demand and three (3) days notice of demand as provided in articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure provided for in articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three (3) days delay provided for in articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (v) all other laws providing rights of

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notice, demand, appraisal, or delay. Mortgagor expressly authorizes and agrees that Agent shall have the right to appoint a keeper of such Property pursuant to the terms and provisions of La. R.S. 9:5131 et seq. and La. R.S. 9:5136 et seq., which keeper may be the Agent, any agent or employee thereof, or any other person, firm, or corporation. Compensation for the services of the keeper is hereby fixed at five percent (5%) of the amount due or sued for or claimed or sought to be protected, preserved, or enforced in the proceeding for the recognition or enforcement of this Mortgage and shall be secured by the liens and security interests of this Mortgage.

Section 4.5 Effective as Mortgage. As to the Deed of Trust Mortgaged

Properties, this instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of a default may be foreclosed as to the Deed of Trust Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Deed of Trust Mortgaged Properties to Agent. In the event a foreclosure hereunder as to the Deed of Trust Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the entry of a final

judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Deed of Trust Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6 Receiver. In addition to all other remedies herein provided

for, Mortgagor agrees that, upon the occurrence of a default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute a default hereunder, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Agent or any Lender of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest, from the date of making such advancement by Agent until paid, at the rate described in Section 2.3 hereof.

Section 4.7 Proceeds of Foreclosure. The proceeds of any sale held in

foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to

such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit or any judicial

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proceeding and including but not limited to a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a) and including but not limited to the compensation of the keeper, if any;

SECOND, to the payment of the secured indebtedness (including

specifically without limitation the principal, interest and attorneys' fees due and unpaid on the Notes and the amounts due and unpaid and owed under this Mortgage) in such manner and order as Agent may elect; and

THIRD, the remainder, if any there shall be, shall be paid to

Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other persons as may be entitled thereto by law.

Section 4.8 Lender as Purchaser. Any Lender shall have the right to become

the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any Lender purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Lender, or if such Lender holds less than all of such indebtedness, the pro rata part thereof owing to such Lender, accounting to all other Lenders not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Lender or Lenders.

Section 4.9 Foreclosure as to Matured Debt. Upon the occurrence of a

default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied as provided in clause SECOND AND THIRD of Section 3.4 hereof. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10 Remedies Cumulative. All remedies herein provided for are

cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11 Discretion as to Security. Agent may resort to any security

given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in

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such portions and in such order as may seem best to Agent in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests evidenced by this Mortgage.

Section 4.12 Mortgagor's Waiver of Certain Rights. To the full extent

Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisalment, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisalment, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13 Mortgagor as Tenant Post-Foreclosure. In the event there is a

foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 4.14 Waiver of Oklahoma Appraisalment. As to Property situated in or

otherwise subject to the laws of the State of Oklahoma, appraisalment of the Property is hereby waived (or not) at the option of Agent, such option to be exercised at the time judgment is rendered in any foreclosure hereof or at any time prior thereto.

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Section 4.15 Limitation on New Mexico Redemption Period. Pursuant to

Section 39-5-19 of New Mexico Statutes, 1978 Annotated, the redemption period after foreclosure sale for any Property situated in or otherwise subject to the laws of the State of New Mexico shall be limited to one (1) month,

ARTICLE V.

Miscellaneous

Section 5.1 Scope of Mortgage. This Mortgage is a deed of trust and mortgage of both real/immovable and personal/movable property, a security agreement, a financing statement and an assignment, and also covers proceeds and fixtures.

Section 5.2 Effective as a Financing Statement. This Mortgage, among other things, covers goods which are or are to become fixtures related to the real property described herein, and covers as-extracted collateral related to the real property described herein. This Mortgage shall be effective as a financing statement (i) filed as a fixture filing with respect to all fixtures included within the Property, (ii) covering as-extracted collateral with respect to all as-extracted collateral included within the Property (including, without limitation, all oil, gas, other minerals and other substances of value which may be extracted from the earth and all accounts arising out of the sale at the wellhead or minehead thereof), and (iii) covering all other Property. This Mortgage is to be filed for record in the real/immovable property records of each county or parish where any part of the Mortgaged Properties is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a Mortgaged Property lies offshore within the projected seaward extension of the relevant county or parish boundaries), and may also be filed in the offices of the Bureau of Land Management, the Minerals Management Service, the General Land Office or any relevant federal, state, local or tribal agency (or any successor agencies). The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage. Nothing contained in this paragraph shall be construed to limit the scope of this Mortgage nor its effectiveness as a financing statement covering any type of Property.

Section 5.3 Reproduction of Mortgage as Financing Statement; Authorization to File. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any purpose. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file, in any filing or recording office, one or more financing statements and any renewal or continuation statements thereof, describing the Property, including, without limitation, a financing statement covering "all assets of Mortgagor, all proceeds therefrom and all rights and privileges with respect thereto."

