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

FORM 10-K

[x] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001.

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number 000-20872

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

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

1776 Lincoln Street, Suite 1100, Denver, Colorado 80203
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value
(Title of Class)

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 [x] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of 26,932,198 shares of voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the common stock on March 12, 2002 of $19.93 per share as reported on the Nasdaq National Market System, was $536,758,706. Shares of common stock held by each director and executive officer and by each person who owns 10% or more of the outstanding common stock or who is otherwise believed by the Company to be in a control position have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 12, 2002, the registrant had 27,805,529 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12 and 13) is incorporated by reference from the Registrant's definitive proxy statement relating to its 2002 annual meeting of stockholders to be filed within 120 days from December 31, 2001.

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PART I

When we use the terms "St. Mary," "we," "us" or "our," we are referring to St. Mary Land & Exploration Company and its subsidiaries, unless the context otherwise requires. We have included technical terms important to an understanding of our business under "Glossary of Common Oil and Gas Terms". Throughout this document we make statements that are classified as "forward-looking". Please refer to the "Forward-Looking Statements" section of this document for an explanation of these types of assertions.

ITEM 1. BUSINESS

Background

St. Mary Land & Exploration Company is an independent energy company engaged in the exploration, development, acquisition and production of natural gas and crude oil. St. Mary was founded in 1908 and incorporated in Delaware in 1915. Our operations are focused in the following five core operating areas in the United States:

- the Mid-Continent region in western Oklahoma and northern Texas;
- the ArkLaTex region that spans northern Louisiana and portions of eastern Texas, Arkansas and Mississippi;
- the onshore Gulf Coast and offshore Gulf of Mexico;
- the Williston Basin in eastern Montana and western North Dakota; and
- the Permian Basin in eastern New Mexico and western Texas.

As of December 31, 2001, we had estimated proved reserves of approximately 23.7 MMBbls of oil and 241.2 Bcf of natural gas, or a total of 383.2 BCFE, 86% of which were proved developed and 63% of which were natural gas, with a PV-10 value of $363.8 million. For the year ended December 31, 2001, we produced 54.1 BCFE representing average daily production of 148.2 MMCFE per day.

We focus our resources in selected domestic basins where we believe that our expertise in geology, geophysics and drilling and completion techniques provides us with competitive advantages. We have assembled a balanced program of low-to-medium-risk development and exploitation projects to provide the foundation for steady growth. In addition, we have a portfolio of higher-risk higher-potential exploration projects that we believe could significantly increase our reserves and production. We measure and rank our investment decisions based on their risk-adjusted impact on per share value. In the past, we have sold selected assets when we believed attractive prices were available, and we will continue to evaluate such opportunities in the future.

We seek to develop our existing property base and acquire acreage with additional potential in our core areas. From January 1, 1999 through December 31, 2001, we participated in the drilling and recompletion of 622 gross wells with an average success rate of 83%. During that same period we added estimated proved reserves of 347 BCFE at an average finding cost of $1.15 per MCFE. Our average annual production replacement was 251% during this three-year period, and our production has grown at an average rate of 18% per year over the same time period.

As of December 31, 2001, we had an acreage position of 1,192,077 gross (539,658 net) acres of which 620,540 gross (347,432 net) acres were undeveloped. For 2002 we have budgeted capital expenditures of $104.0 million for ongoing development, exploitation and exploration programs in our core operating areas and $60.0 million for acquisitions of oil and gas properties and acreage.

Our principal offices are located at 1776 Lincoln Street, Suite 1100, Denver, Colorado 80203, and our telephone number is (303) 861-8140.

Business Strategy

Our objective is to build stockholder value through consistent economic growth in reserves and production that increase net asset value per share, cash flow per share and earnings per share. The principal elements of our strategy are as follows:

- Maintain Focused Geographic Operations. We focus on exploration, development and acquisition activities in five core operating areas where we have built a balanced portfolio of proved reserves, development drilling opportunities and higher-risk higher-potential exploration prospects. We believe that our leasehold position is a strategic asset. Our senior technical managers, each possessing over 20 years of experience, head up regional technical offices located near core properties and are supported by centralized administration in our Denver office. We believe that our long-standing presence, our established networks of local industry relationships and our acreage holdings in our core operating areas provide us with a competitive advantage. In addition, we believe that we can continue to expand our operations without the need to proportionately increase the number of employees.
- Continue Exploitation and Development of Existing Properties. We use our comprehensive base of geological, geophysical, engineering and production experience in each of our core operating areas to source prospects for our ongoing low-to-medium-risk development and exploitation programs. We conduct detailed geologic studies and use an array of technologies and tools including 2-D and 3-D seismic imaging, hydraulic fracturing and reservoir stimulation techniques, and specialized logging tools to enhance the potential of our existing properties. In 2001 we participated in the drilling and recompletion of 252 gross drilling wells with an 83% success rate.
- Pursue Higher-Risk Higher-Potential Exploration Projects. We have allocated approximately 15% of our 2002 drilling and exploration capital expenditures budget to higher-risk higher-potential exploration projects and unconventional gas projects. Our strategy is to test several of these prospects each year that in total have the potential to significantly increase our reserves. We seek to

invest in a diversified mix of exploration projects and generally limit our capital exposure by participating with other experienced industry partners. We plan to test several of these prospects in the Gulf Coast region and Rocky Mountain area during 2002.

- Make Selective Acquisitions. We seek to make selective niche acquisitions of oil and gas properties that complement our existing operations, offer economies of scale and provide further development, exploitation and exploration opportunities based on proprietary geologic concepts. We believe that the focus on smaller,

negotiated transactions where we have specialized geologic knowledge or operating experience has enabled us to acquire attractively priced and under-exploited properties. In addition, we will pursue corporate acquisitions that we believe will be accretive. Examples of this type of acquisition include our 1999 Nance Petroleum Corporation and King Ranch Energy, Inc. acquisitions, both of which were completed for stock. We believe that 2002 will be a very active year for the divestiture of oil and gas properties by larger and/or financially leveraged industry participants. We have budgeted $60.0 million for acquisitions in 2002.

- Control Operations. We believe it is important to control geologic and operational decisions as well as the timing of those decisions. At December 31, 2001, we operated 58% of our properties on a volume basis and 54% on a PV-10 value basis. We are the operator of properties representing approximately 73% of our 2002 drilling capital budget.

- Maintain Financial Flexibility. Conservative use of financial leverage has long been a critical element of our strategy. We believe that maintaining a strong balance sheet is a significant competitive advantage that enables us to pursue acquisition and other opportunities, especially in weaker price environments. It also provides us with the financial resources to weather periods of volatile commodity prices or escalating costs.

Significant Developments Since December 31, 2000

- 2001 Acquisition of Oil and Gas Properties. In November 2001 St. Mary completed a $40.5 million acquisition of properties from Choctaw II Oil & Gas, Ltd. The properties are located in our Williston Basin core area and the Green River Basin in Wyoming and produce approximately 1,200 barrels of oil and 4,600 Mcf of gas per day.

- Increase in 2001 Year-End Reserves. As of December 31, 2001 proved reserves increased 9% from December 31, 2000 levels to 383.2 BCFE. St. Mary added 35.7 BCFE through acquisitions for cash and 78.6 BCFE from drilling activities. There were net downward revisions of previous reserves totaling 24.4 BCFE consisting of 32.1 BCFE due to price revisions, partially offset by 7.7 BCFE in positive performance revisions.

- 2001 Acquisition of Coalbed Methane Prospects. In 2001 we acquired leases covering 115,000 acres in which we own an average 92% working interest in the Hanging Woman Basin of Montana and Wyoming for prospective coalbed methane development. We have drilled an 18-well pilot program and are evaluating its results. We are also currently investigating permitting and environmental issues related to these prospects. We will be unable to determine the future potential of these prospects until we have completed the evaluation of our pilot program and have resolved all such permitting and environmental issues. An environmental public interest group has filed a lawsuit against the federal Bureau of Land Management seeking to cancel certain federal leases related to coalbed methane development in Montana, which could affect 46,000 of our 115,000 leased acres. We will monitor this lawsuit as part of our investigation of environmental issues related to these prospects.

- Senior Convertible Notes. In March 2002 we issued in a private placement a total of $100.0 million of our 5.75% senior convertible notes due 2022 with a 1/2% contingent interest provision. We received net proceeds, after deducting the initial purchasers' discount and estimated offering expenses payalbe by us, of $96.7 million. 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 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 upon (1) a change in control of St. Mary or (2) on March 20, 2007, March 15, 2012 and March 15, 2017. On March 20, 2007 we may pay the repurchase price with cash, shares of our common stock or any combination of cash and our 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 will use the remaining net proceeds to fund a portion of our 2002 capital budget.

Major Customers

During 2001 sales to Transok Gas Company accounted for 12.0% and sales to BP Amoco accounted for 11.3% of our total oil and gas production revenue. During 2000 sales to BP Amoco accounted for 22.3% of our total oil and gas production revenue. During 1999 sales to Transok accounted for 13.3% of our total oil and gas production revenue.

Employees and Office Space

As of December 31, 2001, St. Mary had 179 full-time employees. None of our employees is subject to a collective bargaining agreement. We consider our relations with our employees to be good. We lease approximately 42,660 square feet of office space in Denver, Colorado for our executive and administrative offices, of which 8,730 square feet is subleased. We also lease approximately 14,990 square feet of office space in Tulsa, Oklahoma; approximately 11,740 square feet in Shreveport, Louisiana; approximately 7,500 square feet in Lafayette, Louisiana; and approximately 15,830 square feet in Billings, Montana.

Title to Properties

Substantially all of our working interests are held pursuant to leases from third parties. A title opinion is usually obtained prior to the commencement of drilling operations on properties. We have obtained title opinions or conducted a thorough title review on substantially all of our producing properties and believe that we have satisfactory title to such properties in accordance with standards generally accepted in the oil and gas industry. Our properties are subject to customary royalty interests, liens for current taxes, and other burdens that we believe do not materially interfere with the use of or affect the value of such properties. We perform only a minimal title investigation before acquiring undeveloped properties.

Competition

The oil and gas industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil and natural gas properties and oil and gas reserves. Our competitive position depends on our geological, geophysical and engineering expertise, our financial resources, and our ability to select, acquire and develop proved reserves. We believe that the locations of our leasehold acreage, our exploration, drilling and production capabilities and the experience of our management and that of our industry partners generally enable us to compete effectively in our core operating areas. However, we compete with a substantial number of major and independent oil and gas companies that have larger technical staffs and greater financial and operational resources than we do. Many of these companies not only engage in the acquisition, exploration, development and production of oil and natural gas reserves, but also have refining operations, market refined products and generate electricity. We also compete with other oil and natural gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Drilling equipment may be in short supply from time to time.

Government Regulations

Our business is subject to various federal, state and local laws and governmental regulations that may be changed from time to time in response to economic or political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation and environmental protection. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas.

St. Mary's operations could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages. We could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on our financial condition and results of operations. We maintain insurance coverage for our operations, including limited coverage for sudden environmental damages, but we do not believe that insurance coverage for environmental damage that occurs over time is available at a reasonable cost. Moreover, we do not believe that insurance coverage for the full potential liability that could be caused by sudden environmental damages is available at a reasonable cost. Accordingly, we may be subject to liability or may lose substantial portions of our properties in the event of certain environmental damages. St. Mary could incur substantial costs to comply with environmental laws and regulations.

Energy Regulations. With respect to federal energy regulation, the transportation and sale for resale of natural gas in interstate commerce have historically been regulated pursuant to several laws enacted by Congress and regulations promulgated under these laws by the Federal Energy Regulatory Commission, or the FERC, and its predecessor. In the past the federal government has regulated the prices at which gas could be sold. Congress removed all price and non-price controls affecting wellhead sales of natural gas effective January

1, 1993. However, Congress could reenact price controls in the future.

Our sales of natural gas are affected by the availability, terms and cost of transportation. The price and terms of access to pipeline transportation are subject to extensive federal and state regulation. From 1985 to the present, several major regulatory changes have been implemented by Congress and the FERC

that affect the economics of natural gas production, transportation and sales. In addition, the FERC is continually proposing and implementing new rules and regulations affecting those segments of the natural gas industry that remain subject to the FERC's jurisdiction, most notably interstate natural gas transmission companies. These initiatives may also affect the intrastate transportation of gas under certain circumstances. The stated purpose of many of these regulatory changes is to promote competition among the various sectors of the natural gas industry, and these initiatives generally reflect more light-handed regulation.

The ultimate impact of the complex rules and regulations issued by the FERC since 1985 cannot be predicted. In addition, many aspects of these regulatory developments have not become final but are still pending judicial and final FERC decisions. We cannot predict what further action the FERC will take on these matters. Some of the FERC's more recent proposals may, however, adversely affect the availability and reliability of interruptible transportation service on interstate pipelines. Additional proposals and proceedings that might affect the natural gas industry are pending before Congress and the courts. The natural gas industry historically has been very heavily regulated; therefore, there is no assurance that the less stringent regulatory approach recently pursued by the FERC and Congress will continue. We do not believe that we will be affected by any action taken materially differently than other natural gas producers and marketers with whom we compete.

Our sales of crude oil, condensate and natural gas liquids are currently not regulated and are made at market prices. However, in a number of instances the ability to transport and sell such products are dependent on pipelines whose rates, terms and conditions of service are subject to FERC jurisdiction under the Interstate Commerce Act. Certain regulations implemented by the FERC in recent years could result in an increase in the cost of transportation service on certain petroleum product pipelines. We do not believe that these regulations affect us any differently than other producers of these products.

Certain operations we conduct are on federal oil and gas leases that the Minerals Management Service administers. The MMS issues such leases through competitive bidding. These leases contain relatively standardized terms and require compliance with detailed MMS regulations and, for offshore leases, orders pursuant to the Outer Continental Shelf Lands Act, which are subject to change by the MMS. For offshore operations, lessees must obtain MMS approval for exploration plans and development and production plans prior to the commencement of such operations. In addition to permits required from other agencies such as the Coast Guard, the Army Corps of Engineers and the Environmental Protection Agency, lessees must obtain a permit from the MMS prior to the commencement of drilling. Lessees must also comply with detailed MMS regulations governing, among other things:

- engineering and construction specifications for offshore production facilities;
- safety procedures;
- flaring of production;
- plugging and abandonment of Outer Continental Shelf or OCS wells;
- calculation of royalty payments and the valuation of production for this purpose; and
- removal of facilities.

To cover the various obligations of lessees on the OCS, the MMS generally requires that lessees post substantial bonds or other acceptable assurances that such obligations will be met. The cost of such bonds or other surety can be substantial, and we cannot assure that we can continue to obtain bonds or other surety in all cases. Under certain circumstances the MMS may require our operations on federal leases to be suspended or terminated.

Many of the states in which we conduct our oil and gas drilling and production activities regulate such activities by requiring, among other things, drilling permits and bonds and reports concerning operations. The laws of these states also govern a number of environmental and conservation matters, including the handling and disposing of waste material, plugging and abandonment of wells, restoration requirements, unitization and pooling of natural gas and oil properties and establishment of maximum rates of production from natural gas and oil wells. Some states prorate production to the market demand for oil and natural gas.

Environmental Regulations. Our operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities,

limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and impose substantial liabilities for pollution resulting from our operations.

Public interest in the protection of the environment has increased dramatically in recent years. Onshore and offshore drilling in some areas has been opposed by environmental groups and, in some areas, has been restricted. Legislation has also been proposed in Congress from time to time that would reclassify certain oil and gas exploration and production wastes as "hazardous wastes," which would make the reclassified wastes subject to much more stringent handling, disposal and clean-up requirements. To the extent laws are enacted or other governmental action is taken that prohibits or restricts offshore drilling or imposes environmental protection requirements that result in increased costs to the natural gas and oil industry (both onshore and offshore), our business and prospects could be adversely affected. We believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements would not have a material adverse impact on us.

Violation of environmental laws and regulations can lead to the imposition of administrative, civil or criminal penalties; remedial obligations; and in some instances injunctive relief. In addition, violations of environmental laws or the discharge of hazardous materials or oil could result in liability for personal injuries, property damage, remediation and cleanup costs, and other environmental damages. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on our financial condition and results of operations.

The Oil Pollution Act and regulations thereunder impose a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. A "responsible party" includes the owner or operator of an onshore facility, pipeline or vessel, or the lessee or permittee of the area in which an offshore facility is located. OPA assigns liability to each responsible party for oil cleanup costs and a variety of public and private damages. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. Likewise, if the party fails to report a spill or to cooperate fully

in the cleanup, liability limits do not apply. Even if applicable, the liability limits for offshore facilities require the responsible party to pay all removal costs, plus up to $75 million in other damages. Few defenses exist to the liability imposed by OPA.

OPA imposes ongoing requirements on a responsible party, including the preparation of oil spill response plans and proof of financial responsibility to cover environmental cleanup and restoration costs that could be incurred in connection with an oil spill. As amended by the Coast Guard Authorization Act of 1996, OPA requires responsible parties of covered offshore facilities that have a worst case oil spill of more than 1,000 barrels to demonstrate financial responsibility in amounts ranging from at least $10 million in specified state waters to at least $35 million in federal outer continental shelf waters, with higher amounts of up to $150 million if a formal risk assessment indicates that a higher amount should be required based on specific risks posed by the operations or if the worst case oil-spill discharge volume possible at the facility may exceed the applicable threshold volumes specified under the final rule of the United States Department of the Interior Minerals Management Service. On August 11, 1998, the MMS enacted a final rule implementing these financial responsibility requirements. We do not anticipate that we will experience any difficulty in continuing to satisfy the MMS's requirements for demonstrating financial responsibility under OPA.

The Federal Water Pollution Control Act, also known as the Clean Water Act, imposes restrictions and strict controls regarding the discharge of produced waters and other oil and gas wastes into navigable waters. Permits must be obtained to discharge pollutants to waters and to conduct construction activities in waters and wetlands. The FWPCA and similar state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of pollutants and unauthorized discharges of reportable quantities of oil and other hazardous substances. Many state discharge regulations and the Federal National Pollutant Discharge Elimination System general permits prohibit the discharge of produced water and sand, drilling fluids, drill cuttings and certain other substances related to the oil and gas industry into coastal waters. Although the costs to comply with zero discharge mandates under federal or state law may be significant, the entire industry is expected to experience similar costs, and we believe that these costs will not have a material adverse impact on our results of operations or financial position. The United States Environmental Protection Agency has adopted regulations requiring certain oil and gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans.

The Comprehensive Environmental Response, Compensation, and Liability Act, also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to be responsible for the release of a "hazardous substance" into the environment. These persons, including the owner or operator of the disposal site or sites where the release occurred and companies that transported or disposed or arranged for the transport or disposal of the hazardous substances under CERCLA, may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the

environment and for damages to natural resources. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

We generate both hazardous and nonhazardous solid wastes which are subject to requirements of the Federal Resource Conservation and Recovery Act and comparable state statutes. From time to time, the EPA has considered making changes in nonhazardous waste standards that would result in stricter disposal requirements for these wastes. Furthermore, it is possible that some wastes that

we generate that are currently classified as nonhazardous may be in the future be designated as "hazardous wastes," resulting in the wastes being subject to more rigorous and costly disposal requirements. Changes in applicable regulations may result in an increase in our capital expenditures or operating expenses.

We currently own or lease, and have in the past owned or leased, onshore properties that for many years have been utilized for or associated with the exploration and production of oil and gas. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by us or on or under other locations where such wastes have been taken for disposal. These properties and the wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, we could be required to remove or remediate previously disposed wastes (including waste disposed of or released by prior owners or operators) or property contamination (including groundwater contamination by prior owners or operators), or to perform remedial plugging or closure operations to prevent future contamination.

Our operations are also subject to the Federal Clean Air Act and comparable state statutes. Amendments to the Clean Air Act adopted in 1990 contain provisions that may result in the imposition of increasingly stringent pollution control requirements with respect to air emissions from the operations of stationary and mobile source equipment. Such air pollution control requirements may include specific equipment or technologies, permits with emissions and operational limitations, pre-approval of new or modified projects or facilities producing air emissions, and similar measures. Failure to comply with applicable air statutes or regulations may lead to the assessment of administrative, civil or criminal penalties, and/or result in the limitation or cessation of construction or operation of certain air emission sources.

Risk Factors

Risks Related to Our Business

In addition to the other information set forth elsewhere in this Form 10-K, the following factors should be carefully considered when evaluating St. Mary.

Oil and natural gas prices are volatile, and an extended decline in prices would hurt our profitability and financial condition.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and gas properties depend heavily on prevailing market prices for oil and gas. We expect the markets for oil and gas to continue to be volatile. Any substantial or extended decline in the price of oil or gas would have a material adverse effect on our financial condition and results of operations. It could reduce our cash flow and borrowing capacity, as well as the value and the amount of our oil and gas reserves. Lower prices may also reduce the amount of oil and gas that we can economically produce.

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

- worldwide and domestic supplies of oil and natural gas;

- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil or gas producing regions;
- the price and level of foreign imports;
- worldwide economic conditions;
- marketability of production;
- the level of consumer demand;
- the price, availability and acceptance of alternative fuels;
- the availability of pipeline capacity;
- weather conditions; and

- actions of federal, state, local and foreign authorities.

These external factors and the volatile nature of the energy markets make it difficult to estimate future prices of oil and natural gas. Declines in oil and gas prices would reduce our revenue and could also reduce the amount of oil and gas that we can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Further, oil and gas prices do not necessarily move in tandem. Because approximately 63% of our proved reserves were natural gas reserves as of December 31, 2001, we are more susceptible to changes in natural gas prices.

A material portion of our production, revenues and cash flows are derived from one field.

Production from the Judge Digby Field accounted for approximately 16% of our total oil and gas production volumes during 2001. If the level of production from this field substantially declines other than through normal depletion over the expected reserve life, it could have a material adverse impact on our overall production levels and our revenues.

Our future success depends on our ability to replace reserves that we produce.

Our future success depends on our ability to find, develop and acquire oil and gas reserves that are economically recoverable. As of December 31, 2001 our proved reserves would last for approximately 7.1 years if produced constantly at the 2001 rate of production. As a result, we must locate and develop or acquire new oil and gas reserves to replace those being depleted by production. We must do this even during periods of low oil and gas prices. Without successful exploration or acquisition activities, our reserves, production and revenues will decline rapidly. In addition, approximately 14% of our total estimated proved reserves at December 31, 2001 were undeveloped. By their nature, undeveloped reserves are less certain. Recovery of such reserves will require significant capital expenditures and successful drilling operations. We cannot assure you that we will be able to find and develop or acquire additional reserves at an acceptable cost.