Section 5.4 Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, Agent may, at any time after a default has occurred that is continuing, notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

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Section 5.5 Waivers. Agent may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.6 No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.7 Acts Not Constituting Waiver. Any default may be waived without

waiving any other prior or subsequent default. Any default may be remedied without waiving the default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time, No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to nor demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 5.8 Mortgagor's Successors. In the event the ownership of the

Property or any part thereof becomes vested in a person other than Mortgagor, then, without notice to Mortgagor, such successor or successors in interest may be dealt with, with reference to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the indebtedness or performance of the obligations secured

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hereby or the liability of any other person hereunder or for the payment of the indebtedness secured hereby.

Section 5.9 Place of Payment. All secured indebtedness which may be owing

hereunder at any time by Mortgagor shall be payable at the place designated in the Credit Agreement (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place as Agent may designate in writing.

Section 5.10 Subrogation to Existing Liens. To the extent that proceeds of

the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the party or parties advancing the same shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.11 Application of Payments to Certain Indebtedness. If any part

of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.12 Compliance With Usury Laws. It is the intent of Mortgagor,

Lender and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein or in the other Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 5.13 Substitute Trustee. The Trustee may resign by an instrument in

writing addressed to Agent, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and

empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall also have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this section, Such appointment and designation by Agent shall be full evidence of the right and authority to make

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the same and of all facts therein recited. If Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Deed of Trust Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee; but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Deed of Trust Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.14 No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR

ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.15 Release of Mortgage. If all of the secured indebtedness be

paid as the same becomes due and payable, all other requirements of the Credit Agreement are satisfied and all of the covenants, warranties, undertakings and agreements made in this Mortgage are kept and performed, and if neither the Mortgagor nor any Lender is bound to the other or to any third person to permit any obligation or secured indebtedness to be incurred then or thereafter, then, upon sixty (60) days prior written notice (or such lesser number of days as may be mandated by applicable law), the Mortgagor may request that this Mortgage be

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terminated. Upon such termination the Mortgagor may further request that a written act of release of this Mortgage be provided (except this Mortgage shall be reinstated to the extent expressly provided herein, and will continue with respect to indemnification and other rights which are to continue following the release hereof). Agent agrees to deliver such an act of release (subject to the foregoing limitation), all at the cost and expense of the Mortgagor, within thirty (30) days (or such lesser number of days as may be mandated by applicable law) of receiving such request unless Agent in good faith, has cause to believe

that Mortgagor is not entitled to a termination of this Mortgage. Notwithstanding the foregoing, it is understood and agreed that certain indemnifications, and other rights, which are provided herein to continue following the release hereof, shall continue in effect notwithstanding such release; and provided that if any payment to Lender, or Agent, is held to constitute a preference or a voidable transfer under applicable state or federal laws or if for any other reason Lender, or Agent, is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

Section 5.16 Notices. All notices, requests, consents, demands and other

communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered by personal delivery, by telecopy, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, at the addresses specified at the end of this Mortgage (unless changed by similar notice in writing given by the particular party whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery at the address and in the manner provided herein, (b) in the case of telecopy, upon receipt, and (c) in the case of registered or certified United States mail, three days after deposit in the mail. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Lender or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.17 Invalidation of Certain Provisions. A determination that any

provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 5.18 Gender; Titles. Within this Mortgage, words of any gender

shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions.

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Section 5.19 Recording. Mortgagor will cause this Mortgage and all

amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Trustee or Agent shall reasonably request and will pay all such recording, filing, re-recording and refiling taxes, fees and other charges.

Section 5.20 Reporting Compliance. Mortgagor agrees to comply with any and

all reporting requirements applicable to the transaction evidenced by the Notes and secured by this Mortgage which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, and further agrees upon request of Agent to furnish Agent with evidence of such compliance.

Section 5.21 Certain Consents. Except where otherwise expressly provided

herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Lender is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party, and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 5.22 Certain Obligations of Mortgagor. Without limiting Mortgagor's

obligations hereunder, Mortgagor's liability hereunder and the indebtedness secured hereby shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar

proceeding.

Section 5.23 Authority of Agent. The persons constituting Lender may, by,

agreement among them, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such persons and recorded in the same counties and parishes as this Mortgage is recorded, (i) all persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Lenders, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any persons constituting Lender and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Section 5.24 Counterparts. This Mortgage may be executed in several

counterparts, all of which are identical, except that, (a) to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A shall be included in such counterparts by reference only and (b) Schedule I is attached only to the master counterparts hereof being retained by Mortgagor and

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Agent, (c) only those counterparts hereof being retained by Agent and Mortgagor or otherwise containing counterpart descriptions of Mortgaged Properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the State of Louisiana will have Annex I attached thereto, Annex I is included in all other counterparts by reference only, and (d) the execution of this Mortgage by Mortgagor may not be witnessed on those counterparts hereof containing descriptions of Mortgaged Properties located in states where witnesses are not required and/or encouraged by applicable law. All of such counterparts together shall constitute one and the same instrument.

Section 5.25 Multiple Parties Constituting Mortgagor. Unless the context

clearly indicates otherwise, as used in this Mortgage, "Mortgagor" means the Mortgagors named in Section 1.1 hereof or any of them. The obligations of Mortgagor hereunder shall be joint and several.

Section 5.26 Successors and Assigns. The terms, provisions, covenants,

representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and each person constituting Lender and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lenders (including the respective successors and assigns of each person constituting Lender named herein) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Agent, Trustee or Lenders shall be deemed to include all such successors and assigns.

Section 5.27 FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS

REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY

EVIDENCE OF PRIOR. CONTEMPORANEOUS. OR SUBSEQUENT ORAL AGREEMENTS OF THE

PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.28 CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF

LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF LENDER, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE LENDER GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS

Section 5.29 Reliance on Certificate or Statement of Agent. All third parties may rely upon a certificate or statement of the Agent as to the occurrence of any act or event, including, but not limited to, the occurrence of a default hereunder, or the occurrence of an Event of Default under the Credit Agreement.

Section 5.30 Appearance. Resolutions, For purposes of Louisiana law, including but not limited to the availability of executory process, Mortgagor has appeared on this date before the undersigned Notary Public and witnesses in order to execute this Mortgage. Mortgagor attaches, as Annex I, to counterparts hereof being recorded in Louisiana certified resolutions of its Board of Directors authorizing the execution and delivery of this Mortgage.

Section 5.31 Paraph. Mortgagor acknowledges that no promissory note or other instrument has been presented to the undersigned Notary Public to be paraphed for identification herewith.

Section 5.32 Acceptance by Agent. In accordance with the provisions of Louisiana Civil Code article 3289, Agent has accepted the benefits of the Mortgage without the necessity of execution by Agent.

[Signatures Begin on Next Page]

THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES:
/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

ST. MARY LAND & EXPLORATION
COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Parent are:
1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 41-05 18430

The address of Agent is:
201 South College Street
8th Floor NC 0680
Charlotte, NC 28288

The addresses of Trustees are:
Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah
3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:
Craig W. Murray
Vinson & Elkins L.L.P.

1001 Fannin, Suite 2300
Houston, TX 77002

STATE OF COLORADO ss.

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COUNTY OF DENVER ss.
ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.
/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2003

[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY ENERGY COMPANY
/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this, day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: NANCE PETROLEUM CORPORATION
/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 8 1-0309883

STATE OF COLORADO ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: ST. MARY MINERALS INC.
/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Vice President - Finance

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-12003 18

STATE OF COLORADO

ss.

ss.

COUNTY OF DENVER

ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA

The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the corporation specified following such person's name, on behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

- - - - -

[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES:

ROSWELL, L.L.C.

/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: St. Mary Land & Exploration
Company, as Member

/s/ KAREN M. POLLY

By: /s/ MILAM RANDOLPH PHARO

Name: Karen M. Polly

Milam Randolph Pharo
Vice President - Land & Legal

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 74-2788509

STATE OF COLORADO

ss.

ss.

COUNTY OF DENVER

ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

MONTANA, NEW MEXICO, NORTH DAKOTA, OKLAHOMA, TEXAS, UTAH, WYOMING and LOUISIANA The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of St. Mary Land & Exploration Company acting in its capacity as member of the limited liability company specified following such person's name, on behalf of said corporation acting in its capacity as member of the limited liability company, and on behalf of said limited liability and company.

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On this date before me, the undersigned authority personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson (printed name)

My commission expires: February 14, 2005

[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES:

ST. MARY OPERATING COMPANY

/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo Vice President - Land & Legal

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer I.D. No. 84-0723492

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before me on this
MEXICO, NORTH day, by such person, the above designated officer of the
DAKOTA corporation specified following such person's name, on
OKLAHOMA, TEXAS, behalf of said corporation.

UTAH, WYOMING and On this date before me, the undersigned authority,
LOUISIANA personally came and appeared such person, to me personally
 known and known by me to be the person whose genuine
 signature is affixed to the foregoing document as the above
 designated officer of the corporation specified following
 such person's name, who signed said document before me in
 the presence of the two witnesses, whose names are thereto
 subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

 /s/ JAMES C. ROBERTSON

 NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

- -----
[SEAL]

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THUS DONE AND PASSED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003, in my presence and in the presence of the undersigned competent witnesses who hereunto sign their names with Mortgagor and me, Notary, after reading of the whole.

WITNESSES: NPC INC.
/s/ BRANDY A. BROOKS

Name: Brandy A. Brooks

By: /s/ ROBERT T. HANLEY

 Robert T. Hanley
 Vice President and Treasurer

/s/ KAREN M. POLLY

Name: Karen M. Polly

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC

The address and tax identification number of Operating are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer I.D. No. 11-3668557

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of NPC Inc., a Colorado corporation. known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, NEW The foregoing instrument was acknowledged before me on this
MEXICO, NORTH day, by such person, the above designated officer of the
DAKOTA corporation specified following such person's name, on
OKLAHOMA, TEXAS, behalf of said corporation.