Our producing property acquisitions carry significant risks.

Our recent growth is due in part to, and our growth strategy relies in part on, acquisitions of producing properties and exploration and production companies. Successful acquisitions require an assessment of a number of factors beyond our control. These factors include recoverable reserves, future oil and gas prices, operating costs and potential environmental and other liabilities. These assessments are inexact and their accuracy is inherently uncertain. In connection with these assessments, we perform a review of the subject properties that we believe is generally consistent with industry practices. However, such a review will not reveal all existing or potential problems. In addition, our review may not permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well. Even when we do inspect a well, we may not always discover structural, subsurface or environmental problems that may exist or arise.

In connection with our acquisitions, we are generally not entitled to contractual indemnification for preclosing liabilities, including environmental liabilities. Normally, we acquire interests in properties on an "as is" basis with limited remedies for breaches of representations and warranties. In addition, competition for producing oil and gas properties is intense and many of our competitors have financial and other resources substantially greater than those available to us. Therefore, we cannot assure you that we will be able to acquire oil and gas properties that contain economically recoverable reserves or that we will acquire such properties at acceptable prices.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or be in different geographic locations than our existing properties. While it is our current intention to continue to concentrate on acquiring properties with development, exploitation and exploration potential located in our five core operating areas, we cannot assure you that in the future we will not decide to pursue acquisitions or properties located in other geographic regions. To the extent that such acquired properties are substantially different than our existing properties, our ability to efficiently realize the economic benefits of such transactions may be limited.

We may not be able to successfully integrate future property or corporate acquisitions.

We seek to make selective niche acquisitions of oil and gas properties, and we will pursue corporate acquisitions that we believe will be accretive. However, integrating acquired properties and businesses involves a number of special risks. These risks include the possibility that management may be distracted from normal business concerns by the need to integrate operations and systems and in retaining and assimilating additional employees. Any of these or other similar risks could lead to potential adverse short-term or long-term effects on our operating results. We cannot assure you that we will be able to obtain adequate funds for future property or corporate acquisitions, successfully integrate our future property or corporate acquisitions or that we will realize any of the anticipated benefits of the acquisitions.

Substantial capital is required to replace and grow reserves.

We make, and will continue to make, substantial expenditures to find,

acquire, develop and produce oil and natural gas reserves. Our capital expenditures for oil and gas properties were $182.9 million for 2001 and $125.2 million during 2000. We have budgeted total capital expenditures of $164.0 million in 2002. With the net proceeds from the sale of senior convertible notes

in March 2002 (see Item 7., Management's Discussion and Analysis), cash provided by operating activities and borrowings under our credit facility, we believe we will have sufficient cash to fund budgeted capital expenditures in 2002. 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. However, if oil and gas prices decrease or we encounter operating difficulties that result in our cash flow from operations being less than expected, we may have to reduce the capital we can spend in future years, unless we raise additional funds through debt or equity financing. We cannot assure you that debt or equity financing, cash generated by operations or borrowing capacity will be available to us on acceptable terms to meet these requirements.

Future cash flows and the availability of financing will be subject to a number of variables, such as:

- our success in locating and producing new reserves;
- the level of production from existing wells; and
- prices of oil and natural gas.

Issuing equity securities to satisfy our financing requirements could cause substantial dilution to existing shareholders. Debt financing could lead to:

- a substantial portion of our operating cash flow being dedicated to the payment of principal and interest;
- us being more vulnerable to competitive pressures and economic downturns; and
- restrictions on our operations.

If our revenues were to decrease due to lower oil and natural gas prices, decreased production or other reasons, and if we could not obtain capital through our credit facility or otherwise, our ability to execute our development plans, replace our reserves or maintain production levels could be greatly limited.

We may not obtain a bank credit facility borrowing base redetermination that adequately meets our anticipated financing needs.

We have a long-term revolving credit facility with a bank group consisting of Bank of America, Comerica Bank-Texas and Wells Fargo Bank West. Under the facility, the maximum loan amount is $115.0 million. The amount actually available from time to time depends on a borrowing base that the lenders periodically redetermine based on the value of our oil and gas properties and other assets. Since we pay commitment fees based on the unused portion of the borrowing base, we have limited the borrowing base that we have accepted to correspond with our actual funding requirements. The accepted borrowing base under the facility as of December 31, 2001 was $100.0 million.

Our next borrowing base redetermination date is scheduled to occur on or about April 15, 2002. We cannot assure you that the banks will agree to a borrowing base redetermination that is adequate for our anticipated financing needs.

If oil and gas prices decrease or exploration efforts are unsuccessful, we may be required to take additional writedowns.

There is a risk that we will be required to write down the carrying value of our oil and gas properties. This could occur when oil and gas prices are low or if we have substantial downward adjustments to our estimated proved reserves, increases in our estimates of development costs or deterioration in our exploration results.

We follow the successful efforts accounting method. All property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending the determination of whether proved reserves have been discovered. If proved reserves are not discovered with an exploratory well, the costs of drilling the well are expensed. All geological and geophysical costs on exploratory prospects are expensed as incurred. The capitalized costs of our oil and gas properties, on a field-by-field basis, may not exceed the estimated future net cash flows of that field. If capitalized costs exceed future net revenues we write down the costs of each such field to our estimate of fair market value. Unproved properties are evaluated at the lower of cost or fair market value. This type of charge will not affect our cash flow from operating activities, but it will reduce the book value of our stockholders' equity. We review the carrying value of our properties quarterly, based on prices in effect as of the end of each quarter or as of the time of reporting our results. Once incurred, a writedown of oil and gas properties is not reversible at a later date even if oil or gas prices increase. St. Mary incurred impairment and abandonment charges on proved and unproved properties of $4.7 million, $6.3 million and $10.6 million in 2001, 2000 and 1999, respectively.

Information concerning our reserves and future net revenue estimates is uncertain.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and their values, including many factors beyond our control. Estimates of proved undeveloped reserves, which comprise a significant portion of our reserves, are by their nature uncertain. The reserve data included in this Annual Report on form 10-K is estimated. Although we believe these estimates are reasonable, actual production, revenues and reserve expenditures will likely vary from estimates, and these variances may be material.

Estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows may vary substantially.

Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material. See "Business and Properties--Reserves."

In addition, you should not construe PV-10 value as the current market value of the estimated oil and natural gas reserves attributable to our properties. We have based the PV-10 value on prices and costs as of the date of the estimate, in accordance with applicable regulations, whereas actual future prices and costs may be materially higher or lower. For example, values of our reserves at December 31, 2001 were estimated starting with a calculated weighted average sales price of $19.84 per barrel of oil (NYMEX) and $2.65 per MMBtu of gas (Gulf Coast spot price), then adjusted for quality and basis differentials. During 2001 our realized gas prices were as high as $7.86 per Mcf and as low as $2.21 per Mcf. Many factors will affect actual future net cash flows, including:

- the amount and timing of actual production;
- supply and demand for oil and natural gas;
- curtailments or increases in consumption by natural gas purchasers; and
- changes in governmental regulations or taxation.

The timing of the production of oil and natural gas properties and of the related expenses affect the timing of actual future net cash flows from proved reserves and, thus, their actual present value. In addition, the 10% discount factor, which we are required to use to calculate PV-10 value for reporting purposes, is not necessarily the most appropriate discount factor given actual interest rates and risks to which our business or the oil and natural gas industry in general are subject. As a result, our actual future net cash flows could be materially different from the estimates included in this Annual Report on form 10-K.

Our industry is highly competitive.

Major oil companies, independent producers, and institutional and individual investors are actively seeking oil and gas properties throughout the world, along with the equipment, labor and materials required to operate properties. Many of our competitors have financial and technological resources vastly exceeding those available to us. Many oil and gas properties are sold in a competitive bidding process in which we may lack technological information or expertise available to other bidders. We cannot be sure that we will be successful in acquiring and developing profitable properties in the face of this competition.

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

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

- unexpected drilling conditions;

- pressure or irregularities in formations;

- equipment failures or accidents;
- adverse weather conditions;
- shortages in experienced labor;
- compliance with governmental requirements; and
- shortages or delays in the availability of drilling rigs and the delivery of equipment.

The prevailing prices of oil and gas also affect the cost of and the demand for drilling rigs, production equipment and related services.

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

Our future drilling activities may not be successful, nor can we be sure that our overall drilling success rate or our drilling success rate for activity within a particular area will not decline. Unsuccessful drilling activities could have a material adverse effect on our results of operations and financial condition. Also, we may not be able to obtain any options or lease rights in potential drilling locations that we identify. Although we have identified numerous potential drilling locations, we cannot be sure that we will ever drill them or that we will produce oil or natural gas from them or any other potential drilling locations.

Our business is subject to operating hazards that could result in substantial losses.

Oil and gas operations are subject to many risks, including well blowouts, craterings, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic gas and other environmental hazards and risks. If any of these hazards occurs, we could sustain substantial losses as a result of:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigations and penalties; and/or
- suspension of operations.

In addition, we may be liable for environmental damage caused by previous owners of property we own or lease. As a result, we may face substantial liabilities to third parties or governmental entities, which could reduce or eliminate funds available for exploration, development or acquisitions or cause us to incur losses. An event that is not fully covered by insurance could have a material adverse effect on our financial condition and results of operations.

We maintain insurance against some, but not all, of these potential risks and losses. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could adversely affect us.

Other independent oil and gas companies' limited access to capital may change our exploration and development plans.

Many independent oil and gas companies have limited access to the capital necessary to finance their activities. As a result, some of the other working interest owners of our wells may be unwilling or unable to pay their share of the costs of projects as they become due. These problems could cause us to change, suspend or terminate our drilling and development plans with respect to the affected project.

Hedging transactions may limit our potential gains and involve other risks.

To manage our exposure to price risks in the marketing of our oil and natural gas, we enter into commodity price risk management arrangements from time to time with respect to a portion of our current or future production. While intended to reduce the effects of volatile oil and natural gas prices, these transactions may limit our potential gains if oil or natural gas prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- our production is less than expected;
- the counterparties to our futures contracts fail to perform under the contracts; or
- a sudden, unexpected event materially impacts oil or natural gas prices.

The terms of our hedging agreements may also require that we furnish cash collateral, letters of credit or other forms of performance assurance in the event that mark-to-market calculations result in settlement obligations by us to the counterparties, which would encumber our liquidity and capital resources.

Our industry is heavily regulated.

Federal, state and local authorities extensively regulate the oil and gas industry. Legislation and regulations affecting the industry are under constant review for amendment or expansion, raising the possibility of changes that may affect, among other things, the pricing or marketing of oil and gas production. Noncompliance with statutes and regulations may lead to substantial penalties, and the overall regulatory burden on the industry increases the cost of doing business and, in turn, decreases profitability. State and local authorities regulate various aspects of oil and gas drilling and production activities, including the drilling of wells (through permit and bonding requirements), the spacing of wells, the unitization or pooling of oil and gas

properties, environmental matters, safety standards, the sharing of markets, production limitations, plugging and abandonment, and restoration. Federal authorities regulate many of these same activities for our drilling and production operations in federal offshore waters. To cover the various obligations of leaseholders in federal waters, federal authorities generally require that leaseholders have substantial net worth or post bonds or other acceptable assurances that such obligations will be met. The cost of these bonds or other surety can be substantial, and we cannot assure you that we will be able to obtain bonds or other surety in all cases. Under some circumstances, federal authorities may require any of our operations on federal leases be suspended or terminated. Any such suspension or termination could materially adversely affect our financial condition and results of operations.

We must comply with complex environmental regulations.

Our operations are subject to complex and constantly changing environmental laws and regulations adopted by federal, state and local governmental authorities where we are engaged in exploration or production operations. New laws or regulations, or changes to current requirements, could have a material adverse effect on our business. We will continue to be subject to uncertainty associated with new regulatory interpretations and inconsistent interpretations between state and federal agencies. We could face significant liabilities to the government and third parties for discharges of oil, natural gas or other pollutants into the air, soil or water, and we could have to spend substantial amounts on investigations, litigation and remediation. We cannot be sure that existing environmental laws or regulations, as currently interpreted or enforced, or as they may be interpreted, enforced or altered in the future, will not materially adversely affect our results of operations and financial condition. As a result, we may face material indemnity claims with respect to properties we own or have owned.

Our business depends on transportation facilities owned by others.

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

We depend on key personnel.

Our success will continue to depend on the continued services of our executive officers and a limited number of other senior management and technical personnel with extensive experience and expertise in evaluating and analyzing producing oil and gas properties and drilling prospects, maximizing production from oil and gas properties and marketing oil and gas production. Loss of the services of any of these people could have a material adverse effect on our operations. We currently do not have employment agreements with our executive officers other than Mark Hellerstein, our Chief Executive Officer. We do not carry any key person life insurance policies.

Ownership of working interests, royalty interests and other interests by some of our officers and directors may create conflicts of interest.

As a result of their prior employment with another company with which St. Mary engaged in a number of transactions, Ronald D. Boone, the Executive Vice President and Chief Operating Officer and a director of St. Mary, and two other vice presidents of St. Mary own working interests and royalty interests in

many of St. Mary's properties, which were earned as part of the prior employer's employee benefit programs. Those persons have no royalty participation in any new St. Mary properties.

Mr. Boone also owns 50% of Princeton Resources Ltd. and has a 33% interest in Baron Oil Corporation, entities that manage the oil and gas working and royalty interests which he acquired as a result of his prior employment. Although Mr. Boone does not manage these corporations, he may participate in any investment decisions made by them.

David C. Dudley, a director of St. Mary, is Operating Manager of Dudley & Associates, LLC, a closely-held oil and gas exploration and production firm. From time to time we may compete with Mr. Dudley's firm for acquisition, exploitation, exploration or development prospects.

As a result of these transactions and relationships, conflicts of interest may exist between these persons and us. Although these persons owe fiduciary duties to our stockholders and to us, we cannot assure you that conflicts of interest will always be resolved in our favor.

Risks Related to Our Common Stock

Our certificate of incorporation and bylaws have provisions that discourage corporate takeovers and could prevent shareholders from realizing a premium on their investment.

Our certificate of incorporation and bylaws contain provisions that may have the effect of delaying or preventing a change of control. These provisions, among other things, provide for noncumulative voting in the election of the board of directors and impose procedural requirements on stockholders who wish to make nominations for the election of directors or propose other actions at stockholders' meetings. These provisions, alone or in combination with each other and with the rights plan described below, may discourage transactions involving actual or potential changes of control, including transactions that otherwise could involve payment of a premium over prevailing market prices to shareholders for their common stock

On July 15, 1999, our board of directors adopted a stockholder rights plan. The plan is designed to enhance the board's ability to prevent an acquirer from depriving stockholders of the long-term value of their investment and to protect stockholders against attempts to acquire us by means of unfair or abusive takeover tactics. If the board of directors decides in accordance with its fiduciary obligations that the terms of a potential acquisition do not reflect the long-term value of St. Mary, under the plan the board of directors could allow the holder of each outstanding share of our common stock other than those held by the potential acquirer to purchase one additional share of our common stock with a market value of twice the exercise price. This prospective dilution to a potential acquirer would make the acquisition impracticable unless the terms were improved to the satisfaction of the board of directors. However, the existence of the plan may impede a takeover not supported by our board, including a takeover that may be desired by a majority of our stockholders or involving a premium over the prevailing stock price.

Our shares that are eligible for future sale may have an adverse effect on the price of our common stock.

At January 31, 2002 we had 27,777,338 share of common stock outstanding. Of the shares outstanding, approximately 26,904,006 shares were freely tradable without substantial restriction or the requirement of future registration under the Securities Act. In addition, as of that date, options to purchase 2,151,445 shares were outstanding, of which 1,378,403 were exercisable. These options are exercisable at prices ranging from $9.25 to $33.3125 per share. In connection with the private placement of the Notes, our executive officers and directors have entered into lock-up agreements under which they have agreed not to offer or sell any shares of our common stock or similar securities for a period of 90 days from March 7, 2002 without the prior written consent of the initial purchasers of the Notes. The initial purchasers may at any time waive the terms of these lock-up agreements. Sales of substantial amounts of common stock, or a perception that such sales could occur, and the existence of options or warrants to purchase shares of commons stock at prices that may be below the then current market price of the common stock could adversely affect the market price of the common stock and could impair our ability to raise capital through the sale of our equity securities.

Our Chairman of the Board and his extended family may be able to control us.

Thomas E. Congdon, our Chairman of the Board, and members of his extended family currently own approximately 18% of the outstanding shares of our common stock. While no formal arrangements exist, these extended family members may be inclined to act in concert with Mr. Congdon on matters related to control of St. Mary, including for example the election of directors or response to an unsolicited bid to acquire St. Mary. Accordingly, Mr. Congdon and his family may be able to control or influence matters presented to our stockholders.

We may not always pay dividends on our common stock.

Although we have paid cash dividends to stockholders every year since 1940 and we expect that our practice of paying dividends will continue, the payment of future dividends remains in the discretion of the board of directors and will continue to depend on our earnings, capital requirements, financial condition and other factors. In addition, the payment of dividends is subject to covenants in our bank credit facility, including the requirement that we maintain certain levels of stockholder's equity. The board of directors may

determine in the future to reduce the current annual dividend rate of $0.10 per share or discontinue altogether the payment of dividends.

Cautionary Statement about Forward-Looking Statements

This Annual Report on Form 10-K 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-K that address activities, events or developments that St. Mary's management expects, believes or anticipates will or may occur in the future are forward looking statements. Examples of forward-looking statements may include discussion of such matters as:

- The amount and nature of future capital, development and exploration expenditures;

- The drilling of wells;
- Reserve estimates and the estimates of both future net revenues and the present value of future net revenues that are included in their calculation;
- Future oil and gas production estimates;
- Repayment of debt;
- Business strategies;
- Expansion and growth of operations; and
- Other similar matters such as those discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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, uncertainties in cash flow, expected acquisition benefits, production rates and reserve replacement, reserve estimates, drilling and operating risks, competition, litigation, environmental matters, the potential impact of government regulations, and other matters discussed under the caption "Risk Factors", many of which are beyond our control. 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.

Glossary

The terms defined in this section are used throughout this Form 10-K.

2-D seismic or 2-D data. Seismic data that are acquired and processed to yield a two-dimensional cross-section of the subsurface.

3-D seismic or 3-D data. Seismic data that are acquired and processed to yield a three-dimensional picture of the subsurface.

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

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

BCFE. Billion cubic feet of gas equivalent. Gas equivalents are determined using the ratio of six Mcf of gas (including gas liquids) to one Bbl of oil.

Behind pipe reserves. Estimated net proved reserves in a formation in which production casing has already been set in the wellbore but has not been perforated and production tested.

BOE. Barrels of oil equivalent. Oil equivalents are determined using the ratio of six Mcf of gas (including gas liquids) to one Bbl of oil.

Development well. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive in an attempt to recover proved undeveloped reserves.

Dry hole. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Estimated net proved reserves. The estimated quantities of oil, gas and gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

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

Fee land. The most extensive interest that can be owned in land, including surface and mineral (including oil and gas) rights.

Finding cost. Expressed in dollars per BOE. Finding costs are calculated by dividing the amount of total capital expenditures for oil and gas activities by the amount of estimated net proved reserves added during the same period (including the effect on proved reserves of reserve revisions).

Gross acres. An acre in which a working interest is owned.

Gross well. A well in which a working interest is owned.

Hydraulic fracturing. A procedure to stimulate production by forcing a mixture of fluid and proppant (usually sand) into the formation under high pressure. This creates artificial fractures in the reservoir rock, which increases permeability and porosity.

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

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

MBOE. One thousand barrels of oil equivalent.

MMBOE. One million barrels of oil equivalent.

Mcf. One thousand cubic feet.

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

MMcf. One million cubic feet.

MMCFE. One million cubic feet of gas equivalent. Gas equivalents are determined using the ratio of six Mcf of gas (including gas liquids) to one Bbl of oil.

MMBtu. One million British Thermal Units. A British Thermal Unit is the heat required to raise the temperature of a one-pound mass of water one degree Fahrenheit.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells.

Net asset value per share. The result of the fair market value of total assets less total liabilities, divided by the total number of outstanding shares of common stock.

PV-10 value. The present value of estimated future gross revenue to be generated from the production of estimated net proved reserves, net of estimated production and future development costs, using prices and costs in effect as of the date indicated (unless such prices or costs are subject to change pursuant to contractual provisions), without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expenses or to depreciation, depletion and amortization, discounted using an annual discount rate of 10%.

Productive well. A well that is producing oil or gas or that is capable of production.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved undeveloped reserves. Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

Reserve life. Expressed in years, represents the estimated net proved reserves at a specified date divided by forecasted production for the preceding 12-month period.

Royalty. The interest paid to the owner of mineral rights expressed as a percentage of gross income from oil and gas produced and sold unencumbered by expenses.

Royalty interest. An interest in an oil and gas property entitling the owner to shares of oil and gas production free of costs of exploration, development and production. Royalty interests are approximate and are subject to adjustment.

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

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and to share in the production.

ITEM 2. PROPERTIES

Operations

St. Mary's exploration, development and acquisition activities are focused in five core operating areas: the Mid-Continent region; onshore Gulf Coast and offshore Gulf of Mexico; the ArkLaTex region; the Williston Basin in North Dakota and Montana; and the Permian Basin in west Texas and New Mexico. Information concerning each of our major areas of operations, based on our estimated proved reserves as of December 31, 2001, is shown below.

	Estimated Proved Reserves					
	Oil	Gas	MMCFE		PV-10	
	(MBbls)	(MMcf)	Amount	Percent	(In thousands)	Percent
Mid-Continent Region.....	1,203	119,062	126,281	33.0%	$ 126,219	34.7%
ArkLaTex Region.....	1,295	40,940	48,711	12.7%	37,978	10.4%
Gulf Coast and Gulf of Mexico..	1,025	44,126	50,274	13.1%	63,594	17.5%
Williston Basin.....	16,248	24,376	121,867	31.8%	101,930	28.0%
Permian Basin.....	3,898	12,727	36,114	9.4%	34,074	9.4%
Total.....	23,669	241,231	383,247	100.0%	$ 363,795	100.0%

Mid-Continent Region. Since 1973 St. Mary has been active in the Mid-Continent region, where operations are managed by our 32-person Tulsa, Oklahoma office. We have ongoing exploration and development programs in the Anadarko Basin of Oklahoma and Texas. The Mid-Continent region accounted for 33% of our estimated proved reserves as of December 31, 2001, or 126.3 BCFE, 85% of which were proved developed and 94% of which were natural gas. We participated in drilling 88 gross wells in this region in 2001, including 30 wells operated by us, 83% of which were completed as producers.