UTAH, WYOMING and
LOUISIANA On this date before me, the undersigned authority,
 personally came and appeared such person, to me personally
 known and known by me to be the person whose genuine
 signature is affixed to the foregoing document as the above
 designated officer of the corporation specified following
 such person's name, who signed said document before me in
 the presence of the two witnesses, whose names are thereto
 subscribed as such, being competent witnesses, and who

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acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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FIRST SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE,
 LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT,
 FIXTURE FILING AND FINANCING STATEMENT

THIS FIRST SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Supplement") is entered into as of the effective time and date hereinafter stated (the "Effective Date") by ST. MARY LAND & EXPLORATION COMPANY ("Parent"), a Delaware corporation (Taxpayer I.D. No. 41-0518430); ST. MARY ENERGY COMPANY ("Energy"), a Delaware corporation (Taxpayer I.D. No. 76-0554924); NANCE PETROLEUM CORPORATION ("Nance"), a Montana corporation (Taxpayer I.D. No. 81-0309883); ST. MARY MINERALS INC. ("Minerals"), a Colorado corporation (Taxpayer I.D. No. 84-1200318); ROSWELL, L.L.C. ("Roswell"), a Texas limited liability company (Taxpayer I.D. No. 74-2788509); ST. MARY OPERATING COMPANY ("Operating"), a Colorado corporation (Taxpayer I.D. No. 84-0723492) and NPC Inc. ("NPC"), a Colorado corporation (Parent, Energy, Nance, Minerals, Roswell, Operating and NPC being herein individually and collectively called "Mortgagor"); to Jay Chernosky, as Trustee with respect to Property located in the State of Texas, whose address for notice is 1001 Fannin Street, Suite 2255, Houston, Texas 77002, and First American Title Company of Utah, as Trustee for Property located in the State of Utah, whose address for notice is 3300 East 400 South, Salt Lake City, Utah 84111, in both cases for the benefit of WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Agent") for the lenders (collectively, the "Lenders") party to the hereinafter defined Credit Agreement.

RECITALS

A. Parent, the Agent and the Lenders entered into that certain Credit Agreement dated as of January 27, 2003, by and among Parent, the Agent, and each of the Lenders (together with all amendments or modifications thereof and supplements thereto the "Credit Agreement").

B. The indebtedness of the Parent under or in connection with the Credit Agreement is secured by, among other things, that certain Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated January 27, 2003, from Mortgagor to Agent (together with all supplements and amendments thereto, the "Mortgage").

C. The Mortgage was duly recorded as set forth on Annex I attached hereto and made a part hereof for all purposes.

D. Mortgagor hereby desires to supplement and amend the Mortgage by adding to the Mortgaged Property described therein and covered thereby all rights, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to the properties described on Exhibit A-1 attached hereto and made a part hereof for all purposes.

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NOW, THEREFORE, for good and valuable consideration in hand paid by Mortgagor to Agent and in consideration of the debts and trusts hereinafter mentioned, the receipt and sufficiency of all of which is hereby acknowledged, Mortgagor and Agent do hereby agree as follows:

ARTICLE I
 Grant and Mortgage

Section 1.1 Mortgagor, for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness referred to in the Mortgage, as supplemented and amended hereby, and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor described in the Mortgage, as supplemented and amended hereby, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to Jay Chernosky, as Trustee ("Trustee"), and grant to Trustee a POWER OF SALE (pursuant to the Mortgage, as supplemented and amended hereby, and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the State of Utah and to which the laws of any such state are applicable with respect to the Mortgage, as supplemented and amended hereby, and/or the liens or security interests created hereby (the "Additional Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to Agent, and grant to Agent a POWER OF SALE (pursuant to the Mortgage, as supplemented and amended hereby, and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above (including, without limitation, those of the following described properties, rights and interests which are located in (or cover properties located in) the States of Montana, North Dakota or Wyoming and to which the laws of any such state are applicable with respect to the Mortgage, as supplemented and amended hereby, and/or the liens or security

interests created hereby) (the "Additional Other Mortgaged Properties"):

A. The oil, gas and/or other mineral properties, mineral servitudes, and/or mineral rights which are described in Exhibit A-1 attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in and to (i) the oil, gas and/or mineral leases or other agreements described in Exhibit A-1 hereto, (ii) the lands described or referred to in Exhibit A-1 (or described in any of the instruments described or referred to in Exhibit A-1), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A-1 hereto or in any of the leases or other agreements described in Exhibit A-1 hereto and (iii) any other lands (including submerged lands) located anywhere in the United States of America;

C. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or

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other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A-1 hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Additional Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Additional Other Mortgaged Properties unto Agent, and Agent's successors and assigns, upon the terms, provisions and conditions herein set forth (the Additional Deed of Trust Mortgaged Properties and the Additional Other Mortgaged Properties are herein sometimes collectively called the "Additional Mortgaged Properties").

Section 1.2 Mortgagor hereby confirms that it has heretofore granted, bargained, sold, conveyed, transferred, assigned, set over, mortgaged, warranted, pledged and hypothecated to the Agent, and granted a security interest to the Agent in, the "Property" (as such term is amended hereby), and Mortgagor hereby further grants, bargains, sells, conveys, transfers, assigns, sets over, mortgages, warrants, pledges and hypothecates to Agent, and grants a security interest to Agent in, the Property, to secure the payment and performance of the "secured indebtedness" (as defined in the Mortgage).