St. Mary's development and exploration budget in the Mid-Continent region for 2002 totals $33.0 million. We plan to operate 28 drilling wells in the Mid-Continent region during 2002 and to utilize three to four drilling rigs throughout the year. Our 2002 budget also reflects participation in an additional 100 to 125 wells to be operated by other entities.

Anadarko Basin. Our long history of operations and proprietary geologic knowledge enables us to sustain economic development and exploration programs despite periods of adverse industry conditions. We are applying state of the art technology in hydraulic fracturing and innovative well completion techniques to accelerate production and associated cash flow from the region's tight gas reservoirs. We also continue to benefit from the continuing consolidation of operators in the basin. We periodically pursue attractive opportunities to acquire properties from companies that have elected to discontinue operations in this basin. The $31.6 million acquisition of properties from JN Exploration that closed in December 2000 is a good example of this type of opportunity.

Approximately one-half of the drilling activities for 2002 will be focused on low-to-medium-risk development in the Cromwell, Granite Wash, Osborne, Red Fork and Spiro formations. In addition, approximately one-half of our 2002 Mid-Continent capital budget is allocated to deeper, higher-potential wells in the lower Morrow formation below 19,000 feet at the NE Mayfield Field in Oklahoma and in various other fields within the Morrow and Springer formations at depths between 10,000 and 16,000 feet.

Carrier Prospect. Within its inventory of higher-risk higher-potential exploration prospects, St. Mary holds an aggregate 42% working interest in 5,700 acres in Leon County, Texas. Our Carrier Prospect acreage relates to a platform reef prospect located near the industry's prolific Cotton Valley pinnacle reef discovery and targets potentially larger platform reefs that we believe developed in the deeper waters of the basin during the Jurassic period. We plan to seek industry participation for an initial test well in 2002.

Arkoma Basin. In Coal County, Oklahoma, we have acquired a leasehold position of 5,700 net acres. In 2001, we spud five gross wells, all of which were completed as gas wells. The producing formations in this area include the Booch, Hartshorne, Wapanucka and the Cromwell, which is the deepest formation at approximately 6,700 feet. Our average working interest for these wells is 98%, and we anticipate drilling at least ten gross wells in this area in 2002. Initial production rates from the wells have varied from approximately 500 Mcf per day to 1,250 Mcf per day. We are also actively pursuing additional leasehold positions within this four township area both through leasing activity and the acquisition of producing properties.

In February 2002 we acquired oil and gas properties and an 89-mile gas gathering system in the Arkoma Basin from Merchant Resources #1 L.P. of Houston, Texas for $7.8 million in cash. The properties include undrilled locations and are expected to complement other St. Mary properties in the area. The properties currently produce an estimated 1,200 Mcf of gas and 65 barrels of oil per day.

Gulf Coast and Gulf of Mexico Region. St. Mary's presence in south Louisiana dates to the early 1900's when our founders acquired a franchise property in St. Mary Parish on the shoreline of the Gulf of Mexico. These 24,900 acres of fee lands yielded more than $5.5 million of gross oil and gas royalty revenue in 2001. Our onshore Gulf Coast and Gulf of Mexico presence increased

significantly in 1999 with the acquisition of King Ranch Energy. This acquisition included 260,000 gross undeveloped acres (81,000 net acres) and a large 3-D seismic database. The Gulf Coast and Gulf of Mexico region accounted for 13% of our estimated proved reserves as of December 31, 2001, or 50.3 BCFE, 90% of which were proved developed and 88% of which were natural gas.

St. Mary's diverse activities in the onshore Gulf Coast and Gulf of Mexico are managed by our 16-person regional office in Lafayette, Louisiana and include ongoing development and exploration programs in multiple basins onshore south Louisiana as well as several offshore shallow-water Gulf of Mexico blocks. Advanced 3-D seismic imaging and interpretation techniques and extensive subsurface geological interpretations are revitalizing exploration and development activities in the Miocene trend along the Gulf Coast. Our exploration and development budget in the Gulf Coast and Gulf of Mexico region for 2002 is $18.0 million.

The Judge Digby Field is the largest field acquired in the King Ranch Energy acquisition and is located outside Baton Rouge, Louisiana in Point Coupee Parish. We have interests ranging from 12% to 20% in nine wells that are producing a total of 130 MMcf per day on a gross basis as of February 12, 2002. This ultra deep field produces from multiple Tuscaloosa reservoirs between 19,000 and 24,000 feet. The wells are characterized by high producing rates such as the Parlange #11 completed in 2000 at an initial rate of 92,000 Mcf per day. We believe this well had the highest initial production rate for a well ever completed onshore Louisiana. New drilling in this field is continuing with the completion of the Parlange #12 in the deepest field pay ever produced at Judge Digby with initial rates of 64,000 Mcf per day. The J. Wuertele #2 was also completed in 2001, at an initial rate of 45,000 Mcf per day. The J. Wuertele #3 was spud on November 15, 2001 and is currently drilling toward a projected total depth of 22,000 feet. In addition to the drilling activity, multiple

recompletions of several wells are anticipated in 2002 in this multi-pay geologically complex field.

In the Gulf of Mexico, we plan to test a large 3-D target at Matagorda 701 during 2002. Matagorda 701 is located 50 miles northeast of Corpus Christi, Texas in 110 feet of water. We also plan to test a large fault block on the east flank of the Matagorda 700 field in 2002.

Fee Lands. St. Mary owns 24,900 acres of fee lands and associated mineral rights in St. Mary Parish located approximately 85 miles southwest of New Orleans, Louisiana. Since the initial discovery on our fee lands in 1938, our cumulative oil and gas revenues, primarily landowner's royalties, from the Bayou Sale, Horseshoe Bayou and Belle Isle fields have exceeded $235 million. We currently lease 10,357 acres and have an additional 14,557 acres that are unleased. Our principal operators on the fee properties are BP Amoco, Cabot, ExxonMobil and Badger Petroleum. We have encouraged development drilling by our lessees, facilitated the origination of new prospects on acreage not held by production and stimulated exploration interest in deeper, untested horizons. A discovery at South Horseshoe Bayou in early 1998 and a subsequent successful confirmation well in early 1999 established that significant accumulations of gas are sourced and trapped at depths below 16,000 feet.

Centennial Project. St. Mary participated in a 51 square mile 3-D seismic survey over the Spindletop field near Beaumont, Texas, which was completed in 2001. Our partner group has leased or optioned approximately 19,000 acres within the seismic outline. We have a 21% working interest in this project, which is planned to be a multi-year exploration and development program. The partner group plans to drill several wells in this project in 2002.

ArkLaTex Region. St. Mary's operations in the ArkLaTex region are managed by our 18-person office in Shreveport, Louisiana. The ArkLaTex region accounted for 13% of our estimated proved reserves as of December 31, 2001, or 48.7 BCFE, 85% of which were proved developed and 84% of which were natural gas. In 1992, we acquired the ArkLaTex oil and gas properties of T. L. James & Company, Inc. as well as rights to over 6,000 square miles of proprietary 2-D seismic data in the region. Much of the Shreveport office's successful exploration and development programs have derived from niche acquisitions completed since 1992 totaling $18.2 million. These acquisitions have provided access to strategic holdings of undeveloped acreage and proprietary packages of geologic and seismic data, resulting in an active program of additional development and exploration.

Our holdings in the ArkLaTex region are comprised of interests in approximately 502 producing gross wells, including 98 wells operated by us; interests in leases totaling approximately 73,500 gross acres; and mineral servitudes totaling approximately 14,600 gross acres. Activities in the ArkLaTex region during 2001 focused on the search for new opportunities and potential analog fields as well as final development of several important field discoveries made by our geoscientists since 1994. We have expanded into southern Mississippi where the objective is to leverage our technical expertise in the Mississippi salt play. St. Mary participated with a 50% working interest in two successful wells in 2000 in the James Lime play in east Texas, where it completed the Jones #1 and Jones #2 wells as multi-lateral wells, each with initial production exceeding 4,000 Mcf per day. We will continue to be active in this play in 2002.

In 2002 we will continue to focus on the search for new opportunities and potential analog fields in which to apply our proprietary geologic models and production techniques. We anticipate participating in 30 gross wells in the ArkLaTex region and are the operator of properties representing approximately

75% of our 2002 $14 million drilling capital expenditures budget.

Williston Basin Region. Nance Petroleum Corporation, a wholly owned subsidiary of St. Mary, has conducted operations in the Williston Basin in eastern Montana and western North Dakota on our behalf since 1991, initially under a joint venture arrangement and subsequently as a wholly owned subsidiary. The Williston Basin region accounted for 32% of our estimated proved reserves as of December 31, 2001, or 121.9 BCFE, 87% of which were proved developed and 80% of which were oil.

Our office in Billings, Montana includes a 28-person staff, some of which have spent over 20 years and their entire careers in the Williston Basin. A significant portion of the exploration and development in the Williston Basin is based on the interpretation of 3-D seismic data. We have successfully used 3-D seismic imaging to delineate structure and porosity development in the Red River formation. Since 1991 we have successfully completed 30 out of 32 gross wells drilled and operated. Our prospect inventory continues to expand as results from current activity lead to additional areas to conduct 3-D seismic surveys. Seven 3-D surveys are planned for 2002, exceeding the number of surveys conducted in any prior year.

St. Mary spent $16 million on exploration and development in the Williston Basin in 2001. In November 2001 we completed a $40.5 million acquisition of properties from Choctaw II Oil & Gas, Ltd. The properties are located in our Williston Basin core area and the Green River Basin in Wyoming and produce approximately 1,200 barrels of oil and 4,600 Mcf of gas per day. Our 2002 Williston Basin exploration and development capital budget is $22.0 million. We plan to drill ten operated wells with working interests ranging from 60% to 100%. We are the operator of properties representing approximately 80% of our Williston Basin capital budget in 2002.

Permian Basin Region. The Permian Basin area covers a significant portion of eastern New Mexico and western Texas and is one of the major producing basins in the United States. The basin includes hundreds of oil fields undergoing secondary and enhanced oil recovery projects. 3-D seismic imaging of existing fields and advanced secondary recovery programs are substantially increasing oil recoveries in the Permian Basin. Our holdings in the Permian Basin resulted from a series of niche property acquisitions since 1995, which total $21.9 million. We believe that our Permian Basin operations provide us with a solid base of long-lived oil reserves, promising longer-term exploration and development prospects and the potential for secondary recovery projects. The Permian Basin region accounted for 9% of our estimated proved reserves as of December 31, 2001, or 36.1 BCFE, of which 81% were proved developed and 65% were oil.

St. Mary participated in drilling 12 gross wells in 2001 with a 100% success rate. The East Shugart Delaware Unit waterflood project was initiated in 2000. The initial response from the water injection is anticipated in 2002, and we are hopeful the East Shugart waterflood will be an analog to our successful Parkway Delaware Unit waterflood that increased production from 325 Bbl per day in 1996 when the property was aquired to 1,125 Bbl per day as of February 12, 2002.

Our Permian Basin capital budget for 2002 is $9.0 million. In addition to drilling four injection wells in the East Shugart Delaware waterflood, two Morrow test wells are planned in the Parkway field and six in-fill wells are planned at Ft. Chadbourne. The HJSA top lease on 30,450 acres in Ward County, Texas became effective on August 5, 2000 and at year-end 2001 was producing 2,800 MCFE per day net to St. Mary. 3-D seismic data over the 50 square mile

lease was reprocessed and is currently being evaluated. We believe opportunities will develop with respect to our non-operated 21.4% interest in this lease.

Other Areas. In 2001 we acquired leases covering 115,000 acres in which we own an average 92% working interest in the Hanging Woman Basin of Montana and Wyoming for prospective coalbed methane development. We have drilled an 18-well pilot program and are evaluating its results. We are also currently investigating permitting and environmental issues related to these prospects. We will be unable to determine the future potential of these prospects until we have completed the evaluation of our pilot program and have resolved all such permitting and environmental issues. An environmental public interest group has filed a lawsuit against the federal Bureau of Land Management seeking to cancel certain federal leases related to coalbed methane development in Montana, which could affect 46,000 of our 115,000 leased acres. We will monitor this lawsuit as part of our investigation of environmental issues related to these prospects.

Coalbed methane production is similar to our traditional natural gas production as to the physical producing facilities and the product produced. However, the subsurface mechanisms that allow the gas to move to the wellbore and the producing characteristics of coalbed methane wells are very different from traditional natural gas production. Unlike conventional gas wells, which require a porous and permeable reservoir, hydrocarbon migration and a natural structural and/or stratigraphic trap, the coalbed methane gas is trapped in the molecular structure of the coal itself until released by pressure changes resulting from the removal of in situ water. Frequently, coalbeds are partly or completely saturated with water. As the water is removed, internal pressures on the coal are decreased, allowing the gas to desorb from the coal and flow to the wellbore. Unlike traditional gas wells, new coalbed methane wells often produce water for several months and then, as the water production decreases, natural gas production increases as the coal seams de-water.

Coalbed methane gas production requires state permits for the use of

well-site pits and evaporation ponds for the disposal of produced water. However, groundwater produced from the coal seams can generally be discharged into arroyos, surface waters, well-site pits and evaporation ponds without a permit if it does not exceed surface discharge permit levels, and if it meets state and federal primary drinking water standards. All of these disposal options require an extensive third-party water sampling and laboratory analysis program to ensure compliance with state permit standards. Where water of lesser quality is involved or the wells produce water in excess of the applicable volumetric permit limits, additional disposal wells would have to be drilled to re-inject the produced water back into deep underground rock formations.

We are also currently investigating other potential unconventional natural gas projects in the Rocky Mountains.

Acquisitions

In November 2001, we completed a $40.5 million acquisition from Choctaw II Oil & Gas, Ltd. of oil and gas properties located in our Williston Basin core area and the Green River Basin in Wyoming. In December 2000 we completed a $31.6 million acquisition of oil and gas properties in the Mid-Continent region from JN Exploration. Also in 2000 we completed $21.5 million of niche acquisitions in our other core areas. During the last five years we have completed over $171 million of acquisitions. For 2002 we have budgeted $60.0

million for property acquisitions. However, we have the financial capacity to commit substantially greater resources to purchases should additional opportunities be identified. In February 2002 we completed a $7.8 million acquisition of properties in the Arkoma Basin of the Mid-Continent region from Merchant Resources #1 L.P.

Reserves

The following table presents summary information with respect to the estimates of our proved oil and gas reserves for each of the years in the three-year period ended December 31, 2001, as prepared by both Ryder Scott Company, independent petroleum engineers, and us. For the periods presented, Ryder Scott Company evaluated properties representing approximately 80% of our total PV-10 value while we evaluated the remainder. The PV-10 values shown in the following table are not intended to represent the current market value of the estimated proved oil and gas reserves owned by St. Mary. Neither prices nor costs have been escalated, but prices include the effects of hedging contracts. You should read the following table along with the sections entitled "Risk Factors - Risks Related to Our Business - Information concerning our reserves and future net revenue estimates is uncertain".

	As of December 31,		
	2001	2000	1999
Proved Reserves Data:			
Oil (MBbls)	23,669	20,950	18,900
Gas (MMcf)	241,231	225,975	207,642
MMCFE	383,247	351,673	321,042
PV-10 value (in thousands) (1)	$ 363,795	$ 1,153,663	$ 351,016
Proved Developed Reserves	86%	87%	84%
Production Replacement	166%	168%	541%
Reserve Life (years) (2)	7.1	6.7	10.3

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(1) PV-10 value as of December 31, 2001 was calculated using prices in effect at December 31, 2001 of $19.84 per barrel of oil (NYMEX) and $2.65 per MMBtu of gas (Gulf Coast spot price). Both of these prices were then adjusted for transportation and basis differentials. These prices were 26 % and 72 % lower, respectively, than prices used to calculate PV-10 value as of December 31, 2000.

(2) Reserve life represents the estimated proved reserves at the dates indicated divided by actual production for the preceding 12-month period. The value as of December 31, 1999 reflects the acquisition of King Ranch Energy in December 1999.

Production

The following table summarizes the average volumes of oil and gas produced from properties in which St. Mary held an interest during the periods indicated:

	Years Ended December 31,		
	2001	2000	1999
Operating Data:			
Net production:			

Oil (MBbls)	2,434	2,398	1,383
Gas (MMcf)	39,491	38,346	22,805
MMCFE	54,093	52,731	31,104
Average net daily production:			
Oil (Bbls)	6,667	6,551	3,790
Gas (Mcf)	108,195	104,769	62,478
MCFE	148,199	144,075	85,216
Average sales price (1):			
Oil (per Bbl)	$ 23.29	$ 23.53	$ 16.56
Gas (per Mcf)	$ 3.73	$ 3.44	$ 2.21
Additional per MCFE data:			
Lease operating expense	$ 0.75	$ 0.48	$ 0.44
Transportation costs	$ 0.04	$ 0.04	$ 0.03
Production taxes	$ 0.23	$ 0.21	$ 0.16
General and administrative	$ 0.22	$ 0.21	$ 0.29
Depreciation, depletion and amortization	$ 0.95	$ 0.76	$ 0.73

(1) Includes the effects of St. Mary's hedging activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Productive Wells

As of December 31, 2001, we had interests in 947 gross (319 net) productive oil wells and 1,396 gross (268 net) productive gas wells. Productive wells are either producing wells or wells capable of commercial production although currently shut in. One or more completions in the same wellbore are counted as one well. A well is categorized under state reporting regulations as an oil well or a gas well based upon the ratio of gas to oil produced when it first commenced production, and such designation may not be indicative of current production.

Drilling Activity

The following table sets forth the wells drilled and recompleted in which St. Mary participated during each of the three years indicated:

	Years Ended December 31,					
	2001		2000		1999	
	Gross	Net	Gross	Net	Gross	Net
Development:						
Oil	48	14.49	40	17.37	26	10.45
Gas	154	33.28	107	24.94	105	22.26
Non-productive	31	7.13	31	9.38	14	5.75
	233	54.90	178	51.69	145	38.46
Exploratory:						
Oil	3	1.55	6	4.17	1	.20
Gas	9	1.84	11	3.63	12	3.84
Non-productive	7	2.56	8	4.32	9	2.56
	19	5.95	25	12.12	22	6.60
Farmout or non-consent	9	-	8	-	6	-
Total(1)	261	60.85	211	63.81	173	45.06

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(1) Does not include 12, 4 and 1 gross wells completed on St. Mary's fee lands during 2001, 2000 and 1999, respectively.

All of our drilling activities are conducted on a contract basis with independent drilling contractors. We do not own any drilling equipment.

Acreage

The following table sets forth the gross and net acres of developed and undeveloped oil and gas leases, fee properties, mineral servitudes and lease options held by St. Mary as of December 31, 2001. Undeveloped acreage includes leasehold interests that may already have been classified as containing proved undeveloped reserves.

Developed Acres (1)		Undeveloped Acres (2)		Total	
Gross	Net	Gross	Net	Gross	Net

Arkansas	2,255	399	167	28	2,422	427
Louisiana	98,588	33,493	41,837	13,818	140,425	47,311
Montana	43,135	21,869	191,747	144,870	234,882	166,739
New Mexico	7,280	2,196	1,320	913	8,600	3,109
North Dakota	55,464	22,080	136,511	67,592	191,975	89,672
Oklahoma	193,443	44,728	53,883	18,940	247,326	63,668
Texas	136,460	48,080	119,252	38,896	255,712	86,976
Wyoming	12,209	3,318	48,415	38,693	60,624	42,011
Other (3)	2,501	346	8,083	4,884	10,584	5,230
	551,335	176,509	601,215	328,634	1,152,550	505,143
Louisiana Fee Properties	10,357	10,357	14,557	14,557	24,914	24,914
Louisiana Mineral Servitudes	9,845	5,360	4,768	4,241	14,613	9,601
	20,202	15,717	19,325	18,798	39,527	34,515
Total	571,537	192,226	620,540	347,432	1,192,077	539,658

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(1) Developed acreage is acreage assigned to producing wells for the spacing unit of the producing formation. Developed acreage in certain of St. Mary's properties that include multiple formations with different well spacing requirements may be considered undeveloped for certain formations, but have only been included as developed acreage in the presentation above.

(2) Undeveloped acreage is lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains estimated proved reserves.

(3) Includes interests in Alabama, Colorado, Kansas, Mississippi, South Dakota, Utah and Washington. St. Mary also holds an overriding royalty interest in an additional 44,388 gross acres in Utah.

Item 3. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of this date, no legal proceedings are pending against us that individually or collectively could have a material adverse effect upon our financial condition or results of operations.

A lawsuit has been filed in the Federal District Court in Montana by an environmental public interest group seeking the cancellation of all federal leases related to coalbed methane development issued in the State of Montana since January 1, 1997 on the grounds of an alleged failure of the federal Bureau of Land Management to comply with federal environmental laws. The lawsuit potentially affects 46,000 acres subject to federal leases of the 115,000 acres in our Hanging Woman Basin coalbed methane project. While we have not been made a party to the lawsuit and while we believe upon the basis of information presently available to us that the applicable environmental laws have been complied with, there is no assurance of the outcome of the lawsuit and therefore there is no assurance that it will not adversely affect our coalbed methane prospect. However, even if the Montana federal leases become unavailable, we anticipate continuing with the Hanging Woman Basin prospect in Wyoming and obtaining additional non-federal leases in Montana.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2001.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages and positions held by St. Mary's executive officers as of January 31, 2002.

Name	Age	Position
Thomas E. Congdon	75	Chairman of the Board
Mark A. Hellerstein		President and Chief Executive Officer
Ronald D. Boone	54	Executive Vice President and Chief Operating Officer
Robert T. Hanley	55	Vice President - Business Development
Richard C. Norris	46	Vice President - Finance, Secretary and Treasurer
Milam Randolph Pharo	49	Vice President - Land and Legal
Garry A. Wilkening	51	Vice President - Administration and Controller
Douglas W. York	40	Vice President - Acquisitions and Engineering

Each of the executive officers has held the above positions for the past five years, with the exception of the following:

Robert T. Hanley has served as Vice President - Business Development since 2000. Prior to 2000, Mr. Hanley was Chief Financial Officer at Nance Petroleum Corporation and Panterra Petroleum.

Richard C. Norris has served as Vice President - Finance and Secretary since 1999. Prior to 1999, Mr. Norris was Vice President - Accounting and Administration and Treasurer. He joined St. Mary in 1982 as Corporate Controller.