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Section 1.3 Mortgagor hereby confirms that it has heretofore absolutely and

unconditionally assigned, transferred and set over and does hereby absolutely and unconditionally assign, transfer and set over to Agent, its successors and assigns, all of the "Production" (as defined in the Mortgage, as supplemented and amended hereby) which accrues to Mortgagor's interest in the "Mortgaged Properties" (as such term is amended hereby), and all "Production Proceeds" (as defined in the Mortgage, as supplemented and amended hereby), together with the immediate and continuing right to collect and receive all such Production Proceeds.

ARTICLE II
Definitions; References

Section 2.1 All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Mortgage, as supplemented and amended hereby.

Section 2.2 All references in the Mortgage to "this Mortgage" shall mean the Mortgage as supplemented and amended hereby and as the same may from time to time be further amended or supplemented.

Section 2.3 All references in the Mortgage to "Mortgaged Properties" are hereby supplemented and amended to include the Additional Mortgaged Properties as defined and described in this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed and recorded.

Section 2.4 All references in the Mortgage to "Property" are hereby supplemented and amended to include the Additional Mortgaged Properties as defined and described in this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed and recorded.

Section 2.5 All references in the Mortgage to "Schedule I" are hereby amended and supplemented to include the Wells described on Schedule I-A attached to this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed.

Section 2.6 All references in the Mortgage to "Schedule I Wells" are hereby amended and supplemented to include the Wells described on Schedule I-A attached to this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed.

ARTICLE III
Miscellaneous

Section 3.1 The parties hereto hereby acknowledge and agree that except as specifically amended, changed or modified hereby, the Mortgage shall remain in full force and effect in accordance with its terms. None of the rights, titles and interests existing and to exist under the Mortgage are hereby released, diminished or impaired, and Mortgagor hereby reaffirms all covenants, representations and warranties made in the Mortgage.

Section 3.2 This Supplement may be executed in several counterparts, all of which are identical, except that, (a) to facilitate recordation, certain

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counterparts hereof may include only that portion of Exhibit A which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A-I shall be included in such counterparts by reference only and (b) Schedule I-A is attached only to the master counterparts hereof being retained by Mortgagor and Agent.

[SIGNATURES BEGIN NEXT PAGE]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16, 2003.

ST. MARY LAND & EXPLORATION
COMPANY

By: /s/ MILAM RANDOLPH PHARO

The address and tax identification number of Parent are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 41-05 18430

The address of Agent is:
201 South College Street
8th Floor NC 0680
Charlotte, NC 28288

The addresses of Trustees are:
Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah
3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:
Craig W. Murray
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, TX 77002

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STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY ENERGY COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 76-0554924

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as tile above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in tile presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of

April 16th, 2003.

NANCE PETROLEUM CORPORATION

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer ID. No. 8 1-0309883

STATE OF COLORADO ss.
ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16TH day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before mc on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY MINERALS INC.

By: /s/ RICHARD C. NORRIS

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-12003 18

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16TH day of April, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on behalf
 of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ROSWELL, L.L.C.

By: St. Mary Land & Exploration
Company, as Member

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 74-2788509

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of St. Mary
UTAH and WYOMING Land & Exploration Company acting in its capacity as
 member of the limited liability company specified following
 such person's name, on behalf of said corporation acting in
 its capacity as member of the limited liability company, and
 on behalf of said limited liability company.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine

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signature is affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY OPERATING COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-0723492

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledge before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation

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by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16, 2003.

NPC INC.

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 700
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-0723492

STATE OF COLORADO ss.
CITY AND ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of NPC INC., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act

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and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:

February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Administrative Agent

By: /s/ PHILIP J. TRINDER

Name: Philip J. Trinder
Title: Vice President

The address of Agent is:

201 South College Street
8th Floor NC 0680
Charlotte, North Carolina 28288

STATE OF TEXAS ss.
 ss.
COUNTY OF HARRIS ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Philip J. Trinder, the Vice President of Wachovia Bank, National Association, a national banking association, known to me to be such officer, such banking association being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING banking association specified following such person's name,
 on behalf of said banking association.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the banking association specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such

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banking association by authority of its board of directors and as the free act and deed of such banking association and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Houston, Harris County, Texas, on the day and year first above written.

/s/ GLORIA D. SINGLETON

NOTARY PUBLIC, in and for the State of Texas
Gloria D. Singleton

My commission expires: (printed name)
9-12-03

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[SEAL]

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SECOND SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE,
 LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT,
 FIXTURE FILING AND FINANCING STATEMENT