Milam Randolph Pharo has served as Vice President - Land and Legal since 1998. Mr. Pharo joined St. Mary in 1996 as Vice President - Land and was previously in private practice as an attorney specializing in oil and gas matters since 1977.

Garry A. Wilkening joined St. Mary in 1993 as Corporate Controller. He was named Vice President - Administration in 1999. Prior to joining St. Mary, Mr. Wilkening was Corporate Controller for Fuel Resources Development Company, a subsidiary of Public Service Company of Colorado (now named Xcel Energy).

The executive officers of the Company serve at the pleasure of the board of directors and do not have fixed terms. Executive officers generally are elected at the regular meeting of the board immediately following the annual stockholders meeting. Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgement the best interests of the Company will be served thereby without prejudice, however, to contractual rights, if any, of the person so removed.

There are no family relationships, first cousin or closer, between any executive officer and director. There are no arrangements or understandings between any officer and any other person pursuant to which that officer was elected.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information. St. Mary's common stock is traded on the Nasdaq National Market System under the symbol MARY. The range of high and low prices for the quarterly periods in 2001 and 2000, as reported by the Nasdaq National Market System and adjusted for the two-for-one stock split which was distributed on September 5, 2000 to shareholders of record as of the close of business on August 21, 2000, is set forth below:

Quarter Ended	High	Low
December 31, 2001	$22.20	$14.65
September 30, 2001	21.81	14.58
June 30, 2001	25.24	19.25
March 31, 2001	35.00	20.63
December 31, 2000	$34.31	$19.00
September 30, 2000	24.31	14.75
June 30, 2000	21.03	14.78
March 31, 2000	15.75	11.19

Holders. As of January 31, 2002, the number of record holders of St. Mary's common stock was 214. Management believes, after inquiry, that the number of beneficial owners of our common stock is in excess of 3,700.

Dividends. St. Mary has paid cash dividends to stockholders every year since 1940. Annual dividends of $0.10 per share were paid in each of the years 1998 through 2001. We expect that our practice of paying dividends on our common stock will continue, although the payment of future dividends on our common stock will continue to depend on our earnings, capital requirements, financial condition and other factors. In addition, the payment of dividends is subject to covenants in our bank credit facility, including the requirement that we maintain certain levels of stockholders' equity. Dividends are currently paid on a semi-annual basis. Dividends paid totaled $2,795,000 in 2001 and $2,775,000 in 2000.

Restricted Shares. St. Mary issued 5,332,374 shares of its common stock to the shareholders of King Ranch, Inc. for the acquisition of King Ranch Energy, Inc. in December 1999. Those shares were subject to contractual restrictions on transfer until March 31, 2001, and are now freely transferable. We also issued 518,988 restricted shares of our common stock in connection with the acquisition of Nance Petroleum Corporation in June 1999. Those shares are restricted securities under federal securities laws and are also subject to contractual restrictions on transfer, which expire in increments over a three-year period from the date of acquisition. In addition, in connection with our March 2002 issuance of 5.75% senior convertible notes, our executive officers and directors entered into lock-up agreements under which they have agreed not to offer or sell any shares of our common stock or similar securities for a period of 90 days from March 7, 2002 without the prior written consent of the initial purchasers of the notes.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data for St. Mary as of the dates and for the periods indicated. The financial data for each of the five years presented were derived from the Consolidated Financial Statements of St. Mary. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which includes a discussion of factors materially affecting the comparability of the information presented, and in conjunction with St. Mary's financial statements included elsewhere in this report.

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In thousands, except per share data)				
Income Statement Data:					
Operating revenues:					
Oil and gas production	$ 203,973	$ 188,407	$ 73,387	$ 71,413	$ 76,603
Other	3,496	7,259	1,527	8,096	15,282
Total operating revenues	207,469	195,666	74,914	79,509	91,885
Operating expenses:					
Oil and gas production	55,000	38,461	19,574	17,770	16,097
Depletion, depreciation & amortization	51,346	40,129	22,574	24,912	18,366
Exploration	19,518	9,633	11,593	11,705	6,847
Impairment of proved properties	820	4,449	3,982	17,483	5,202
Abandonment and impairment of unproved properties	3,865	1,841	6,616	4,457	2,077
General and administrative	11,762	11,166	9,172	7,097	7,645
Unrealized derivative loss	1,573	-	-	-	-
Other	1,673	1,437	1,802	9,304	606
Total operating expenses	145,557	107,116	75,313	92,728	56,840
Income (loss) from operations	61,912	88,550	(399)	(13,219)	35,045
Non-operating (expense) income	376	737	75	(1,027)	(99)
Income tax (expense) benefit	(21,829)	(33,667)	406	5,415	(12,325)
Income (loss) from continuing operations	40,459	55,620	82	(8,831)	22,621
Gain on sale of discontinued operations, net of income taxes	-	-	-	34	488
Net income (loss)	$ 40,459	$ 55,620	$ 82	$ (8,797)	$ 23,109
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ 1.45	$ 2.00	$ -	$ (0.40)	$ 1.07
Gain on sale of discontinued operations	-	-	-	-	0.02
Basic net income (loss) per share	$ 1.45	$ 2.00	$ -	$ (0.40)	$ 1.09
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ 1.42	$ 1.97	$ -	$ (0.40)	$ 1.05
Gain on sale of discontinued operations	-	-	-	-	0.02
Diluted net income (loss) per share	$ 1.42	$ 1.97	$ -	$ (0.40)	$ 1.07
Cash dividends per share	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Basic weighted average common shares outstanding	27,973	27,781	22,198	21,874	21,240
Diluted weighted average common shares outstanding	28,555	28,271	22,329	21,874	21,506

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In thousands, except per share data)				
Balance Sheet Data (end of period):					
Working capital	$ 34,000	$ 40,639	$ 13,440	$ 9,785	$ 9,618
Net property and equipment	358,930	252,411	180,664	143,825	157,481
Total assets	436,989	321,895	230,438	184,497	212,135
Long-term obligations	64,000	22,000	13,000	19,398	22,607
Total stockholders' equity	286,117	250,136	188,772	134,742	147,932

Other Data:					
EBITDA (1)	$ 113,258	$ 128,679	$ 22,175	$ 11,693	$ 53,411
Net Cash provided by (used in)					
Operating activities	127,492	92,267	40,755	45,386	43,111
Investing activities	(159,075)	(112,868)	(22,243)	(36,982)	(67,477)
Financing activities	29,080	13,025	(12,138)	(7,695)	28,140
Capital and exploration expenditures, cash and noncash	182,863	125,184	91,184	57,855	89,213

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(1) EBITDA is defined as earnings before interest income and expense, income taxes, depreciation, depletion, amortization, and gain on sale of discontinued operations. EBITDA is a financial measure commonly used for St. Mary's industry and should not be considered in isolation or as a substitute for net income, cash flow provided by operating activities or other income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity. Because EBITDA excludes some, but not all, items that affect net income and may vary among companies, the EBITDA presented above may not be comparable to similarly titled measures of other companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

The year ended December 31, 2001 was volatile, not only for our industry, but also for the country as a whole. Spot gas prices per MMBtu ranged from $9.73 to $1.73. The NYMEX gas strip price fell by more than half. Oil prices dropped from a per barrel high of $32.00 to $17.50. The economy entered a recession that was further impacted by the events of September 11th and Enron's collapse. In our industry, rig utilization moved to effective capacity and resulted in substantial cost increases and diminished service quality. Operating costs also increased dramatically. Higher drilling, completion and operating costs and an overheated acquisition market made reserve additions costly. Through this turbulent environment we modestly grew production and maintained a strong balance sheet.

The industry enters 2002 with record gas in storage as well as excess OPEC capacity and a weakened economy. This suggests to us that we will encounter weaker prices in the near term. Subject to uncertainties specified in our cautionary statement about forward looking statements we project that results of operations for 2002 will reflect lower revenues and lower net income.

Critical Accounting Policies and Estimates

Our discussion of financial condition and results of operation are based upon the information reported in our consolidated financial statements. The preparation of these financial statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities at the date of our financial statements. We base our decisions on historical experience and various other sources that are believed to be reasonable under the circumstances. Actual results may differ from the estimates we calculated due to changing business conditions or unexpected circumstances. Policies we believe are critical to understanding our business operations and results of operations are detailed below. For additional information on our significant accounting policies you should see Note 1 and Note 11 in our accompanying consolidated financial statements.

Revenue recognition - We are engaged in the exploration, development, acquisition and production of natural gas and crude oil. Our revenue recognition policy is significant because our revenue is a key component of our results of operations and our forward looking statements contained in Liquidity and Capital Resources. We derive our revenue primarily from the sale of produced natural gas and crude oil. Revenue is recorded in the month our production is delivered to the purchaser, but payment is generally received between 30 and 90 days after the date of production. At the end of each period we make estimates of the amount of production delivered to the purchaser and the price we received. We use our knowledge of our properties, their historical performance, NYMEX and local spot market prices and other factors as the basis for these estimates. Variances between our estimates and the actual amounts received are recorded in the month payment is received.

Oil and gas reserve quantities - Estimated reserve quantities and the related estimates of future net cash flows affect our periodic calculations of depletion, depreciation and impairment for our proved oil and gas properties. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing

economic and operating conditions. Future cash inflows and future production and development costs are determined by applying benchmark

prices and costs, including transportation and basis differentials, in effect at the end of each period to the estimated quantities of oil and gas remaining to be produced at the end of that period. Expected cash flows are reduced to present value using a discount rate that depends upon the calculation for which the reserve estimates will be used. Reserve estimates are inherently imprecise and estimates of new discoveries are more imprecise than those of proved producing oil and gas properties. We expect that periodic reserve estimates will change in the future as additional information becomes available or as oil and gas prices and costs change. For any period, unknown circumstances could have caused us to calculate more or less depletion, depreciation or impairment. Changes in these calculations caused by changes in reserve quantities or net cash flows are recorded in the period that the reserve estimates changed.

Valuation of long-lived and intangible assets - Our property and equipment is recorded at cost. An impairment allowance is provided on unproved property when we determine that the property will not be developed. We evaluate the realizability of our proved producing and other long-lived assets whenever events or changes in circumstances indicate that an impairment may have occurred. Our impairment test compares the expected undiscounted future net revenues from a property using escalated pricing with the related net capitalized costs of the property at the end of each period. When the net capitalized costs exceed the undiscounted future net revenue of a property the cost of the property is written down to our estimate of fair value, which is determined by applying a 15% discount rate to future net revenues. Each company has its own criteria for acceptable internal rates of return, and those criteria can change overtime. Different pricing assumptions or discount rates would result in a different calculated impairment.

Income taxes - We provide for deferred income taxes on the difference between the tax basis of an asset or liability and its carrying amount in our financial statements. This difference will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Our federal and state income tax returns are generally not filed before the consolidated financial statements are prepared, therefore we estimate the tax basis of our assets and liabilities at the end of each period as well as the effects of tax rate changes, tax credits and net operating loss carryforwards. Adjustments related to differences between the estimates we used and actual amounts we reported are recorded in the period in which we file our income tax returns.

The following analysis contains additional discussion of management and accounting policies that are relevant to specific disclosures.

Results of Operations

The results of operations for 2000 include the full year impact of two significant acquisitions made during 1999. On June 1, 1999 St. Mary acquired Nance and Quanterra Alpha Limited Partnership and then acquired various other Williston Basin properties later in 1999 and into 2000. On December 17, 1999 St. Mary acquired King Ranch Energy, Inc now named St. Mary Energy Company.

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

	Years Ended December 31,		
	2001	2000	1999
	(In thousands, except per volume data)		
Oil and gas production revenues:			
Gas production	$ 147,292	$ 131,979	$ 50,482
Oil production	56,681	56,428	22,905
Total	$ 203,973	$ 188,407	$ 73,387
Net production:			
Gas (MMcf)	39,491	38,346	22,805
Oil (MBbls)	2,434	2,398	1,383
MMCFE	54,093	52,731	31,103
Average sales price (1):			
Gas (per Mcf)	$ 3.73	$ 3.44	$ 2.21
Oil (per Bbl)	$ 23.29	$ 23.53	$ 16.56
Oil and gas production costs:			
Lease operating expenses	$ 40,505	$ 25,567	$ 13,641
Transportation costs	2,321	1,817	893
Production taxes	12,174	11,077	5,040
Total	$ 55,000	$ 38,461	$ 19,574
Additional per MCFE data:			
Sales price (see Discussion under Accounting Matters)	$ 3.77	$ 3.57	$ 2.36

Lease operating expenses	(0.75)	(0.48)	(0.44)
Transportation costs	(0.04)	(0.04)	(0.03)
Production taxes	(0.23)	(0.21)	(0.16)
Operating margin	$ 2.75	$ 2.84	$ 1.73
Depletion, depreciation and amortization	$ 0.95	$ 0.76	$ 0.73
Impairment of proved properties	$ 0.02	$ 0.08	$ 0.13
General and administrative	$ 0.22	$ 0.21	$ 0.29

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

2001 to 2000 Comparison

Oil and Gas Production Revenues. Oil and gas production revenues increased $15.6 million, or 8% to a record $204.0 million in 2001 compared to $188.4 million in 2000. Revenue from gas production increased $15.3 million or 12%. This increase was a result of a gas production volume increase of 3% and an 8% increase in the average realized gas price to $3.73 per Mcf in 2001. Revenue from oil production increased $253,000. This increase resulted from an oil production volume increase of 1% offset by a 1% decrease in the average realized oil price to $23.29 per Bbl in 2001. Projections of pricing for oil and gas in 2002 lead us to believe that our average realized price for both gas and oil will decrease in 2002. Our share of revenue from wells completed in 2001 added $27.5 million of revenue and our December 2000 acquisition of JN Exploration properties added $11.5 million of revenue and average daily production of 7.4 MMCFE in 2001. Average net daily production increased to a new annual record of 148.2 MMCFE in 2001 compared to 144.1 MMCFE in 2000. Wells completed in 2001 offset 22.3 MMCFE of decline in average daily production from older properties.

St. Mary hedged approximately 34.6% or 841 MBbls of its oil production for 2001 and realized a $1.9 million decrease in oil revenue attributable to hedging compared to a $13.2 million decrease in 2000. Without these contracts we would have received an average price of $24.08 per Bbl in 2001 compared to $29.01 per Bbl in 2000. We also hedged 40.6% of our 2001 gas production or 17.6 million MMBtu and realized a $19.2 million decrease in gas revenue attributable to hedging compared to a $20.5 million decrease in gas revenues in 2000. Without these contracts we would have received an average price of $4.22 per Mcf for 2001 compared to $3.97 per Mcf in 2000. It is possible with the contracts we currently have in place and the December 31, 2001 projections of pricing for natural gas and oil in 2002 that we will record increases in oil and gas revenues attributable to hedging in 2002.

Oil and Gas Production Expenses. Oil and gas production expenses consist of lease operating expenses, production taxes and transportation expenses. Total production expenses increased $16.5 million, or 43% in 2001 to $55.0 million compared with $38.5 million in 2000. During 2001 we experienced a $4.9 million increase in non-recurring LOE most of which related to activity in the Williston Basin and the Gulf Coast Region. Williston Basin acquisitions in the last half of 2000 and in 2001 added $1.7 million of LOE. Recurring LOE from our JN Exploration acquisition properties represented $1.1 million of the increase and wells completed in 2001 added another $1.1 million. We experienced higher recurring LOE from wells completed in the Williston Basin, the Permian Basin and the Gulf Coast/Gulf of Mexico as a result of increased competition for limited availability of services and general cost inflation. Higher production taxes and transportation expenses resulting from higher oil and gas revenues account for $1.6 million of the increase. Total production costs per MCFE increased 40% to $1.02 for 2001 compared with $0.73 in 2000. An $0.18 per MCFE increase was due to the increase in non-recurring LOE plus LOE from acquisitions and wells completed in 2001. Another $0.02 per MCFE increase was due to increased production taxes and transportation expenses. The remaining increase is due to general cost inflation. This will be an area of concentration for us in 2002 as we attempt to decrease oil and gas production expenses in total and on a per MCFE basis.

Depreciation, Depletion, Amortization and Impairment. DD&A increased $11.2 million or 28% to $51.3 million in 2001 compared with $40.1 million in 2000. DD&A expense per MCFE increased 25% to $0.95 in 2001 compared to $0.76 in 2000. This increase reflects acquisitions and drilling results in 2000 and 2001 that added costs at a higher per unit rate. The DD&A per MCFE rate was further affected by downward adjustments to reserves due to pricing differences between December 31, 2001 and December 31, 2000.

St. Mary recorded an $820,000 impairment of proved oil and gas properties in 2001 compared with $4.4 million in 2000. Impairments in 2001 include a declining performance adjustment of $520,000 from the Thornton South prospect in Texas and various marginal well impairments.

Abandonment and impairment of unproved properties increased $2.0 million or 110% to $3.9 million in 2001 compared to $1.8 million in 2000. This increase is due to an increase in abandonment of expired leases in 2001 and the impairment of leasehold costs related to several exploratory dry holes.

Exploration. Exploration expense for 2001 increased $9.9 million or 103% to $19.5 million compared with $9.6 million in 2000. Percentages of total exploration expense are as follows:

	2001	2000
o Geological and geophysical expenses	19%	24%
o Exploratory dry holes	47%	21%
o Overhead and other expenses	34%	55%

Oil and gas exploration is imprecise, and success can be affected by numerous factors. Not every likely geological structure contains oil or natural gas. Even when oil or natural gas is discovered there are no guarantees that sufficient quantities can be produced to justify the completion of an exploratory well. In 2002 we have budgeted for geological and geophysical expenses and expect to incur overhead and other expenses in the pursuit of exploration, but we generally explore with an expectation of success.

General and Administrative. General and administrative expenses increased $596,000 or 5% to $11.8 million in 2001 compared to $11.2 million in 2000. Increases in compensation expense associated with increased personnel, our incentive plans and general cost inflation were offset by a $4.3 million increase in COPAS overhead reimbursements from operations and costs allocated to exploration expense

Income Taxes. Income tax expense totaled $21.8 million in 2001 resulting in an effective tax rate of 35.0% compared to $33.7 million in 2000 with an effective tax rate of 37.7%. The effective rate change from 2000 reflects decreased accrued state income taxes from marginal rate adjustments and a decrease in deferred federal income tax due to a 1% rate decrease from the highest federal marginal rate.

Net Income. Net income decreased to $40.5 million for 2001 compared to $55.6 million for 2000. An 8% increase in gas prices and a 3% increase in production volumes resulted in a $15.6 million increase in oil and gas production revenue. Increases in oil and gas production costs and DD&A of $27.8 million, a $5.2 million decrease from gains on sale of proved property and KMOC stock and a $9.9 million increase in exploration expense offset the increase in revenue and an $11.8 million decrease in income tax expense.

2000 to 1999 Comparison

Oil and Gas Production Revenues. St. Mary experienced a record year in 2000 for growth in oil and gas production revenues. This amount increased $115.0 million, or 157% to $188.4 million in 2000 compared to $73.4 million in 1999. Revenue from gas production increased $81.5 million or 161%. This increase was a result of a gas production volume increase of 68% and a 56% increase in the average realized gas price to $3.44 per Mcf in 2000. Revenue from oil production increased $33.5 million or 146%. This increase resulted from an oil production volume increase of 73% and a 42% increase in the average realized oil price to $23.53 per Bbl in 2000. Average net daily production increased to a 12-month record of 144.1 MMCFE in 2000 compared to 85.2 MMCFE in 1999. Our King Ranch Energy acquisition and Williston Basin acquisitions since June 1999 have added $97.0 million of revenue, not adjusted for hedge losses and average net daily production of 57.7 MMCFE over the prior year. A positive response to a waterflood at Parkway Delaware Unit combined with a successful gas well completion and pricing changes in the Permian Basin added 4.6 MMCFE to average net daily production and $10.9 million of revenue before hedge losses from 1999 to 2000.

St. Mary hedged approximately 55.4% or 1,329 MBbls of its oil production for 2000 and realized a $13.2 million decrease in oil revenue attributable to hedging compared to a $2.0 million decrease in 1999. Without these contracts we would have received an average price of $29.01 per Bbl in 2000 compared to $18.01 per Bbl in 1999. St. Mary also hedged 44.1% of its 2000 gas production or 18.6 million MMBtu and realized a $20.5 million decrease in gas revenue attributable to hedging compared to a $558,000 decrease in gas revenues in 1999. Without these contracts we would have received an average price of $3.97 per Mcf for 2000 compared to $2.19 per Mcf in 1999.

Gain (loss) on Sale of Proved Properties. Gain on sale of proved properties increased to $3.4 million in 2000 from a loss of $55,000 in 1999. St. Mary recognized a $1.8 million gain on the sale of shallow production from the HJSA top lease to the previous operator, a $1.0 million gain from the sale of various properties at auction and a $455,000 gain on the sale of our share of the Rock Penn Unit in west Texas.

Gain on sale of KMOC Stock. In February 2000 St. Mary exercised its option to convert its Khanty Mansiysk Oil Corporation production payment receivable into common stock of KMOC. In July 2000 we finalized a negotiated value for the receivable that equated to 21,583 shares of KMOC common stock under the terms of the original agreement. In December 2000 we sold 14,662 of these shares and recognized a net gain of $2.2 million.

Oil and Gas Production Expenses. Total production costs increased $18.9 million, or 96% in 2000 to $38.5 million compared with $19.6 million in 1999. The KRE acquisition and Williston Basin acquisitions since June 1999 have added $15.3 million of production costs over 1999. These costs have also increased by $2.4 million in the Permian Basin as a result of waterflood activities. Total production costs per MCFE increased 16% to $0.73 for 2000 compared with $0.63 in 1999. We experienced a general $0.06 per MCFE increase in 2000 as a result of increased production taxes from increased revenue and an increase in lease operating costs. The additional $0.04 per MCFE increase was due to lease

operating expenses and increased production taxes on increased revenue in the higher-cost Williston and Permian Basins.

Depreciation, Depletion, Amortization and Impairment. DD&A increased $17.6 million or 78% to $40.1 million in 2000 compared with $22.6 million in 1999. DD&A expense per MCFE increased 5% to $0.76 in 2000 compared to $0.73 in 1999. During the first three quarters of 2000 we had

reported a decrease in the DD&A rate per MCFE. This decrease was the result of a lower than average cost per unit from the KRE and Nance acquisitions, the addition of lower cost reserves from 1999 drilling activities and the effect of producing property impairments we recognized in the fourth quarter of 1999 and the first quarter of 2000. In the fourth quarter of 2000 two factors occurred that reversed this trend. First, we finalized the allocation of KRE acquisition costs as allowed by accounting standards. Second, year-end downward reserve adjustments for certain fields caused DD&A per MCFE to increase $0.08 for the year.

St. Mary recorded a $4.4 million impairment of proved oil and gas properties in 2000 compared with $4.0 million in 1999. Impairments in 2000 included a declining performance adjustment of $703,000 from the West Cameron Block 39 prospect in the Gulf of Mexico. Marginal well impairments included $656,000 from the Midland prospect in south Louisiana, $271,000 for the NE Collins prospect in Mississippi, $269,000 for the Heil II prospect in Texas and, in Oklahoma, $478,000 from the Buffalo Wallow prospect, $371,000 from the Boggy Creek prospect and $490,000 from the SW Weatherford prospect.

Abandonment and impairment of unproved properties decreased $4.8 million or 72% to $1.8 million in 2000 compared to $6.6 million in 1999. This decrease was due to a reduction in abandonment of expired leases in 2000 and the 1999 impairment of South Horseshoe Bayou.

Exploration. Exploration expense for 2000 decreased $2.0 million or 17% to $9.6 million compared with $11.6 million in 1999. Percentages of total exploration expense are as follows:

	2000	1999
o Geological and geophysical expenses	24%	12%
o Exploratory dry holes	21%	45%
o Overhead and other expenses	55%	43%

General and Administrative. General and administrative expenses increased $2.0 million or 22% to $11.2 million in 2000 compared to $9.2 million in 1999. Increases in general and administrative expenses resulting from the KRE and Nance acquisitions and charitable contributions of $809,000 were partially offset by a $2.8 million COPAS overhead reimbursement increase related to operations of the KRE properties and assumption of Permian Basin operations.

Income Taxes. Income tax expense totaled $33.7 million in 2000 resulting in an effective tax rate of 37.7% compared to a net benefit in 1999 of $406,000. The effective rate change from 1999 reflects a diminished effect from alternative fuel credits allowed under Internal Revenue Code Section 29 due to higher net income before tax, additional accrued state income taxes from income generated by the properties acquired from KRE and an increase in deferred federal income tax from a 1% rate increase to the highest federal marginal rate. During 2000 St. Mary determined that it would be more beneficial to forego the Section 29 credits generated from 1999 resulting in a net operating loss for 1999 that could be utilized in 2000 to reduce its current liability. This change also impacted the effective rate for 2000.

Net Income. Net income increased to $55.6 million for 2000 compared to $82,000 for 1999. A 56% increase in gas prices, a 42% increase in oil prices and a 73% increase in oil production volumes and a 68% increase in gas production volumes resulted in a record $115.0 million increase in oil and gas production revenue. A $3.5 million increase in gain on the sale of proved properties and the $2.2 million gain from the sale of KMOC stock contributed to the $120.8 million increase in total operating revenues. These revenue increases were offset by corresponding increases in oil and gas production costs and DD&A as well as a $34.1 million increase in income tax expense.

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. An unexpected decrease in 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 the payment of stockholder dividends. Exploration and development programs are generally financed from internally generated cash flow, debt financing and cash and cash equivalents on hand. In the event of an unexpected decrease in oil and

gas prices, cash uses such as the acquisition of oil and gas properties and stockholder dividends are discretionary and can be reduced or eliminated. 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. An unexpected increase in oil and gas prices provides flexibility to modify our uses of cash flow.

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

Cash Flow. St. Mary's net cash provided by operating activities increased $35.2 million or 38% to $127.5 million in 2001 compared to $92.3 million in 2000. The increase reflects a change between years of $22.5 million from the collection of receivables and a change between years of $15.4 million from increased accounts payable.

St. Mary's net cash provided by operating activities increased $51.6 million or 127% to $92.3 million in 2000 compared to $40.8 million in 1999. The increase reflects the effect of increases in oil and gas production and prices.

Net cash used in investing activities increased $46.2 million in 2001 to $159.1 million compared to $112.9 million in 2000. Total 2001 capital expenditures for cash, including acquisitions of oil and gas properties, increased $53.2 million or 45% to $170.5 million in 2001 compared to $117.3 million in 2000 due to an increase in drilling activity in 2001 offset by a decrease in cash expended for oil and gas property purchases.

Net cash used in investing activities increased $90.7 million in 2000 to $112.9 million compared to $22.2 million in 1999. Total 2000 capital expenditures for cash, including acquisitions of oil and gas properties, increased $77.6 million or 192% to $117.9 million in 2000 compared to $40.3 million in 1999 due to an increase in drilling activity in 2000 and an increase in cash expended for oil and gas property purchases.

Net cash provided by financing activities increased $16.1 million to $29.1 million in 2001 compared to $13.0 million in 2000. The increase is due to a net $42.0 million increase in long-term debt during 2001 compared to a $9.0 million increase in 2000 offset by a $4.4 million decrease in proceeds received from the sale of common stock related to our stock option programs. We also

repurchased $12.9 million of our common stock during 2001. We used our credit facility to fund the acquisition of properties from Choctaw and finance current operations.

Net cash provided by financing activities increased $25.2 million to $13.0 million in 2000 compared to cash used in financing activities of $12.1 million in 1999. The increase is due to a net $9.0 million increase in long-term debt during 2000 compared to a $9.8 million decrease in 1999 and a $6.8 million increase in proceeds received from the sale of common stock related to St. Mary's stock option programs. Proceeds from stock option programs were used to finance current operations and retire outstanding debt under the credit facility. During 2000 cash flow from operations and stock option programs was sufficient to reduce the outstanding debt balance to zero. The $22.0 million balance in outstanding debt at December 31, 2000 was a result of the JN acquisition.

St. Mary had $4.1 million in cash and cash equivalents and had working capital of $34.0 million as of December 31, 2001 compared to $6.6 million in cash and cash equivalents and working capital of $40.6 million as of December 31, 2000.

Senior Convertible Notes. In March 2002 we issued in a private placement a total of $100.0 million of our 5.75% senior convertible notes due 2022 with a 1/2% contingent interest provision. We received net proceeds of $96.7 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 beginning on March 20, 2007. The note holders have the option of requring us to repurchase the Notes for cash at 100% of the principal amount plus accrued and unpaid interest upon (1) a change in control of St. Mary or (2) on March 20, 2007, March 15, 2012 and March 15, 2017. On March 20, 2007 we may pay the repurchase price with cash, shares of our common stock or any combination of cash and our common stock. We are not restricted from paying dividends, incurring debt, or issuing or repurchasing our securities under the indenture. 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 will use the remaining net proceeds to fund a portion of our 2002 capital budget.

Credit Facility. At December 31, 2001 we had an unsecured long-term revolving credit facility with a bank group consisting of Bank of America, Comerica Bank-Texas and Wells Fargo Bank West. Under this facility, the maximum loan amount was $200.0 million. The amount actually available depends upon a borrowing base that the lenders periodically redetermine based on the value of our oil and gas properties and other assets. As of December 31, 2001 the stated

total possible borrowing base was $170.0 million. However, since we pay commitment fees based on the unused portion of the borrowing base we have limited the borrowing base that we have accepted to correspond with our actual funding requirements. The accepted borrowing base was $100.0 million at December 31, 2001. See discussion below regarding the March 4, 2002 amendment to the credit facility. The facility has a maturity date of December 31, 2006, and includes a revolving period that matures on June 30, 2003 at which time all outstanding borrowings convert to a term loan payable in quarterly installments through the facility maturity date. We must comply with certain covenants including maintenance of stockholders' equity at a specified level, restrictions on additional indebtedness, sales of oil and gas properties, activities outside our ordinary course of business and certain merger transactions. Our next borrowing base redetermination is scheduled to occur on or before April 15, 2002.

As of December 31, 2001 and 2000, $64.0 million and $22.0 million, respectively, was outstanding under this credit agreement. These outstanding balances accrued interest at rates determined by St. Mary's debt to total capitalization ratio at our option of either (1) the higher of the federal funds rate plus 1/2% or the prime rate, or (2) LIBOR plus 3/4% when our debt to total capitalization is less than 30%, up to a maximum of either (a) the higher of the federal funds rate plus 3/4% or the prime rate plus 1/4%, or (b) LIBOR plus 1-3/8% when our debt to total capitalization is equal to or greater than 50%. At December 31, 2001 our debt to capitalization ratio as defined under the credit agreement was 22.4%.

In conjunction with the sale of the Notes discussed above we negotiated an amendment to the credit facility on March 4, 2002. This amendment sets the maximum loan amount to $115.0 million. Pursuant to the amendment, during the revolving period of the loan, loan balances will accrue interest at our option of either (1) the higher of the federal funds rate plus 1/2% or the prime rate, plus an additional 1/4% when our debt to capitalization ratio is greater than 50%, or (2) the LIBOR rate plus (a) 1% when our debt to total capitalization ratio is less than 30%, (b) 1 1/4% when our debt to capitization ratio is greater than or equal to 30% but less than 40%, (c) 1 3/8% when our debt to capitalization ratio is greater than or equal to 40% but less than 50%, or (d) 1 5/8% when our debt to capitalization ratio is greater than 50%. Proceeds from the Notes were used to repay the outstanding balance under the credit facility. Amounts repaid under the revolving loan provision of the credit facility will be available for reborrowing, subject to borrowing base limitations until June 30, 2003. Within 30 days after the closing of the Notes we must provide a pledge of collateral in favor of the banks to secure repayment of any future borrowings under the facility. Such collateral will consist primarily of security interests in the oil and gas properties of St. Mary and its subsidiaries.

Common Stock. At the annual stockholders meeting on May 23, 2001 the stockholders of St. Mary voted to increase the amount of authorized common shares to 100,000,000.

In July 2000 our board of directors approved a two-for-one stock split effected in the form of a stock dividend whereby one additional common share of stock was distributed for each common share outstanding. The stock split was distributed on September 5, 2000 to shareholders of record as of the close of business on August 21, 2000. All share and per share amounts for all periods presented herein have been restated to reflect this stock split.

In August 1998 our 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 March 13, 2002 we had repurchased a total of 1,009,900 shares of St. Mary common stock under the program for $16.2 million at a weighted average price of $15.86 per share, net of put option sale premiums received. 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.

Capital and Exploration Expenditures. 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.

	Capital and Exploration Expenditures		
	For the Years Ended December 31,		
	2001	2000	1999
	(In thousands)		
Development	$ 98,617	$ 48,996	$ 22,166
Exploration	24,506	17,012	20,809
Acquisitions:			
Proved	41,188	53,482	33,080
Unproved	18,552	5,694	15,129
Total	$182,863	$125,184	$ 91,184

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 smaller niche acquisitions utilizing our 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 for capital and exploration activities in 2001 increased $57.7 million or 46% compared to 2000. We spent $141.7 million in 2001 for unproved property acquisitions and domestic exploration and development compared to $71.7 million for the comparable period in 2000. Unproved property acquisitions increased by $12.9 million as a result of general leasing activity and our acquisition of coalbed methane development leases in the Hanging Woman Basin of Montana and Wyoming. We have drilled an 18-well pilot program and are evaluating its results. We are also currently investigating permitting and environmental issues related to the development. We will be unable to determine the future potential of this development until we have completed the evaluation of our pilot program and have resolved all permitting and environmental issues related to the development. An environmental public interest group has filed a lawsuit against the federal Bureau of Land Management seeking to cancel certain federal leases related to coalbed methane development in Montana, which could affect 46,000 of our 115,000 leased acres. We will monitor this lawsuit as part of our investigation of environmental issues related to these prospects.

In November 2001 we purchased oil and gas properties from Choctaw II Oil & Gas, Ltd. for $40.5 million in cash. We used a portion of our credit facility for this acquisition. The properties are primarily located in the Williston Basin of Montana and North Dakota and in the Green River Basin of Wyoming. The net interests we acquired were producing an estimated 1,200 Bbls of oil and 4,600 Mcf of gas per day when the acquisition was completed.

Capital Expenditure Budget. The 2002 capital expenditure budget is $164 million, of which $60 million is allocated for acquisitions. Budgeted ongoing exploration and development expenditures in 2002 for each of our core areas is as follows (in millions):

o Mid-Continent region	$ 33.0
o Gulf Coast and Gulf of Mexico region	$ 18.0
o ArkLaTex region	$ 14.0
o Williston Basin	$ 22.0
o Permian Basin	$ 9.0
o Other	$ 8.0
Total	$104.0

We believe that the amount not funded from our internally generated cash flow in 2002 can be funded from our existing cash, the net proceeds from the sale of the Notes and our bank 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.

Natural Gas and Oil Hedging. 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 to hedge cash flows from investments currently requiring a gas price in excess of $2.75 per Mcf and an oil price in excess of $22.00 per Bbl in order to meet minimum rate-of-return criteria. Management reviews these hedging parameters on a quarterly basis. We anticipate this strategy will result in the hedging of future cash flows from acquisitions. We generally limit our aggregate hedge position to no more than 35% of total production but will hedge up to 50% 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. Including hedges entered into since December 31, 2001 we have the following swaps in place:

Product	Average Volumes/month	Quantity Type	Average Fixed price	Duration
Natural Gas	1,467,000	MMBtu	$ 2.84	01/02 - 12/02
Natural Gas	168,000	MMBtu	$ 3.01	01/03 - 12/03
Natural Gas	59,000	MMBtu	$ 3.04	01/04 - 12/04
Oil	88,400	Bbls	$ 24.69	01/02 - 12/02
Oil	49,800	Bbls	$ 22.67	01/03 - 12/03

The above schedule excludes commodity positions with Enron North America Corp, which filed for bankruptcy protection in December 2001. Our unrealized discounted hedge gain due from Enron had grown to $4.5 million at the end of November 2001. Accounting rules require us to record the ineffective portion of our hedges in operations. We believe the Enron contracts we owned became ineffective, due to a change in counterparty risk as of November 13, 2001. Accordingly, we adjusted the fair value downward to the reduced estimated

fair value as of that date. A net non-cash loss of $1.6 million was recorded in the fourth quarter of 2001. The portion of the hedge that had been deferred in accumulated other comprehensive income immediately prior to the loss of effectiveness will be recognized as non-cash revenue over the next two years based on the originally scheduled settlement dates. We have estimated that 80% of the revenue will be realized in 2002 and 20% will be realized in 2003. We took all legal steps to preserve our rights under these contracts and sold our claim at a discounted price in February 2002. Both parties have agreed that any events resulting in an adjustment in the amount of the claim, as contrasted with the amount collected, will cause a proportional reimbursement from one party to the other.

Since the Enron bankruptcy filing, we have further diversified our hedge positions with various counterparties and require that such counterparties have clear indications of current financial strength.

KMOC Stock. In January 2002 we sold our remaining KMOC common stock resulting in a gain of $838,000.

Accounting Matters

On January 1, 2001 we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of SFAS No. 133 resulted in St. Mary recording a liability of $45.7 million for the fair value of the derivative instruments at January 1, 2001. The adoption entry resulted in deferral of the recognition of this liability to accumulated other comprehensive loss of $28.6 million at January 1, 2001. For 2001 we recognized a $1.6 million net hedge loss from hedge ineffectiveness on derivative instruments that were designated and qualified as cash flow hedging instruments comprised primarily of the loss of effectiveness on Enron North America Corp. hedge contracts. We anticipate that all hedge transactions will occur as expected.

In June 2001 the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." Under this statement all business combinations must be accounted for under the purchase method. The pooling method is no longer allowed. The statement also establishes criteria to assess when to recognize intangible assets separately from goodwill. SFAS No. 141 is effective for business combinations initiated after June 30, 2001 and for all business combinations using the purchase method for which the date of acquisition is after June 30, 2001. At this time we have no pending business combinations that would be affected by the adoption of this statement.

In June 2001 the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement addresses the accounting for goodwill and other intangible assets and provides specific guidance for testing goodwill and other intangible assets for impairment. This statement is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have a material effect on our financial position or results of operations.

In July 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires companies to recognize the fair value of an asset retirement liability in the financial statements by capitalizing that cost as part of the cost of the related long-lived asset. The asset retirement liability should then be allocated to expense by using a systematic and rational method. The statement is effective January 1, 2003. We have not determined the impact of adoption of this statement.

In August 2001 the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. The statement also requires expected future operating losses from discontinued operations to be recognized in the periods in which the losses are incurred, which is a change from the current requirement of recognizing such operating losses as of the measurement date. The statement is effective January 1, 2002. The adoption of the statement did not have a material effect on our financial position or results of operations.

Effects of Inflation and Changing Prices

Within the United States in 2000 and 2001 general cost inflation had an effect on St. Mary as reflected in increased drilling costs and lease operating costs. We cannot predict the future extent of any such effect.

St. Mary's results of operations and cash flows are affected by material changes in oil and gas prices. Oil and gas prices are strongly impacted by North American influences on gas and global influences on oil in relation to supply and demand for petroleum products. Oil and gas prices are further impacted by the quality of the oil and gas to be sold and the location of our producing properties in relation to markets for our products. Oil and gas price increases or decreases have a corresponding effect on our revenues from oil and gas sales. Oil and gas prices also affect the prices charged for drilling and related services. As oil and gas prices increase, revenues increase and there is usually a corresponding increase in our costs of drilling and related services. Also, as oil and gas prices increase, the cost of acquiring producing properties increases, which could limit the number and accessibility of quality properties on the market.

Material changes in oil and gas prices affect the current and future

value of our estimated proved reserves and our borrowing capability, which is largely based on the value of such proved reserves. Declining natural gas prices and volatile oil prices characterized most of 2001. The supply of drilling rigs, personnel, supplies and services was tight through the first half of the year and the cost of each of these items continued to increase as the service sector ran at capacity. At the end of the year, record gas in storage, excess OPEC capacity and a weakened economy resulted in a decrease in demand for these services. In the near-term we expect decreased competition for these limited resources to result in stabilization or decreases in the cost of both materials and personnel and corresponding effects on the cost to explore for, drill for and produce oil and gas. We continue to have good relationships with our vendors due to our reputation for timely payment of invoices, a positive by-product of our strong balance sheet.

Environmental

St. Mary's compliance with applicable environmental regulations has not resulted in any significant capital expenditures or materially adverse effects to our liquidity or results of operations. We believe we are in substantial compliance with environmental regulations and foresee that no material expenditures will be incurred in the future. However, we are unable to predict the impact that future compliance with regulations may have on future capital expenditures, liquidity and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

St. Mary holds 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. In prior years we have occasionally hedged interest rates, and may do so in the future should circumstances warrant.

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 of Finance must review and approve all risk management programs that use derivatives. The audit committee of our board of directors also periodically reviews these programs.

Commodity Price Risk. St. Mary uses various hedging arrangements to manage its 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 year-end. The fair values 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 of production.

A hypothetical $.10 change in our year-end market prices for natural gas swaps and futures contracts on a notional amount of 20.3 million MMBtu would have caused a potential $1.6 million change in net income (loss) before income taxes for contracts in place on December 31, 2001. A hypothetical $1.00 change in the year-end market prices for crude oil swaps and future contracts on a notional amount of 1.7 MMBbls would have caused a potential $1.5 million change in net income (loss) before income taxes for oil contracts in place on December 31, 2001. These hypothetical changes were discounted to present value using a 7.5% discount rate since the latest expected maturity date of some of the 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. The sensitivity analysis presents the hypothetical change in fair value of those financial instruments we held at December 31, 2001 that 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 December 31, 2001, we had floating rate debt of $64.0 million and had no fixed rate debt. Assuming constant debt levels, the cash flow impact for the next year resulting from a one-percentage point change in interest rates would be approximately $640,000 before taxes. The results of operations impact

may be less than this amount as a direct effect of the capitalization of interest to wells drilled in the next year. In prior years when the debt amount was at a reduced level we capitalized a large portion of our interest expense. Since we cannot predict the exact amount that would be capitalized, we cannot predict the exact effect that a one-percentage point shift would have on the

results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements that constitute Item 8 follow the text of this report. An index to the Consolidated Financial Statements and Schedules appears in Item 14(a) of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item concerning St. Mary's directors is incorporated by reference to the information provided in St. Mary's definitive proxy statement for the 2002 annual meeting of shareholders to be filed within 120 days from December 31, 2001. The information required by this Item concerning St. Mary's executive officers is included in Part I--Item 4A--Executive Officers of the Registrant.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the information provided in St. Mary's definitive proxy statement for the 2002 annual meeting of shareholders to be filed within 120 days from December 31, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the information provided in St. Mary's definitive proxy statement for the 2002 annual meeting of shareholders to be filed within 120 days from December 31, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the information provided in St. Mary's definitive proxy statement for the 2002 annual meeting of shareholders to be filed within 120 days from December 31, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) and (a)(2) Financial Statements and Financial Statement Schedules:

All other schedules are omitted because the required information is not applicable or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the Consolidated Financial Statements and Notes thereto.

(b) Reports on Form 8-K. One report on Form 8-K dated December 10, 2001 was filed during the last quarter of 2001. This report on Form 8-K included Item 2 and Item 7 regarding the acquisition of oil and gas properties from Choctaw II Oil & Gas, LTD.