THIS SECOND SUPPLEMENT AND AMENDMENT TO DEED OF TRUST, MORTGAGE, LINE OF CREDIT MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Supplement") is entered into as of the effective time and date hereinafter stated (the "Effective Date") by ST. MARY LAND & EXPLORATION COMPANY ("Parent"), a Delaware corporation (Taxpayer I.D. No. 41-0518430); ST. MARY ENERGY COMPANY ("Energy"), a Delaware corporation (Taxpayer I.D. No. 76-0554924); NANCE PETROLEUM CORPORATION ("Nance"), a Montana corporation (Taxpayer I.D. No. 81-0309883); ST. MARY MINERALS INC. ("Minerals"), a Colorado corporation (Taxpayer I.D. No. 84-1200318); ROSWELL, L.L.C. ("Roswell"), a Texas limited liability company (Taxpayer I.D. No. 74-2788509); ST. MARY OPERATING COMPANY ("Operating"), a Colorado corporation (Taxpayer I.D. No. 84-0723492) and NPC INC. ("NPC"), a Colorado corporation (Parent, Energy, Nance, Minerals, Roswell, Operating and NPC being herein individually and collectively called "Mortgagor"); to Jay Chernosky, as Trustee with respect to Property located in the State of Texas, whose address for notice is 1001 Fannin Street, Suite 2255, Houston, Texas 77002, and First American Title Company of Utah, as Trustee for Property located in the State of Utah, whose address for notice is 3300 East 400 South, Salt Lake City, Utah 84111, in both cases for the benefit of WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent (in such capacity, the "Agent") for the lenders (collectively, the "Lenders") party to the hereinafter defined Credit Agreement.

RECITALS

A. Parent, the Agent and the Lenders entered into that certain Credit Agreement dated as of January 27, 2003, by and among Parent, the Agent, and each of the Lenders (together with all amendments or modifications thereof and supplements thereto the "Credit Agreement").

B. The indebtedness of the Parent under or in connection with the Credit Agreement is secured by, among other things, that certain Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated January 27, 2003, from Mortgagor to Agent (as supplemented and amended as of January 27, 2003, and together with all future supplements and amendments thereto, the "Mortgage").

C. The Mortgage was duly recorded as set forth on Annex I attached hereto and made a part hereof for all purposes.

D. Mortgagor hereby desires to further supplement and amend the Mortgage by adding to the Mortgaged Property described therein and covered thereby all rights, titles, interests and estates now owned or hereafter acquired by Mortgagor in and to the properties described on Exhibit A-1 attached hereto and made a part hereof for all purposes.

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NOW, THEREFORE, for good and valuable consideration in hand paid by Mortgagor to Agent and in consideration of the debts and trusts hereinafter mentioned, the receipt and sufficiency of all of which is hereby acknowledged, Mortgagor and Agent do hereby agree as follows:

ARTICLE I
 Grant and Mortgage

Section 1.1 Mortgagor, for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness referred to in the Mortgage, as supplemented and amended hereby, and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor described in the Mortgage, as supplemented and amended hereby, does hereby (a) GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to Jay Chernosky, as Trustee ("Trustee"), and grant to Trustee a POWER OF SALE (pursuant to the Mortgage, as supplemented and amended hereby, and applicable law) with respect to, those of the following described properties, rights and interests which are located in (or cover properties located in) the State of Utah and to which the laws of any such state are applicable with respect to the Mortgage, as supplemented and amended hereby, and/or the liens or security interests created hereby (the "Additional Deed of Trust Mortgaged Properties"), and (b) MORTGAGE, ASSIGN, WARRANT, PLEDGE AND HYPOTHECATE to Agent, and grant to Agent a POWER OF SALE (pursuant to the Mortgage, as supplemented and amended hereby, and applicable law) with respect to, all of the following described rights, interests and properties which were not granted to Trustee in clause (a) above (including, without limitation, those of the following described properties, rights and interests which are located in (or cover properties located in) the States of Montana, North Dakota or Wyoming and to which the laws of any such state are applicable with respect to the

Mortgage, as supplemented and amended hereby, and/or the liens or security interests created hereby) (the "Additional Other Mortgaged Properties"):

A. The oil, gas and/or other mineral properties, mineral servitudes, and/or mineral rights which are described in Exhibit A-1 attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by operation of law or otherwise) in and to (i) the oil, gas and/or mineral leases or other agreements described in Exhibit A-1 hereto, (ii) the lands described or referred to in Exhibit A-1 (or described in any of the instruments described or referred to in Exhibit A-1), without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A-1 hereto or in any of the leases or other agreements described in Exhibit A-1 hereto and (iii) any other lands (including submerged lands) located anywhere in the United States of America;

C. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all presently existing and hereafter created oil, gas and/or mineral unitization, pooling and/or communitization agreements, declarations and/or orders, and in and to the properties, rights and interests covered and the units created thereby (including, without limitation, units formed under orders, rules, regulations or

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other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clause A or B above;

D. All of Mortgagor's interest in and rights under (whether now owned or hereafter acquired by operation of law or otherwise) all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, processing agreements, transportation agreements, gas balancing agreements, farmout and/or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, and other contracts and/or agreements which cover, affect, or otherwise relate to the properties, rights and interests described in clause A, B or C above or to the operation of such properties, rights and interests or to the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including, but not limited to, those contracts listed in Exhibit A-1 hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's interest (whether now owned or hereafter acquired by operation of law or otherwise) in and to all improvements, fixtures, movable or immovable property and other real and/or personal property (including, without limitation, all wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clause A, B or C above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All rights, estates, powers and privileges appurtenant to the foregoing rights, interests and properties.

TO HAVE AND TO HOLD (a) the Additional Deed of Trust Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth, and (b) the Additional Other Mortgaged Properties unto Agent, and Agent's successors and assigns, upon the terms, provisions and conditions herein set forth (the Additional Deed of Trust Mortgaged Properties and the Additional Other Mortgaged Properties are herein sometimes collectively called the "Additional Mortgaged Properties").

Section 1.2 Mortgagor hereby confirms that it has heretofore granted, bargained, sold, conveyed, transferred, assigned, set over, mortgaged, warranted, pledged and hypothecated to the Agent, and granted a security interest to the Agent in, the "Property" (as such term is amended hereby), and Mortgagor hereby further grants, bargains, sells, conveys, transfers, assigns, sets over, mortgages, warrants, pledges and hypothecates to Agent, and grants a security interest to Agent in, the Property, to secure the payment and performance of the "secured indebtedness" (as defined in the Mortgage).

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Section 1.3 Mortgagor hereby confirms that it has heretofore absolutely and unconditionally assigned, transferred and set over and does hereby absolutely and unconditionally assign, transfer and set over to Agent, its successors and assigns, all of the "Production" (as defined in the Mortgage, as supplemented and amended hereby) which accrues to Mortgagor's interest in the "Mortgaged Properties" (as such term is amended hereby), and all "Production Proceeds" (as defined in the Mortgage, as supplemented and amended hereby), together with the immediate and continuing right to collect and receive all such Production Proceeds.

ARTICLE II
Definitions; References

Section 2.1 All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Mortgage, as supplemented and amended hereby.

Section 2.2 All references in the Mortgage to "this Mortgage" shall mean the Mortgage as supplemented and amended hereby and as the same may from time to time be further amended or supplemented.

Section 2.3 All references in the Mortgage to "Mortgaged Properties" are hereby supplemented and amended to include the Additional Mortgaged Properties as defined and described in this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed and recorded.

Section 2.4 All references in the Mortgage to "Property" are hereby supplemented and amended to include the Additional Mortgaged Properties as defined and described in this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed and recorded.

Section 2.5 All references in the Mortgage to "Schedule I" are hereby amended and supplemented to include the Wells described on Schedule I-A attached to this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed.

Section 2.6 All references in the Mortgage to "Schedule I Wells" are hereby amended and supplemented to include the Wells described on Schedule I-A attached to this Supplement as if reference thereto were fully made in the Mortgage at the time the Mortgage was executed.

ARTICLE III
Miscellaneous

Section 3.1 The parties hereto hereby acknowledge and agree that except as specifically amended, changed or modified hereby, the Mortgage shall remain in full force and effect in accordance with its terms. None of the rights, titles and interests existing and to exist under the Mortgage are hereby released, diminished or impaired, and Mortgagor hereby reaffirms all covenants, representations and warranties made in the Mortgage.

Section 3.2 This Supplement may be executed in several counterparts, all of which are identical, except that, (a) to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A which contains

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descriptions of the properties located in (or otherwise subject to the recording or filing requirements and/or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A-I shall be included in such counterparts by reference only and (b) Schedule I-A is attached only to the master counterparts hereof being retained by Mortgagor and Agent.

[SIGNATURES BEGIN NEXT PAGE]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY LAND & EXPLORATION
COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Parent are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 41-05 18430

The address of Agent is:
201 South College Street
8th Floor NC 0680
Charlotte, NC 28288

The addresses of Trustees are:
Jay Chernosky
1001 Fannin Street, Suite 2255
Houston, Texas 77002

The First American Title Company of Utah
3300 East 400 South
Salt Lake City, Utah 84111

This instrument prepared by:
Craig W. Murray
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, TX 77002

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STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, THERE personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Land & Exploration Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on
 behalf of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
 (printed name)

- - - - -

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April ____, 2003.

ST. MARY ENERGY COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Energy are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 76-0554924

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Energy Company, a Delaware corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH AND WYOMING corporation specified following such person's name, on behalf
 of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as tile above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in tile presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such

corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005
- - - - -

[SEAL]

EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

NANCE PETROLEUM CORPORATION

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Nance are:

550 North 31st Street, Suite 500
Billings, Montana 59101
(Yellowstone County)
Taxpayer ID. No. 8 1-0309883

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of Nance Petroleum Corporation, a Montana corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on behalf
 of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed

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on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF. I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY MINERALS INC.

By: /s/ RICHARD C. NORRS

Richard C. Norris
Vice President - Finance

The address and tax identification number of Minerals are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-12003 18

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Richard C. Norris, the Vice President - Finance of St. Mary Minerals Inc., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on behalf
 of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and

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for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

My commission expires: James C. Robertson
February 14, 2005 (printed name)

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ROSWELL, L.L.C.