(c) Exhibits. The following exhibits are filed with or incorporated by reference into this report on Form 10-K:

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated July 27, 1999 among St. Mary Land & Exploration Company, St. Mary Acquisition Corporation, King Ranch, Inc. and King Ranch Energy, Inc. as amended by Amendment No. 1 and Amendment No. 2 to Agreement and Plan of Merger dated November 8, 1999 (included as Annex A to the joint proxy/consent statement and prospectus contained in the registrant's Amendment No. 2 to Form S-4/A (Registration No. 333-85537) filed on November 12, 1999 and incorporated herein by reference)
2.2	Stock Exchange Agreement dated June 1, 1999 among St. Mary Land & Exploration Company, Robert L. Nance, Penni W. Nance, Amy

	Nance Cebull and Robert Scott Nance (filed as Exhibit 10.27 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
2.3	Stock Exchange Agreement dated June 1, 1999 among St. Mary Land & Exploration Company, Robert L. Nance and Robert T. Hanley (filed as Exhibit 10.28 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
2.4	Stock Exchange Agreement dated June 1, 1999 between St. Mary Land & Exploration Company and Robert T. Hanley (filed as Exhibit 10.29 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
3.1	Restated Certificate of Incorporation of St. Mary Land & Exploration Company as amended in May 2001 (filed as Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference)
3.2	Restated By-Laws of St. Mary Land & Exploration Company as amended in July 2001 (filed as Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended September 30, 2001 and incorporated herein by reference)

Exhibit Number	Description
4.1	St. Mary Land & Exploration Company Shareholder Rights Plan adopted on July 15, 1999 (filed as Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q/A (File No. 0-20872) for the quarter ended June 30, 1999 and incorporated herein by reference)
4.2*	First Amendment to Shareholder Rights Plan dated March 15, 2002, as adopted by the Board of Directors on July 19, 2001.
10.1	Stock Option Plan (filed as Exhibit 10.3 to the registrant's Registration Statement on Form S-1 (Registration No. 33-53512) and incorporated herein by reference)
10.2	Stock Appreciation Rights Plan (filed as Exhibit 10.4 to the registrant's Registration Statement on Form S-1 (Registration No. 33-53512) and incorporated herein by reference)
10.3	Cash Bonus Plan (filed as Exhibit 10.5 to the registrant's Registration Statement on Form S-1 (Registration No. 33-53512) and incorporated herein by reference)
10.4	Net Profits Interest Bonus Plan, As Amended on September 19, 1996 and July 24, 1997 and January 28, 1999 filed as Exhibit 10.3 to registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended March 31, 1999 and incorporated herein by reference)
10.5	Summary Plan Description/Pension Plan dated December 30, 1994 (filed as Exhibit 10.35 to the registrant's Annual Report on Form 10-K (File No. 0-20872) for the year ended December 31, 1994 and incorporated herein by reference)
10.6	Non-qualified Unfunded Supplemental Retirement Plan, as amended (filed as Exhibit 10.8 to the registrant's Registration Statement on Form S-1 (Registration No. 33-53512) and incorporated herein by reference)
10.7	Summary Plan Description 401(k) Profit Sharing Plan (filed as Exhibit 10.34 to the registrant's Annual Report on Form 10-K (File No. 0-20872) for the year ended December 31, 1994 and incorporated herein by reference)
10.8	St. Mary Land & Exploration Company Stock Option Plan, As Amended on March 25, 1999 (filed as Exhibit 10.2 to registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended March 31, 1999 and incorporated herein by reference)
10.9	St. Mary Land & Exploration Company Incentive Stock Option Plan, As Amended on March 25, 1999 (filed as Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended March 31, 1999 and incorporated herein by reference)
10.10	St. Mary Land & Exploration Company Employee Stock Purchase Plan (filed as Exhibit 10.48 filed to the registrant's Annual Report on Form 10-K (File No. 0-20872) for the year ended December 31, 1997 and incorporated herein by reference)
10.11	First Amendment to St. Mary Land & Exploration Company Employee Stock Purchase Plan dated February 27, 2001 (filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (file No. 0-20872) for the quarter ended June 30, 2001 and incorporated herein by reference)
10.12	Form of Change of Control Severance Agreements (filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended September 30, 2001 and incorporated herein by reference)
10.13	Employment Agreement between Registrant and Mark A. Hellerstein (filed as Exhibit 10.13 to the registrant's Registration Statement on Form S-1 (Registration No. 33-53512) and incorporated herein by reference)

Exhibit Number	Description

Exhibit Number	Description
10.14	Credit Agreement dated June 30, 1998 (filed as Exhibit 10.52 to the registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended June 30, 1998 and incorporated herein by reference)
10.15	Second Amendment to Credit Agreement dated June 27, 2000 (filed as Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended June 30, 2000 and incorporated herein by reference)
10.16	Third Amendment to Credit Agreement dated April 30, 2001 (filed as Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q (File No. 0-20872) for the quarter ended June 30, 2001 and incorporated herein by reference)
10.17	Loan and Stock Purchase Agreement dated June 25, 1999 among Resource Capital Fund L.P., St. Mary Land & Exploration Company and St. Mary Minerals Inc. (filed as Exhibit 10.30 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.18	Credit Agreement dated June 25, 1999 among Summo Minerals Corporation, Summo USA Corporation, Resource Capital Fund L.P. and St. Mary Minerals Inc. (filed as Exhibit 10.31 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.19	Replacement Promissory Note dated June 25, 1999 payable to St. Mary Minerals Inc. in the amount of $1,400,000 (filed as Exhibit 10.32 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.20	Pledge and Security Agreement dated June 25, 1999 among Summo Minerals Corporation, Resource Capital Fund L.P., and St. Mary Minerals Inc. (filed as Exhibit 10.33 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.21	Pledge and Security Agreement dated June 25, 1999 among Summo USA Corporation, Resource Capital Fund L.P., and St. Mary Minerals Inc. (filed as Exhibit 10.34 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.22	Warrant Agreement dated June 25, 1999 among Summo Minerals Corporation, Resource Capital Fund L.P. and St. Mary Minerals Inc. (filed as Exhibit 10.35 to the registrant's Registration Statement on Form S-4 (Registration No. 333-85537) filed on August 19, 1999 and incorporated herein by reference)
10.23	Agreement of Sale and Purchase dated October 16, 2000, effective as of September 1, 2000, between JN Exploration and Production Limited Partnership, Colt Resources Corporation, Princeps Partners, Inc., and The William G. Helis Company, LLC (collectively, "JN et al") and St. Mary Land & Exploration Company (filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K (File No. 0-20872) dated January 5, 2001 and incorporated herein by reference)
10.24	Purchase and Sale Agreement dated September 28, 2001, effective as of September 1, 2001; between Choctaw II Oil & Gas, LTD and Nance Petroleum Corporation (filed as Exhibit 10.1 to the registrant's Current Report on Form 8-K (File No. 0-20872) dated December 10, 2001 and incorporated herein by reference)

Exhibit Number	Description
10.25*	Registration Rights Agreement between St. Mary Land & Exploration Company and Bear, Stearns & Co. Inc., et al dated March 13, 2002
10.26*	St. Mary Land & Exploration Company 5.75% Senior Convertible Notes Due 2022 Indenture dated March 13, 2002
10.27*	First Amendment to Credit Agreement dated December 22, 1998
10.28*	Fourth Amendment to Credit Agreement dated March 4, 2002
21.1*	Subsidiaries of Registrant
23.1*	Consent of Arthur Andersen LLP
23.2*	Consent of Ryder Scott Company, L.P.
24.1*	Power of Attorney (included on signature page of this document)

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* Filed with this Form 10-K.

(d) Financial Statement Schedules. See Item 14(c) above.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
St. Mary Land & Exploration Company and Subsidiaries:

We have audited the accompanying consolidated balance sheets of St. Mary Land & Exploration Company (a Delaware corporation) and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for

each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Mary Land & Exploration Company and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Notes 1 and 10 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities on January 1, 2001.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado,
February 18, 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPLEMENTARY DATA

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

ASSETS	December 31, 2001	December 31, 2000
Current assets:		
Cash and cash equivalents	$ 4,116	$ 6,619
Accounts receivable	46,484	55,068
Prepaid expenses and other	2,337	2,134
Accrued derivative asset	8,194	-
Refundable income taxes	11,090	-
Deferred income taxes	-	163
Total current assets	72,221	63,984
Property and equipment (successful efforts method), at cost:		
Proved oil and gas properties	518,912	385,076
Less accumulated depletion, depreciation and amortization	(216,288)	(171,412)
Unproved oil and gas properties, net of impairment allowance of $8,908 in 2001 and $7,956 in 2000	53,054	35,497
Other property and equipment, net of accumulated depreciation of $3,120 in 2001 and $3,600 in 2000	3,252	3,250
	358,930	252,411
Other assets:		
Khanty Mansiysk Oil Corporation stock	1,651	1,651
Other assets	4,187	3,849
	5,838	5,500
	$ 436,989	$ 321,895
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 34,858	$ 23,345
Deferred tax liability	3,363	-
Total current liabilities	38,221	23,345
Long-term liabilities:		
Long-term debt	64,000	22,000

Deferred income taxes	47,685	24,820
Other noncurrent liabilities	255	987
	111,940	47,807
Commitments and contingencies (Notes 1,6,7,8,10)		
Minority interest	711	607
Stockholders' equity:		
Common stock, $0.01 par value: authorized - 100,000,000 shares; issued and outstanding - 28,779,808 shares in 2001 and 28,553,826 shares in 2000	288	286
Additional paid-in capital	137,384	132,973
Treasury stock - at cost: 1,009,900 shares in 2001 and 395,600 shares in 2000	(16,210)	(3,339)
Retained earnings	157,739	120,075
Accumulated other comprehensive income	6,916	141
Total stockholders' equity	286,117	250,136
	$ 436,989	$ 321,895

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

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

	For the Years Ended December 31,		
	2001	2000	1999
Operating revenues:			
Oil and gas production	$ 203,973	$ 188,407	$73,387
Gain (loss) on sale of proved properties	367	3,404	(55)
Other oil and gas revenue	2,166	1,421	1,166
Gain on sale of KMOC stock	-	2,156	-
Other revenues	963	278	416
Total operating revenues	207,469	195,666	74,914
Operating expenses:			
Oil and gas production	55,000	38,461	19,574
Depletion, depreciation and amortization	51,346	40,129	22,574
Exploration	19,518	9,633	11,593
Impairment of proved properties	820	4,449	3,982
Abandonment and impairment of unproved properties	3,865	1,841	6,616
General and administrative	11,762	11,166	9,172
Unrealized derivative loss	1,573	-	-
Other	1,673	1,437	1,802
Total operating expenses	145,557	107,116	75,313
Income (loss) from operations	61,912	88,550	(399)
Nonoperating income (expense):			
Interest income	466	897	1,008
Interest expense	(90)	(160)	(933)
Income (loss) before income taxes	62,288	89,287	(324)
Income tax expense (benefit)	21,829	33,667	(406)
Net income	$ 40,459	$ 55,620	$ 82
Basic net income per common share	$ 1.45	$ 2.00	$ -
Diluted net income per common share	$ 1.42	$ 1.97	$ -
Basic weighted average shares outstanding	27,973	27,781	22,198
Diluted weighted average shares outstanding	28,555	28,271	22,329

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

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	Retained	Treasury Stock		Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Earnings	Shares	Amount	Income	Equity
Balance, December 31, 1998	21,984,894	$ 220	$ 67,651	$ 69,341	(295,600)	$ (2,470)	$ -	$ 134,742
Comprehensive income:								
Net Income	-	-	-	82	-	-	-	82
Unrealized net gain on marketable equity securities available for sale	-	-	-	-	-	-	284	284
Total comprehensive income								366
Cash dividends, $ 0.10 per share	-	-	-	(2,193)	-	-	-	(2,193)
Treasury stock purchases	-	-	-	-	(70,000)	(525)	-	(525)
Issuance for Employee Stock Purchase Plan	32,794	-	258	-	-	-	-	258
Employee Stock Purchase Plan disqualified distributions	-	-	20	-	-	-	-	20
Sale of common stock, including income tax benefit of stock option exercises	17,660	-	123	-	-	-	-	123
Directors' stock compensation	7,200	-	57	-	-	-	-	57
Issuance for Acquisition of Nance Petroleum Corporation	518,988	6	3,086	-	-	-	-	3,092
Issuance for Acquisition of King Ranch Energy, Inc.	5,332,374	53	52,779	-	-	-	-	52,832
Balances, December 31, 1999	27,893,910	$ 279	$ 123,974	$ 67,230	(365,600)	$ (2,995)	$ 284	$ 188,772
Comprehensive income:								
Net Income	-	-	-	55,620	-	-	-	55,620
Unrealized net loss on marketable equity securities available for sale	-	-	-	-	-	-	(143)	(143)
Total comprehensive income								55,477
Cash dividends, $ 0.10 per share	-	-	-	(2,775)	-	-	-	(2,775)
Treasury stock purchases	-	-	-	-	30,000)	(344)	-	(344)
Issuance for Employee Stock Purchase Plan	32,296	-	311	-	-	-	-	311
Employee Stock Purchase Plan disqualified distributions	-	-	3	-	-	-	-	3
Sale of common stock, including income tax benefit of stock option exercise	619,220	6	8,597	-	-	-	-	8,603
Directors' stock compensation	8,400	1	88	-	-	-	-	89
Balances, December 31, 2000	28,553,826	$ 286	$ 132,973	$ 120,075	(395,600)	$ (3,339)	$ 141	$ 250,136
Comprehensive income:								
Net Income	-	-	-	40,459	-	-	-	40,459
Unrealized net loss on marketable equity securities available for sale	-	-	-	-	-	-	(132)	(132)
Cumulative effect of adoption of accounting principle	-	-	-	-	-	-	(28,587)	(28,587)
Change in derivative instrument fair value	-	-	-	-	-	-	35,494	35,494
Total comprehensive income								47,234
Cash dividends, $ 0.10 per share	-	-	-	(2,795)	-	-	-	(2,795)
Treasury stock purchases	-	-	-	-	(614,300)	(12,871)	-	(12,871)
Issuance for Employee Stock Purchase Plan	29,772	-	575	-	-	-	-	575
Sale of common stock, including income tax benefit of stock option exercise	187,810	2	3,598	-	-	-	-	3,600
Directors' stock compensation	8,400	-	238	-	-	-	-	238
Balances, December 31, 2001	28,779,808	$ 288	$ 137,384	$ 157,739	(1,009,900)	$ (16,210)	$ 6,916	$ 286,117

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

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

	For the Years Ended December 31,		
	2001	2000	1999
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 40,459	$ 55,620	$ 82
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of KMOC stock	-	(2,156)	-
(Gain) loss on sale of proved properties	(367)	(3,404)	55
Unrealized derivative loss	1,573	-	-
Depletion, depreciation and amortization	51,346	40,129	22,574
Impairment of proved properties	820	4,449	3,982
Exploratory dry hole expense	9,028	789	4,759
Abandonment and impairment of unproved properties	3,865	1,841	6,616
Deferred income taxes	23,726	21,348	(898)
Minority interest and other	(1,327)	1,260	29
	129,123	119,876	37,199
Changes in current assets and liabilities:			
Accounts receivable	(629)	(23,138)	4,983
Prepaid expenses and other	(11,754)	254	1,118
Accounts payable and accrued expenses	10,752	(4,652)	(2,580)
Other	-	(73)	35
Net cash provided by operating activities	127,492	92,267	40,755
Cash flows from investing activities:			
Proceeds from sale of oil and gas properties	4,771	3,573	1,056
Capital expenditures	(131,680)	(65,241)	(34,994)
Acquisition of oil and gas properties	(39,124)	(52,076)	(5,294)
Proceeds from distribution of KMOC stock	6,960	-	-
Sale of Chelsea Corporation	-	-	2,066
Receipts from restricted cash	-	-	720
Investment in St. Mary Energy Company	-	(420)	12,068
Other	(2)	1,296	2,135
Net cash used in investing activities	(159,075)	(112,868)	(22,243)
Cash flows from financing activities:			
Proceeds from long-term debt	147,050	45,050	29,750
Repayment of long-term debt	(105,050)	(36,050)	(39,537)
Proceeds from sale of common stock	2,746	7,143	311
Repurchase of common stock	(12,871)	(344)	(525)
Dividends paid	(2,795)	(2,775)	(2,193)
Other	-	1	56
Net cash provided by (used in) financing activities	29,080	13,025	(12,138)
Net change in cash and cash equivalents	(2,503)	(7,576)	6,374
Cash and cash equivalents at beginning of period	6,619	14,195	7,821
Cash and cash equivalents at end of period	$ 4,116	$ 6,619	$ 14,195

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

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Supplemental schedule of additional cash flow information and noncash activities:

	For the Years Ended December 31,		
	2001	2000	1999
	(in thousands)		
Cash paid for interest	$ 539	$ 764	$ 916
Cash paid for income taxes	10,355	11,205	92
Cash paid for exploration expenses	19,518	9,032	11,826

In January 2001 the Company issued 8,400 shares of common stock to its directors and recorded compensation expense of $237,852.

In June 2000 the Company received equipment valued at $1,202,000 as partial proceeds for property sold.

In January 2000 the Company issued 8,400 shares of common stock to its directors and recorded compensation expense of $88,368.

In December 1999 the Company acquired St. Mary Energy Company (formerly known as King Ranch Energy, Inc.) for 5,332,374 shares of the Company's common stock valued at $52,832,000. The acquisition was accounted for as a purchase.

Following is a table of the noncash items acquired in the 1999 purchases of Nance Petroleum Corporation and King Ranch Energy, Inc. (in thousands):

	Nance Petroleum	King Ranch Energy
Accounts receivable & other assets	$ 789	$ 9,772
Property & equipment	6,365	25,056
Accounts payable	(642)	(4,490)
Deferred income taxes	(667)	10,426
Long-term debt	(3,389)	-

In June 1999 the Company acquired Nance Petroleum Corporation and Quanterra Alpha Limited Partnership for 518,988 shares of the Company's common stock valued at $3,091,000 together with the assumption of $3,389,000 of Nance Petroleum Corporation debt. The acquisition was accounted for as a purchase.

In January 1999 the Company issued 7,200 shares of common stock to its directors and recorded compensation expense of $54,612.

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

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

1. Summary of Significant Accounting Policies:

Description of Operations:

St. Mary Land & Exploration Company ("St. Mary" or the "Company") is an independent energy company engaged in the exploration, development, acquisition and production of natural gas and crude oil. The Company's operations are conducted entirely in the United States.

Basis of Presentation:

In July 2000, St. Mary's Board of Directors approved a two-for-one stock split effected in the form of a stock dividend whereby one additional common share of stock was distributed for each common share outstanding. The stock split was distributed on September 5, 2000 to shareholders of record as of the close of business on August 21, 2000. All share and per share amounts for all periods presented herein have been restated to reflect this stock split.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries that are not wholly-owned are accounted for using full consolidation with minority interest or by the equity or cost method as appropriate. All significant intercompany accounts and transactions have been eliminated.

The Company accounts for its investment in Summo Minerals Corporation ("Summo") under the cost method of accounting. The accounting for this investment was changed from the equity method to the cost method in June 1999 after a transfer of common shares that reduced the Company's ownership percentage below 20%. The Company's interests in other oil and gas ventures and partnerships are accounted for using full consolidation with minority interest, including its 58% investment in Box Church Gas Gathering, LLC. The Company's 90% interest in Roswell, LLC was accounted for using full consolidation with minority interest until December 2000 when the remaining 10% interest was purchased. The Company's 74% investment in Panterra Petroleum ("Panterra") was proportionately consolidated until June 1999 when the remaining 26% was acquired through the purchase of Nance Petroleum Corporation ("Nance").

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying

value of cash and cash equivalents approximates fair value because the instruments have maturity dates of three months or less.

Concentration of Credit Risk:

Substantially all of the Company's receivables are within the oil and gas industry, primarily from purchasers of oil and gas and from joint interest owners. Although diversified within many companies, collectability is dependent upon the general economic conditions of the industry. The receivables are not collateralized, and to date the Company has had minimal bad debts.

The Company has accounts with separate banks in Denver, Colorado; Shreveport, Louisiana; Tulsa, Oklahoma; Lafayette, Louisiana; and Billings,

Montana. At December 31, 2001 and 2000, the Company had $6,576,000 and $11,093,000 respectively, invested in money market funds, including margin accounts consisting of corporate commercial paper, repurchase agreements and U.S. Treasury obligations. The Company's policy is to invest in highly rated instruments and to limit the amount of credit exposure at each individual institution.

Oil and Gas Producing Activities:

The Company follows the successful efforts method of accounting for its oil and gas properties. Under this method of accounting, all property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending determination of whether the well has found proved reserves. If an exploratory well does not find proved reserves, the costs of drilling the well are charged to expense. Exploratory dry hole costs are included in cash flows from investing activities within the consolidated statements of cash flows. The costs of development wells are capitalized whether productive or nonproductive.

Geological and geophysical costs on exploratory prospects and the costs of carrying and retaining unproved properties are expensed as incurred. An impairment allowance is provided on a property-by-property basis when the Company determines that the unproved property will not be developed. Depletion, depreciation and amortization ("DD&A") of capitalized costs of proved oil and gas properties is provided on a field-by-field basis using the units of production method based upon proved reserves. The computation of DD&A takes into consideration restoration, dismantlement and abandonment costs and the anticipated proceeds from equipment salvage. The restoration, dismantlement and abandonment costs for onshore properties are expected to be offset by the residual value of lease and well equipment. The Company had a recorded offshore abandonment liability of $9,500,000 as of December 31, 2001 based on total expected abandonment costs of $10,251,000 and a liability of $9,500,000 as of December 31, 2000 based on total expected abandonment costs of $10,611,000. This liability is included in accumulated DD&A on the consolidated balance sheets. The Company recorded $313,000, $1,988,000 and $34,000 of offshore abandonment liability accretion as part of DD&A expense in the consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company reviews its long-lived assets for impairments when events or changes in circumstances indicate that an impairment may have occurred. The impairment test compares the expected undiscounted future net revenues on a field-by-field basis with the related net capitalized costs at the end of each period. Expected future cash flows are calculated on all proved reserves using a 15% discount rate and escalated prices. When the net capitalized costs exceed the undiscounted future net revenue of a property, the cost of the property is written down to fair value, which is determined using discounted future net revenues. During 2001, 2000 and 1999 the Company recorded impairment charges for proved properties of $820,000, $4,449,000 and $3,982,000, respectively.

Sales of Producing and Nonproducing Properties:

The sale of a partial interest in a proved property is accounted for as normal retirement, and no gain or loss is recognized as long as this treatment does not significantly affect the unit-of-production amortization rate. A gain or loss is recognized for all other sales of producing properties and is included in the results of operations.

The sale of a partial interest in an unproved property is accounted for as a recovery of cost when substantial uncertainty exists as to recovery of the cost applicable to the interest retained. A gain on the sale is recognized to the extent that the sales price exceeds the carrying amount of the unproved property.

Other Property and Equipment:

Other property and equipment is recorded at cost. Costs of renewals and improvements that substantially extend the useful lives of the assets are capitalized. Maintenance and repairs are expensed when incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets from 3 to 15 years. Gains and losses on dispositions of other property and equipment are included in the results of operations.

Gas Balancing:

The Company uses the sales method to account for gas imbalances. Under this method, revenue is recorded on the basis of gas actually sold by the

Company. The Company records revenue for its share of gas sold by other owners that cannot be volumetrically balanced in the future due to insufficient remaining reserves. Related receivables totaling $984,000 at December 31, 2001 and $1,035,000 at December 31, 2000 are included in other assets in the accompanying balance sheets. The Company also reduces revenue for gas sold by the Company that cannot be volumetrically balanced in the future due to insufficient remaining reserves. Related payables totaling $353,000 at December 31, 2001 and $335,000 at December 31, 2000 are included in other noncurrent liabilities in the accompanying balance sheets. The Company's remaining overproduced and underproduced gas balancing positions are considered in the Company's proved oil and gas reserves (see Note 11).