By: St. Mary Land & Exploration
Company, as Member

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo
Vice President - Land & Legal

The address and tax identification number of Roswell are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 74-2788509

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St Mary Land & Exploration Company, a Delaware corporation, in its capacity as a member of Roswell, L.L.C., a Texas limited liability company, known to me to be such officer of such corporation, such corporation acting in its capacity as member and on behalf of such limited liability company, and such limited liability company being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of St. Mary
UTAH and WYOMING Land & Exploration Company acting in its capacity as
 member of the limited liability company specified following
 such person's name, on behalf of said corporation acting in
 its capacity as member of the limited liability company, and
 on behalf of said limited liability company.

On this date before me, the undersigned authority. personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is

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affixed to the foregoing document as the above designated officer of the above mentioned corporation acting in its capacity as member of the limited liability company specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation acting in its capacity as member of such limited liability company, and on behalf of such limited liability company, by authority of its board of directors and by authority of its members, respectively, and as the free act and deed of such corporation, acting in its capacity as member of such limited liability company, and of such limited liability company and for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

ST. MARY OPERATING COMPANY

By: /s/ MILAM RANDOLPH PHARO

Milam Randolph Pharo

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
(Denver County)
Taxpayer ID. No. 84-0723492

STATE OF COLORADO ss.
 ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Milam Randolph Pharo, the Vice President - Land & Legal of St. Mary Operating Company, a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on behalf
 of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and

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for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

 /s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16, 2003.

NPC INC.

By: /s/ ROBERT T. HANLEY

Robert T. Hanley
Vice President and Treasurer

The address and tax identification number of Operating are:

1776 Lincoln Street, Suite 700
Denver, Colorado 80203

(Denver County)
Taxpayer ID. No. 84-0723492

STATE OF COLORADO ss.
CITY AND ss.
COUNTY OF DENVER ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Robert T. Hanley, the Vice President and Treasurer of NPC INC., a Colorado corporation, known to me to be such officer, such corporation being a party to the foregoing instrument.

MONTANA, The foregoing instrument was acknowledged before me on this
NORTH DAKOTA, day, by such person, the above designated officer of the
UTAH and WYOMING corporation specified following such person's name, on behalf
of said corporation.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the corporation specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such corporation by authority of its board of directors and as the free act and deed of such corporation and

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for the uses and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Denver, Denver County, Colorado, on the day and year first above written.

/s/ JAMES C. ROBERTSON

NOTARY PUBLIC, in and for the State of Colorado

James C. Robertson
(printed name)

My commission expires:
February 14, 2005

[SEAL]

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EXECUTED this 16th day of April, 2003, to be effective, however, as of April 16th, 2003.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Administrative Agent

By: /s/ PHILIP J. TRINDER

Name: Philip J. Trinder
Title: Vice President

The address of Agent is:

201 South College Street
8th Floor NC 0680
Charlotte, North Carolina 28288

STATE OF TEXAS ss.
ss.
COUNTY OF HARRIS ss.

BE IT REMEMBERED THAT I, the undersigned authority, a notary public duly qualified, commissioned, sworn and acting in and for the county and state aforesaid, and being authorized in such county and state to take acknowledgments, hereby certify that, on this 16th day of April, 2003, there personally appeared before me: Philip J. Trinder, the Vice President of Wachovia Bank, National Association, a national banking association, known to me to be such officer, such banking association being a party to the foregoing instrument.

MONTANA, NORTH DAKOTA, UTAH and WYOMING The foregoing instrument was acknowledged before me on this day, by such person, the above designated officer of the banking association specified following such person's name, on behalf of said banking association.

On this date before me, the undersigned authority, personally came and appeared such person, to me personally known and known by me to be the person whose genuine signature is affixed to the foregoing document as the above designated officer of the banking association specified following such person's name, who signed said document before me in the presence of the two witnesses, whose names are thereto subscribed as such, being competent witnesses, and who acknowledged, in my presence and in the presence of said witnesses, that he signed the above and foregoing document as his own free act and deed on behalf of such banking association by authority of its board of directors and as the free act and deed of such banking association and for the uses

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and purposes therein set forth and apparent.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal in the City of Houston, Harris County, Texas, on the day and year first above written.

/s/ GLORIA D. SINGLETON

NOTARY PUBLIC, in and for the State of Texas
Gloria D. Singleton

My commission expires:
9-12-03

(printed name)

[SEAL]

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CERTIFICATION

I, Mark A. Hellerstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of St. Mary Land & Exploration Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003
/s/ MARK A. HELLERSTEIN

Mark A. Hellerstein
Chief Executive Officer

CERTIFICATION

I, David W. Honeyfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of St. Mary Land & Exploration Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003

/s/ DAVID W. HONEYFIELD

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David W. Honeyfield

Vice President - Finance

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of St. Mary Land & Exploration Company (the "Company") for the quarterly period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mark A. Hellerstein, as Chief Executive Officer of the Company, and David W. Honeyfield, as Vice President - Finance of the Company, each hereby certifies, pursuant to and solely for the purpose of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK A. HELLERSTEIN

- -----
Mark A. Hellerstein
Chief Executive Officer
August 12, 2003

/s/ DAVID W. HONEYFIELD

- -----
David W. Honeyfield
Vice President - Finance
(principal financial officer)
August 12, 2003