Financial Instruments:

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," was adopted on January 1, 2001. SFAS No. 133 requires companies to report all derivatives at fair value as either assets or liabilities and bases the accounting treatment of the derivatives on the reasons an entity holds the instrument. The adoption of SFAS No. 133 resulted in the Company recording a liability of $45,699,000 for the fair value of the derivative instruments at January 31, 2001. The Company's adoption entry also resulted in deferral of the recognition of this liability to accumulated other comprehensive loss of $28,587,000.

The Company seeks to protect its rate of return on acquisitions of producing properties or drilling prospects by hedging cash flow when the economic criteria from its evaluation and pricing model indicate it would be appropriate. The derivative instruments used for this purpose are designated and qualify as cash flow hedging instruments under SFAS No. 133. Management's strategy is to hedge cash flows from investments currently requiring a gas price in excess of $2.75 per Mcf and an oil price in excess of $22.00 per Bbl in order to meet minimum rate-of-return criteria. Management reviews these hedging parameters on a quarterly basis. The Company generally limits its aggregate hedge position to no more than 35% of its total production but will hedge up to 50% of total production in certain circumstances. The Company seeks to minimize basis risk and indexes the majority of its oil hedges to NYMEX prices and the majority of its gas hedges to various regional index prices associated with pipelines in proximity to the Company's areas of gas production.

The Company's hedge positions are diversified with various counterparties, and the Company requires that such counterparties have clear indications of current financial strength. See Note 10 for additional discussion of derivatives.

Income Taxes:

Deferred income taxes are provided on the difference between the tax basis of an asset or liability and its carrying amount in the financial statements. This difference will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively.

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 year. Diluted net income per common share of stock is calculated by dividing net income by the weighted average of common shares outstanding and other dilutive securities. Dilutive securities of the Company consist entirely of outstanding options to purchase the Company's common stock. The outstanding dilutive securities for the years ended December 31, 2001, 2000 and 1999 were 582,313, 490,288 and 131,356, respectively. Antidilutive options not considered in the diluted net income per share calculation were 625,492, 0 and 513,855 for the years ended December 31, 2001, 2000 and 1999.

Stock-Based Compensation:

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations. Compensation expense for stock options, if any, is measured as the excess of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has elected to remain on its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

Comprehensive Income:

Comprehensive income consists of net income and unrealized gains and losses on marketable equity securities held for sale and the effective component of derivative instruments (net of tax) classified as cash flow hedges. Comprehensive income is presented in the consolidated statements of stockholders' equity and comprehensive income.

Major Customers:

During 2001 two customers individually accounted for 12.0% and 11.3% of the Company's total oil and gas production revenue. During 2000 one customer individually accounted for 22.3% of the Company's total oil and gas production

revenue. During 1999 one customer individually accounted for 13.3% of the Company's total oil and gas production revenue.

Industry Segment and Geographic Information:

The Company operates in one industry segment, which is the exploration, development and production of natural gas and crude oil, and all of the Company's operations are conducted in the United States. Consequently, the Company currently reports as a single industry segment.

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United Stated requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the 2000 and 1999 consolidated financial statements have been reclassified to correspond to the 2001 presentation.

Recently Issued Accounting Standards:

In June 2001 the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations." Under this statement all business combinations must be accounted for under the purchase method. The pooling method is no longer allowed. The statement also establishes criteria to assess when to recognize intangible assets separately from goodwill. SFAS No. 141 is effective for business combinations initiated after June 30, 2001 and for all business combinations using the purchase method for which the date of acquisition is after June 30, 2001. At this time we have no pending business combinations that would be affected by the adoption of this statement.

In June 2001 the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement addresses the accounting for goodwill and other intangible assets and provides specific guidance for testing goodwill and other intangible assets for impairment. This statement is effective for fiscal years beginning after December 15, 2001. The adoption of this statement did not have a material effect on our financial position or results of operations.

In July 2001 the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires companies to recognize the fair value of an asset retirement liability in the financial statements by capitalizing that cost as part of the cost of the related long-lived asset. The asset retirement liability should then be allocated to expense by using a systematic and rational method. The statement is effective January 1, 2003. We have not determined the impact of adoption of this statement.

In August 2001 the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. The statement also requires expected future operating losses from discontinued operations to be recognized in the periods in which the losses are incurred, which is a change from the current requirement of recognizing such operating losses as of the measurement date. The statement is effective January 1, 2002. The adoption of the statement did not have a material effect on our financial position or results of operations.

2. Accounts Receivable:

Accounts receivable are composed of the following:

	December 31,	
	2001	2000
	(In thousands)	
Accrued oil and gas sales	$ 29,041	$ 38,159
Due from joint interest owners	17,042	6,497
Receivable for sale of KMOC stock	-	7,009
Other	401	3,403
Total accounts receivable	$ 46,484	$ 55,068

3. Acquisitions

On November 29, 2001 the Company completed the acquisition of oil and gas properties located in Montana, North Dakota and Wyoming from Choctaw II Oil and Gas, LTD. The Company paid $40,526,000 in cash after normal price adjustments. The Company utilized a portion of its existing credit facility to fund the acquisition, and the transaction was accounted for as a purchase.

On December 28, 2000 the Company completed the acquisition of oil and

gas properties primarily located in the Anadarko Basin of Oklahoma from JN Exploration and Production Limited Partnership and affiliates for $31,613,000 in cash after normal purchase price adjustments. The Company utilized cash on hand and a portion of its existing credit facility with Bank of America to fund the acquisition. The transaction was accounted for as a purchase.

On December 17, 1999 the Company completed the purchase of King Ranch Energy, Inc. ("KRE") for 5,332,374 shares of common stock valued at $52,832,000 together with transaction costs of $2,339,000. After the acquisition KRE's name was changed to St. Mary Energy Company. The acquired properties are located primarily in the Gulf of Mexico and the onshore Gulf Coast. The KRE acquisition has been accounted for by the purchase method of accounting and, accordingly, the results of operations of KRE beginning December 17, 1999 are included in the accompanying consolidated financial statements.

On June 1, 1999 the Company completed the purchase of Nance Petroleum Corporation and Quanterra Alpha Limited Partnership for 518,988 shares of the Company's common stock valued at $3,091,000 together with transaction costs of $56,000 and the assumption of $3,189,000 of Nance debt. The acquisition included the 26% of Panterra the Company did not previously own, as well as certain other properties. The properties acquired are located in the Williston Basin of Montana and North Dakota. The acquisition was accounted for as a purchase.

4. Income Taxes:

The provision for income taxes consists of the following:

	For the Years Ended December 31,		
	2001	2000	1999
	(In thousands)		
Current taxes:			
Federal	$ 1,114	$ 11,194	$ 219
State	620	1,181	315
Deferred taxes	20,095	21,292	(940)
Total income tax expense (benefit)	$ 21,829	$ 33,667	$ (406)

The above taxes are net of alternative fuels credits (Internal Revenue Code Section 29) of $185,000 in 2001, $79,000 in 2000, and $283,000 in 1999. Additionally, current federal tax does not reflect the tax benefit for deductions from stock option exercises of $930,000 in 2001, $1,771,000 in 2000 and $36,000 in 1999. Net federal taxes payable for the years ended December 31, 2001, 2000 and 1999 were $184,000, $9,423,000 and $183,000, respectively, and have been reduced by the tax benefit of stock option exercises.

The components of the net deferred tax liability are as follows:

	December 31,	
	2001	2000
	(In thousands)	
Deferred tax liabilities:		
Oil and gas properties	$ 54,104	$ 32,031
Derivative instruments	3,903	-
Other	147	282
Total deferred tax liabilities	58,154	32,313
Deferred tax assets:		
Other, primarily employee benefits	1,716	5,005
State tax net operating loss carryforward	1,915	1,006
State and federal income tax benefit	3,497	1,817
Alternative minimum tax credit carryforward	184	-
Total deferred tax assets	7,312	7,828
Valuation allowance	(206)	(172)
Net deferred tax assets	7,106	7,656
Total net deferred tax liabilities	51,048	24,657
Current deferred income tax assets (liabilities)	(3,363)	163
Non-current net deferred tax liabilities	$ 47,685	$ 24,820
Current refundable income taxes (current income taxes payable)	$ 11,090	$ (1,162)

In accordance with SFAS No. 109, "Accounting for Income Taxes," the Company records purchase adjustments to its long-term deferred income tax liability accounts to more closely align book and tax basis at the time of acquisition. These adjustments mitigate the effect of deferred income tax expense or reduced deferred income tax benefit on future net income before income tax from acquisitions that utilize the purchase method for accounting principles generally accepted in the United States and are considered to be tax-free basis transfers for tax accounting. During 1999 the Company adjusted its long-term deferred income tax liability account for a $667,000 increase relating to its Nance stock acquisition and recorded a $10,426,000 decrease for

its KRE stock acquisition, as Nance's book basis was greater than its tax basis, and KRE's tax basis was greater than its book basis. During 2000 the Company recorded a $2,972,000 increase in the KRE adjustment to reflect the utilization of additional tax benefits of KRE by King Ranch, Inc on its 1999 federal consolidated income tax return. There were no purchase adjustments to the Company's long-term deferred income tax liability accounts in 2001.

At December 31, 2001, the Company had state net operating loss carryforwards of approximately $40,300,000 that expire between 2002 and 2017. The Company's valuation allowance relates in part to its state net operating loss carryforwards, since the Company anticipates that a portion of the carryovers from prior years will expire before they can be utilized, and in part to a portion of the anticipated state benefit from federal income tax expense incurred as the Company's existing taxable temporary differences reverse. The net change in valuation allowance in 2001 results from the state benefit of federal income tax that is now offset by reversing state temporary differences.

Income tax expense and benefit differs from the amount that would be provided by applying the statutory federal income tax rate to income before income taxes for the following reasons:

	For the Years Ended December 31,		
	2001	2000	1999
	(In thousands)		
Federal statutory taxes	$ 20,420	$ 30,267	$ (137)
Increase (decrease) in taxes resulting from:			
State taxes (net of federal benefit)	2,017	4,342	105
Statutory depletion	(238)	(71)	(110)
Alternative fuels credits (Section 29)	(185)	(79)	(283)
Change in valuation allowance	34	(826)	(17)
Other	(219)	34	36
Income tax expense (benefit) from continuing operations	$ 21,829	$ 33,667	$ (406)

5. Long-term Debt and Notes Payable:

On March 4, 2002 St. Mary entered into an agreement to amend the existing long-term revolving credit agreement that set the maximum loan amount at $115.0 million (unaudited). The lender may periodically re-determine the aggregate borrowing base depending upon the value of St. Mary's oil and gas properties and other assets. The accepted borrowing base was $100.0 million at December 31, 2001. The credit agreement has a maturity date of December 31, 2006 and includes a revolving period that matures on June 30, 2003. Quarterly principal payments will begin on September 30, 2003. The amended agreement deletes all reference to and provisions of the short-term tranche previously available to St. Mary. The Company must comply with certain covenants including maintenance of stockholders' equity at a specified level and limitations on additional indebtedness. As of December 31, 2001 and 2000, $64.0 million and $22.0 million, respectively, was outstanding under this credit agreement. These outstanding balances accrue interest at rates determined by St. Mary's debt to total capitalization ratio. During the revolving period of the loan, loan balances accrue interest at the Company's option of either (1) the higher of the federal funds rate plus 1/2% or the prime rate, plus an additional 1/4% when the Company's debt to capitalization ratio is greater than 50%, or (2) the LIBOR rate plus (a) 1% when the Company's debt to toatl capitalization ratio is less than 30%, (b) 1 1/4% when the Company's debt to capitalization ratio is greater than or equal to 30% but less than 40%, (c) 1 3/8% when the Company's debt to capitalization ratio is greater than or equal to 40% but less than 50%, or (d) 1 5/8% when the Company's debt to capitalization ratio is greater than 50%.The debt to total capitalization ratio as defined under the agreement was 22.4% as

of December 31, 2001. The weighted average interest rate paid in 2001 was 5.9% including commitment fees paid on the unused portion of the borrowing base.

The carrying value of long-term debt approximates fair value because the debt is variable rate and reprices in the short term.

The Company's estimated annual principal payments under the credit agreement for the next five years are as follows:

Years Ending December 31,	(In thousands)
2002	$ -
2003	6,400
2004	12,800
2005	12,800
2006	32,000
Total	$ 64,000

6. Commitments and Contingencies:

The Company leases office space under various operating leases with

terms extending as far as May 31, 2012. The Company has noncancelable annual subleases with affiliates of approximately $122,016 for the same term as the Company's primary office lease. Rent expense, net of sublease income, was $839,000, $782,000 and $611,000 in 2001, 2000 and 1999, respectively. The Company also leases office equipment under various operating leases. The annual minimum lease payments for the next five years are presented below:

Years Ending December 31,	(In thousands)
2002	$ 931
2003	1,129
2004	866
2005	743
2006	743
Thereafter	3,502
Total	$ 7,914

7. Compensation Plans:

In January 1992 the Company adopted two compensation plans for key employees. A cash bonus plan allows participants to receive up to 100% of their aggregate base salary. Any awards under the cash bonus plans are based on a combination of Company and individual performance. The Company accrued $170,000 for cash bonuses in 2001 that will be paid in 2002, $1,957,000 for cash bonuses in 2000 that were paid in 2001, and $2,293,000 for cash bonuses in 1999 that were paid in 2000. A net profits interest bonus plan allows participants to receive an aggregate 10% net profits interest after the Company has recovered 100% of its investment in various pools of oil and gas wells completed or acquired during a given year. This interest increases to 20% after the Company recovers 200% of its investment. The Company records compensation expense once it recovers its investment and net profits attributable to the properties are payable to the employees. The Company recorded compensation expense of $5,259,000 in 2001, $877,000 in 2000 and $574,000 in 1999 relating to the net profits interest bonus plan.

In March 1992 the Company adopted a stock appreciation rights ("SAR") plan for officers and directors. SARs vest over a four-year period, with payment occurring five years after the date of grant. Between 1993 and 1996 the Company awarded a total of 342,824 share rights with values ranging from $5.75 to $7.00 per share. Compensation expense recognized under the SAR plan was $12,000 in 2000 and $280,000 in 1999. In November 1996 the Company terminated future awards under the Company's SAR plan and capped the value of the share rights under the SAR plan at the then fair market value of the Company's common stock of $10.25 per share. SAR compensation expense recorded after the termination of future awards related to the vesting of SARs outstanding at the time of the termination of future awards and to the fluctuation of the stock price below the capped price. The final SAR payments were made in February 2001. No compensation expense was recognized under the SAR plan in 2001.

The Company has a defined contribution pension plan ("401(k) Plan") that is subject to the Employee Retirement Income Security Act of 1974. The 401(k) Plan allows eligible employees to contribute up to 9% of their base salaries. The Company matches each employee's contributions up to 6% of the employee's base salary and also may make additional contributions at its discretion. The Company's contributions to the 401(k) Plan were $559,000, $412,000, and $288,000 for the years ended December 31, 2001, 2000, and 1999, respectively.

In September 1997 the Board of Directors approved the St. Mary Land & Exploration Company Employee Stock Purchase Plan ("Stock Purchase Plan"), which became effective January 1, 1998. Under the Stock Purchase Plan eligible employees may purchase shares of the Company's common stock through payroll deductions of up to 15% of eligible compensation. The purchase price of the stock is 85% of the lower of the fair market value of the stock on the first or last day of the purchase period. The Stock Purchase Plan is intended to qualify under Section 423 of the Internal Revenue Code. The Company has set aside 1,000,000 shares of its common stock to be available for issuance under the Stock Purchase Plan. In 2001, 2000 and 1999 shares issued under the Stock Purchase Plan totaled 29,772, 32,296 and 32,794, respectively. Total proceeds to the Company for the issuance of these shares were $575,000, $311,000 and $258,000 in 2001, 2000 and 1999, respectively. The Company recorded compensation expense of $20,000, $3,000 and $20,000 in 2001, 2000 and 1999, respectively, due to nonqualified dispositions of stock acquired by employees under the Stock Purchase Plan.

In 1990 and 1991 the Company granted certain officers options to acquire 109,228 shares of common stock at an exercise price of $1.65 per share. All of these options had been exercised by December 31, 2000.

In 1996 the Company established the St. Mary Land & Exploration Company Stock Option Plan and the St. Mary Land & Exploration Company Incentive Stock Option Plan (collectively, the "Option Plans"). The Option Plans grant options to purchase shares of the Company's common stock to eligible employees, contractors, and current and former members of the Board of Directors. In 2001 the stockholders approved an increase in the number of shares of the Company's common stock reserved for issuance under the Option Plans from 3,300,000 shares to 4,300,000 shares. In 1999 the Company granted 623,492 options at an exercise price of $12.38 per share, and 7,660 options were exercised under the Option Plans. In 2000 the Company granted 653,848 options at an exercise price of $33.31 per share, and 589,220 options were exercised under

the Option Plans. In 2001 the Company granted 175,729 options at an exercise price of $15.93 per share and 221,280 options at an exercise price of $21.19 per share. During 2001 190,289 options were exercised under the Option Plans. All options granted to date under the Option Plans have been granted at exercise prices equal to the respective market prices of the Company's common stock on the grant dates.

A summary of the status of the Company's Stock Option Plans, including the 1990 and 1991 options and changes during the last three years follows:

	For the Years Ended December 31,					
	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,986,124	$ 18.95	1,998,254	$ 11.63	1,442,436	$ 11.28
Granted	397,009	18.86	653,848	33.31	623,492	12.38
Exercised	187,810	11.57	619,220	11.05	17,660	4.95
Forfeited	43,648	26.00	46,758	11.74	50,014	13.21
Outstanding at end of year	2,151,675	19.42	1,986,124	18.95	1,998,254	11.63
Options exercisable at year end	1,418,404	17.09	1,150,196	15.00	651,876	10.36
Weighted average fair value of options granted during the year	$ 8.36		$ 14.75		$ 5.13	

A summary of additional information related to the options outstanding as of December 31, 2001 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 9.25 - $ 10.25	431,740	5.3 years	$ 9.63	431,740	$ 9.63
12.38 - 14.69	585,311	7.6 years	12.56	462,543	12.61
15.93 - 21.19	509,132	9.0 years	18.56	211,375	18.14
33.31 - 33.31	625,492	9.0 years	33.31	312,746	33.31
Total	2,151,675	7.9 years	19.42	1,418,404	17.09

SFAS No. 123 establishes a fair value method of accounting for stock-based compensation plans either through recognition or disclosure. The Company accounts for stock-based compensation under APB No. 25 and has elected to adopt SFAS No. 123 through compliance with the disclosure requirements set forth in the Statement. Because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized under APB No. 25. Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement.

The fair value of options is measured at the date of grant using the Black-Scholes option-pricing model. The fair value of options granted in 2001 was estimated using the following weighted-average assumptions: risk-free interest rate of 4.35%; dividend yield of 0.53%; volatility factor of the expected market price of the Company's common stock of 49.79%; and expected life of the options of 4.8 years. The fair value of options granted in 2000 was estimated using the following weighted-average assumptions: risk-free interest rate of 5.14%; dividend yield of 0.32%; volatility factor of the expected market price of the Company's common stock of 47.11%; and expected life of the options of 4.8 years. The fair value of the options granted in 1999 was estimated using the following weighted-average assumptions: risk-free interest rate of 6.42%; dividend yield of 0.82%; volatility factor of the expected market price of the Company's common stock of 41.52%; and expected life of the options of 4.8 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, it is management's opinion that the existing models do not necessarily provide a

reliable single measure of the fair value of St Mary's employee stock options.

For purposes of pro forma disclosures, the estimated fair values of the options is amortized to expense over the options' vesting periods. Had compensation cost been determined based on the fair value at grant dates for stock option awards consistent with SFAS No. 123, the Company's net income (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

		Pro Forma for the Years Ended December 31,		
		2001	2000	1999
		(In thousands, except per share amounts)		
Net income (loss)	As reported	$ 40,459	$ 55,620	$ 82
	Pro forma	$ 37,569	$ 52,515	$ (1,530)
Basic earnings (loss) per share	As reported	$ 1.45	$ 2.00	$ -
	Pro forma	$ 1.34	$ 1.89	$ (0.07)
Diluted earnings (loss) per share	As reported	$ 1.42	$ 1.97	$ -
	Pro forma	$ 1.32	$ 1.86	$ (0.07)

The effects of applying SFAS No. 123 in the pro forma disclosure are not necessarily indicative of actual future amounts, and SFAS No. 123 does not apply to awards granted prior to 1995. Additional awards in future years are anticipated.

8. Pension Benefits

The Company's employees participate in a non-contributory pension plan covering substantially all employees who meet age and service requirements (the "Qualified Pension Plan"). The Company also has a supplemental non-contributory pension plan covering certain management employees (the "Nonqualified Pension Plan"). The Company's disclosures about pension benefits are as follows:

	For the Years Ended December 31,	
	2001	2000
	(In thousands)	
Change in benefit obligations:		
Benefit obligation at beginning of year	$ 3,054	$ 2,588
Service Cost	323	257
Interest Cost	317	193
Actuarial gain	1,485	190
Benefits paid	(81)	(174)
Benefit obligation at end of year	$ 5,098	$ 3,054
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,775	$ 1,592
Actual return on plan assets	(13)	(1)
Employer contribution	361	358
Benefits paid	(81)	(174)
Fair value of plan assets at end of year	$ 2,042	$ 1,775
Funded Status	$(3,056)	$(1,279)
Unrecognized net actuarial gain	2,326	888
Unrecognized prior service cost	(20)	(28)
Accrued benefit cost	$ (750)	$ (419)

The Company's Nonqualified Pension Plan was the only pension plan with an accumulated benefit obligation in excess of plan assets. The plan's accumulated benefit obligation was $685,000 at December 31, 2001, and $357,000 at December 31, 2000. There are no plan assets in the nonqualified plan due to the nature of the plan.

Assumptions used in the measurement of the Company's benefit obligation are as follows:

	For the Years Ended December 31,	
	2001	2000
Weighted-average assumptions:		
Discount rate	7.25%	7.5%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase	5.0%	5.0%

	For the Years Ended December 31,		
	2001	2000	1999

		(In thousands)	
Components of net periodic benefit cost:			
Service cost	$ 323	$ 257	$ 178
Interest cost	317	193	172
Expected return on plan assets	(129)	(119)	(88)
Amortization of prior service cost	(8)	(7)	(7)
Amortization of net actuarial loss	188	36	90
Net periodic benefit cost	$ 691	$ 360	$ 345

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

9. Investment in Russian Joint Venture:

In February 2000 St. Mary exercised its option to convert its Khanty Mansiysk Oil Corporation ("KMOC") production payment receivable into common stock of KMOC. In July 2000 the Company finalized a negotiated value for the receivable that equated to 21,583 shares of KMOC common stock under the terms of the original agreement. In December 2000 the Company sold 14,662 of these shares for proceeds of $6,157,000, net of transaction costs and recognized a net gain of $2,156,000.

Subsequent to December 31, 2001 the Company sold its remaining shares of KMOC common stock for proceeds of $2,772,000 and recorded a gain of $838,000.

10. Derivative Instruments

The Company realized a net loss of $21,102,000 from derivative contracts for the year ended December 31, 2001, a net loss of $33,641,000 for the year ended December 31, 2000 and a net gain of $2,561,000 for the year ended December 31, 1999. All of these amounts are included in oil and gas production operating revenues in the consolidated statement of operations.

Including hedges entered into since December 31, 2001 the Company has the following commodity swap contracts in place to hedge cash flow and reduce the impact of oil and gas price fluctuations:

Product	Average Volumes/month	Quantity Type	Fixed Price	Duration
Natural Gas	1,467,000	MMBtu	$ 2.84	01/02 - 12/02
Natural Gas	168,000	MMBtu	$ 3.01	01/03 - 12/03
Natural Gas	59,000	MMBtu	$ 3.04	01/04 - 12/04
Oil	88,400	Bbls	$ 24.69	01/02 - 12/02
Oil	49,800	Bbls	$ 22.67	01/03 - 12/03

This table excludes commodity positions with Enron North America Corp, which filed for bankruptcy protection in December 2001. The Company's unrealized discounted hedge gain due from Enron had grown to $4,473,000 at the end of November 2001. As of November 13, 2001, the Company believed the Enron contracts it owned became ineffective under SFAS No. 133 due to lack of correlation for counterparty risk. Accordingly, the Company adjusted the fair value downward to the reduced estimated fair value. A net non-cash loss of $1,779,000 from counterparty ineffectiveness was offset by a $45,000 gain from hedge ineffectiveness and $161,000 of amortization of other comprehensive income from the Enron contracts. The net amount is the activity recorded for the year ended December 31, 2001 and is reported as unrealized derivative loss in the consolidated statement of operations. The Company will amortize the unrealized hedge gain from these Enron contracts over the next two years. Unrealized derivative gain in the consolidated statements of operations will reflect amortization of $2,786,000 over the next twelve months offset by a deferred tax provision. The Company took all legal steps to preserve its rights under these contracts and sold its claim at a discounted price in February 2002.

As noted in the table above, the last of these contracts will expire by December 31, 2004. On December 31, 2001 the estimated fair value of contracts designated and qualifying as cash flow hedges under SFAS No. 133 was an asset of $8,119,000. The Company will reclassify this amount to gains or losses included in oil and gas production operating revenues as the hedged production quantity is produced. Based on current prices the net amount of existing unrealized after-tax gain as of December 31, 2001 to be reclassified to oil and gas production operating revenues in the next twelve months would be $7,076,000. The Company anticipates that all original forecasted transactions will occur by the end of the originally specified time periods.

11. Disclosures About Oil and Gas Producing Activities:

Costs Incurred in Oil and Gas Producing Activities:

Costs incurred in oil and gas property acquisition, exploration and development activities, whether capitalized or expensed, are summarized as follows:

	For the Years Ended December 31,

	2001	2000	1999
	(In thousands)		
Development costs	$ 98,617	$ 48,996	$ 22,166
Exploration	24,506	17,012	20,809
Acquisitions:			
Proved	41,188	53,482	33,080
Unproved	18,552	5,694	15,129
Total	$ 182,863	$ 125,184	$ 91,184

Oil and Gas Reserve Quantities (Unaudited):

The reserve information as of December 31, 2001, 2000, and 1999 was prepared by Ryder Scott Company and St. Mary. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of proved producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods.

Presented below is a summary of the changes in estimated domestic reserves of the Company:

	For the Years Ended December 31,					
	2001		2000		1999	
	Oil or Condensate	Gas	Oil or Condensate	Gas	Oil or Condensate	Gas
	(MBbl)	(MMcf)	(MBbl)	(MMcf)	(MBbl)	(MMcf)
Total proved reserves:						
Developed and undeveloped:						
Beginning of year	20,950	225,975	18,900	207,642	8,614	132,605
Revisions of previous estimates	(1,334)	(16,421)	210	(1,172)	3,308	(10,445)
Discoveries and extensions	3,131	59,830	1,707	37,702	2,062	43,501
Purchases of minerals in place	3,774	13,086	3,149	21,689	6,323	65,129
Sales of reserves	(418)	(1,748)	(618)	(1,540)	(24)	(343)
Production	(2,434)	(39,491)	(2,398)	(38,346)	(1,383)	(22,805)
End of year (a)	23,669	241,231	20,950	225,975	18,900	207,642
Proved developed reserves:						
Beginning of year	19,006	192,472	16,688	169,379	7,723	112,189
End of year	20,679	205,637	19,006	192,472	16,688	169,379

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(a) At December 31, 2001, 2000, and 1999, includes approximately 869, 1,199 and 1,802 MMcf, respectively, representing the Company's underproduced gas balancing position.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited):

SFAS No. 69, "Disclosures About Oil and Gas Producing Activities," prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. The Company has followed these guidelines, which are briefly discussed below.

Future cash inflows and future production and development costs are determined by applying benchmark prices and costs, including transportation and basis differential, in effect at year-end to the year-end estimated quantities of oil and gas to be produced in the future. Estimated future income taxes are computed using current statutory income tax rates, including consideration for estimated future statutory depletion and alternative fuels tax credits. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The assumptions used to compute the standardized measure are those prescribed by the FASB and the Securities and Exchange Commission. These assumptions do not necessarily reflect the Company's expectations of actual revenues to be derived from those reserves, nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process. The following prices, adjusted for transportation and basis differentials, were used in the calculation of the standardized measure:

	For the Years Ended December 31,

	2001	2000	1999
Gas (per Mcf)	$ 2.502	$ 8.857	$ 2.186
Oil (per Bbl)	$ 18.113	$ 25.439	$ 23.847

The following summary sets forth the Company's future net cash flows relating to proved oil and gas reserves based on the standardized measure prescribed in SFAS No. 69:

	For the Years Ended December 31,		
	2001	2000	1999
	(In thousands)		
Future cash inflows	$1,020,948	$2,648,108	$ 900,199
Future production and development costs	(444,608)	(570,711)	(344,350)
Future income taxes	(140,271)	(727,929)	(150,239)
Future net cash flows	436,069	1,349,468	405,610
10% annual discount	(154,192)	(630,984)	(144,296)
Standardized measure of discounted future net cash flows	$281,877	$718,484	$ 261,314

The principle sources of change in the standardized measure of discounted future net cash flows are as follows:

	For the Years Ended December 31,		
	2001	2000	1999
	(In thousands)		
Standardized measure, beginning of year	$ 718,484	$ 261,314	$ 101,946
Sales of oil and gas produced, net of production costs	(170,074)	(183,586)	(53,814)
Net changes in price and production costs	(820,253)	772,910	82,976
Extensions, discoveries and other, net of production costs	71,265	203,786	76,198
Purchase of minerals in place	29,267	104,883	105,728
Development costs incurred during the year	35,736	12,436	5,816
Changes in estimated future development costs	(8,370)	351	(25,281)
Revisions of previous quantity estimates	(17,593)	306	10,976
Accretion of discount	109,912	33,871	11,474
Sales of reserves in place	(10,548)	(3,329)	(542)
Net change in income taxes	298,717	(357,780)	(76,907)
Other	45,334	(126,678)	22,744
Standardized measure, end of year	$ 281,877	$ 718,484	$ 261,314

12. Quarterly Financial Information (Unaudited):

The Company's quarterly financial information for fiscal 2001 and 2000 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Year Ended December 31, 2001:				
Total revenue	$ 68,347	$ 55,776	$ 42,656	$ 40,690
Less: costs and expenses	36,626	32,804	37,129	38,998
Operating income	$ 31,721	$ 22,972	$ 5,527	$ 1,692
Income before income taxes	$ 31,874	$ 23,119	$ 5,595	$ 1,700
Net income	$ 20,393	$ 14,234	$ 4,861	$ 971
Net income per common share:				
Basic	$ 0.72	$ 0.51	$ 0.17	$ 0.04
Diluted	$ 0.71	$ 0.50	$ 0.17	$ 0.03
Dividends paid per share	$ -	$ 0.05	$ -	$ 0.05
Year Ended December 31, 2000:				
Total revenue	$ 37,411	$ 46,822	$ 54,314	$ 57,119
Less: costs and expenses	25,201	22,996	26,151	32,768
Operating income	$ 12,210	$ 23,826	$ 28,163	$ 24,351
Income before income taxes	$ 12,350	$ 23,966	$ 28,390	$ 24,581
Net income	$ 7,886	$ 14,597	$ 17,139	$ 15,998
Net income per common share:				
Basic	$ 0.29	$ 0.53	$ 0.61	$ 0.57

Diluted	$ 0.29	$ 0.52	$ 0.60	$ 0.56
Dividends paid per share	$ 0.025	$ 0.025	$ 0.025	$ 0.025

13. Subsequent Events (Unaudited) :

In March 2002 the Company issued in a private placement a total of $100,000,000 of its 5.75% senior convertible notes due 2022 (the "Notes") with a 1/2% contingent interest provision. The Company received net proceeds of $96,700,000 after deducting the initial purchasers' discount and estimated offering expenses payable by the Company. The notes are general unsecured obligations and rank on a parity in right of payment with all existing and future senior indebtedness and other general unsecured obligations. They are senior in right of payment with all future subordinated indebtedness. The Notes are convertible into the Company's common stock at a conversion price of $26.00 per share, subject to adjustment. The Company 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 beginning on March 20, 2007. The note holders have the option of redeeming the Notes for cash at 100% of the principal amount plus accrued and unpaid interest upon (1) a change in control or (2) on March 20, 2007, March 15, 2012 and March 15, 2017. On March 20, 2007 the Company may pay the repurchase price with cash, shares of its common stock or any combination of cash and its common stock. St. Mary is not restricted from paying dividends, incurring debt, or issuing or repurchasing its securities under the indenture. There are no financial covenants in the indenture. The Company used a portion of the net proceeds from the Notes to repay its credit facility balance and will use the remaining net proceeds to fund a portion of its 2002 capital budget.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ST. MARY LAND & EXPLORATION COMPANY
(Registrant)

Date: March 18, 2002

By: /s/ MARK A. HELLERSTEIN
Mark A. Hellerstein
President, Chief Executive Officer
and Director

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas E. Congdon and Mark A. Hellerstein, and each of them, his true and lawful attorney-in-fact and agents with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS E. CONGDON Thomas E. Congdon and Director	Chairman of the Board of Directors	March 18, 2002
/s/ MARK A. HELLERSTEIN Mark A. Hellerstein	President, Chief Executive Officer and Director	March 18, 2002
/s/ RONALD D. BOONE Ronald D. Boone	Executive Vice President, Chief Operating Officer and Director	March 18, 2002
/s/ RICHARD C. NORRIS Richard C. Norris	Vice President - Finance, Secretary and Treasurer	March 18, 2002
/s/ GARRY A. WILKENING Garry A. Wilkening	Vice President - Administration and Controller	March 18, 2002
/s/ LARRY W. BICKLE		

- ---------- Larry W. Bickle	Director	March 18, 2002

Signature	Title	Date
- ---------	-----	----
/s/ DAVID C. DUDLEY - ---------- David C. Dudley	Director	March 18, 2002
/s/ ROBERT L. NANCE - ---------- Robert L. Nance	Director	March 18, 2002
/s/ AREND J. SANDBULTE - ---------- Arend J. Sandbulte	Director	March 18, 2002
/s/ JOHN M. SEIDL - ---------- John M. Seidl	Director	March 18, 2002
/s/ WILLIAM J. GARDINER - ---------- William J. Gardiner	Director	March 18, 2002
/s/ JACK HUNT - ---------- Jack Hunt	Director	March 18, 2002

Exhibit 4.2

FIRST AMENDMENT

TO

SHAREHOLDER RIGHTS PLAN

This First Amendment to the Shareholder Rights Plan (the "Plan") of St. Mary Land & Exploration Company, a Delaware corporation (the "Company"), is intended to be effective as of July 19, 2001.

WHEREAS, on July 19, 2001 the Board of Directors of the Company adopted a resolution to amend the Plan as follows:

> Section 1(r) shall read, "Purchase Price" shall mean from and after July 19, 2001 $100.00 per share of Common Stock and shall be subject to adjustment thereafter from time to time as provided in this Plan.
>
> Section 1(k) is hereby amended to read, "Final Expiration Date" shall mean December 31, 2009.

The remainder of the Plan shall be unaffected by this First Amendment.

IN WITNESS WHEREOF, the Company has caused this First Amendment to the Shareholder Rights Plan to be duly executed on its behalf on March ___, 2002, intended to be effective as of July 19, 2001.

ST. MARY LAND & EXPLORATION COMPANY,
a Delaware corporation

By: /s/ MARK A. HELLERSTEIN

Mark A. Hellerstein, President and
Chief Executive Officer

EXHIBIT 21.1

SUBSIDIARIES
OF
ST. MARY LAND & EXPLORATION COMPANY

A. Wholly-owned subsidiaries of St. Mary Land & Exploration Company, a Delaware corporation:

1. St. Mary Minerals, Inc., a Colorado corporation
2. Parish Corporation, a Colorado corporation
3. St. Mary Operating Company, a Colorado corporation
4. Nance Petroleum Corporation, a Montana corporation
5. St. Mary Energy Company, a Delaware corporation
6. Roswell LLC, a Texas limited liability company
7. Four Winds Marketing LLC, a Colorado limited liability company
8. GNK Acquisition Corp., a Texas corporation

B. Other subsidiaries of St. Mary Land & Exploration Company

1. Box Church Gas Gathering LLC, a Colorado limited liability company (58.6754%)
2. Centennial Oil & Gas LLC, a Texas limited liability company (50%)
3. Trinity River Services LLC, a Texas limited liability company (25%)

C. Wholly-owned subsidiaries of Parish Corporation:

1. Natasha Corporation, a Colorado corporation
2. Lucy Corporation, a Colorado corporation

D. Partnership interests held by Parish Corporation:

1. Hilltop Investment Partners, a Colorado general partnership (50%)
2. C-470 Venture, a Colorado general partnership (68.858%)
3. Parish Ventures, a Colorado general partnership (100%)

E. Subsidiaries of Lucy Corporation:

1. St. Mary East Texas LP, a Texas limited partnership (99%) (the remaining 1% interest is held by St. Mary Land & Exploration Company)

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K into St. Mary Land & Exploration Company and subsidiaries previously filed Form S-8 Registration Statement Nos. 033-61850, 333-30055, 333-58273 and 333-35352.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado,
March 15, 2002.

EXHIBIT 23.2

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

The undersigned hereby consents to the references to our firm in the form and context in which they appear in the Annual Report on Form 10-K of St. Mary Land and Exploration Company for the year ended December 31, 2001. We hereby further consent to the use of information contained in our reports, as of January 1, 2002, 2001 and 2000 setting forth the estimates of revenues from St. Mary Land & Exploration Company's oil and gas reserves. We further consent to the incorporation by reference thereof into St. Mary Land & Exploration Company's Form S-8 (Registration Statement No. 033-61850), Form S-8 (Registration Statement No. 333-30055), Form S-8 (Registration Statement No. 333-58273), and Form S-8 (Registration Statement No. 333-35352).

Very truly yours,

/s/ RYDER SCOTT COMPANY, L.P.

Ryder Scott Company, L.P.

Denver, Colorado,
March 15, 2002.

Exhibit 10.25

REGISTRATION RIGHTS AGREEMENT

between

ST. MARY LAND & EXPLORATION COMPANY

and

BEAR, STEARNS & CO. INC.

BANC OF AMERICA SECURITIES LLC

RBC DAIN RAUSCHER INC.

A.G. EDWARDS & SONS, INC.

MCDONALD INVESTMENTS INC.

COMERICA SECURITIES, INC.

Dated as of March 13, 2002

This REGISTRATION RIGHTS AGREEMENT, dated as of March 13, 2002, is between ST. MARY LAND & EXPLORATION COMPANY, a Delaware corporation (together with any successor entity, herein referred to as the "Issuer"), and BEAR, STEARNS & CO. INC., BANC OF AMERICA SECURITIES LLC, RBC DAIN RAUSCHER INC., A.G. EDWARDS & SONS, INC., MCDONALD INVESTMENTS INC. and COMERICA SECURITIES, INC. (collectively, the "Initial Purchasers").

Pursuant to the Purchase Agreement, dated March 7, 2002 between the Issuer and the Initial Purchasers (the "Purchase Agreement"), the Initial Purchasers have agreed to purchase from the Issuer $75,000,000 aggregate principal amount of 5.75% Senior Convertible Notes due 2022 plus up to an additional $25,000,000 aggregate principal amount of 5.75% Senior Convertible Notes dues 2022 upon exercise of the over-allotment option granted to the Initial Purchasers in the Purchase Agreement (collectively, the "Convertible Notes"). The Convertible Notes will be convertible into fully paid, nonassessable common stock, par value $.01 per share, of the Issuer (the "Common Stock") on the terms, and subject to the conditions, set forth in the Indenture (as defined herein). To induce the Initial Purchasers to purchase the Convertible Notes, and in satisfaction of a condition to the Initial Purchasers' obligations under the Purchase Agreement, the Issuer has agreed to provide the registration rights set forth in this Agreement.

The parties hereby agree as follows:

1. Definitions.

As used in this Agreement, the following capitalized terms shall have the following meanings:

"Affiliate": With respect to any specified Person, means an "Affiliate," as defined in Rule 144 under the Securities Act, of such Person.

"Agreement": This Registration Rights Agreement.

"Blue Sky Application": As defined in Section 6(a)(i) hereof.

"Broker-Dealer": Any broker or dealer registered under the Exchange Act.

"Business Day": A day other than a Saturday or Sunday or any federal holiday in the United States.

"Closing Date": The date of this Agreement.

"Commission": The United States Securities and Exchange Commission.

"Common Stock": As defined in the preamble hereto.

"Control": With respect to a Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

"Convertible Notes": As defined in the preamble hereto.

"Damages Payment Date": Each interest payment date with respect to the Convertible Notes.

"Effectiveness Period": As defined in Section 2(a)(iii) hereof.

"Effectiveness Target Date": As defined in Section 2(a)(ii) hereof.

"Exchange Act": The Securities Exchange Act of 1934, as amended.

"Holder": A Person who owns, beneficially or otherwise, Registrable Securities.

"Indemnified Holder": As defined in Section 6(a) hereof.

"Indenture": The Indenture, dated as of March 13, 2002, between the Issuer and Wells Fargo Bank West, N.A., as trustee (the "Trustee"), pursuant to which the Convertible Notes are to be issued, as such Indenture is amended, modified or supplemented from time to time in accordance with the terms thereof.

"Initial Purchasers": As defined in the preamble hereto.

"Issuer": As defined in the preamble hereto.

"Liquidated Damages": As defined in Section 3(a) hereof.

"Majority of Holders": Holders holding over 50% of the aggregate principal amount of Convertible Notes outstanding; provided that, for purpose of this definition, a Holder of shares of Common Stock that constitute Registrable Securities and issued upon conversion of the Convertible Notes shall be deemed to hold an aggregate principal amount of Convertible Notes (in addition to the principal amount of Convertible Notes held by such Holder) equal to the product of (x) the number of such shares of Common Stock held by such Holder and (y) the prevailing conversion price, such prevailing conversion price as determined in accordance with Article 4 of the Indenture.

"NASD": National Association of Securities Dealers, Inc.

"Person": An individual, partnership, corporation, unincorporated organization, trust, joint venture or a government or agency or political subdivision thereof.

"Prospectus": The prospectus included in a Shelf Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

"Questionnaire Deadline": As defined in Section 2(b) hereof.

"Record Holder": With respect to any Damages Payment Date, each Person who is a Holder on the record date with respect to the interest payment date on which such Damages Payment Date shall occur. In the case of a Holder of shares of Common Stock issued upon conversion of the Convertible Notes, "Record Holder" shall mean each Person who is a Holder of shares of Common Stock that constitute Registrable Securities on the March 1 or September 1 immediately preceding the Damages Payment Date.

"Registrable Securities": Each Convertible Note and each share of Common Stock issued upon conversion of Convertible Notes until, in the case of any such security, (A) the earliest of (i) its effective registration under the Securities Act and resale in accordance with the Registration Statement covering it, (ii) expiration of the holding period that would be applicable thereto under Rule 144(k) under the Securities Act were it not held by an Affiliate of the Issuer or (iii) its sale to the public pursuant to Rule 144 under the Securities Act, and (B) as a result of the event or circumstance described in any of the foregoing clauses (i) through (iii), the legends with respect to transfer restrictions required under the Indenture are removed or removable in accordance with the terms of the Indenture or such legend, as the case may be.

"Registration Default": As defined in Section 3(a)(iv) hereof.

"Registration Statement": Means any registration statement of the Issuer that covers any of the Registrable Securities pursuant to the provisions of this Agreement including the Prospectus, amendments and supplements to such

registration statement, including post-effective amendments, all exhibits, and all materials incorporated by reference or explicitly deemed to be incorporated by reference in such registration statement.

"Sale Notice": As defined in Section 4(e) hereof.

"Securities Act": The Securities Act of 1933, as amended.

"Shelf Filing Deadline": As defined in Section 2(a)(i) hereof.

"Shelf Registration Statement": As defined in Section 2(a)(i) hereof.

"Suspension Period": As defined in Section 4(b)(i) hereof.

"Tia": The Trust Indenture Act of 1939, as in effect on the date the Indenture is qualified under that act.

"Underwriting Majority": On any date, Holders holding at least 66 2/3% of the aggregate principal amount of the Registrable Securities outstanding on such date; provided, that for the purpose of this definition, a holder of shares of Common Stock that constitute Registrable Securities and issued upon conversion of Convertible Notes shall be deemed to hold an aggregate principal amount of Registrable Securities (in addition to the principal amount of Convertible Notes held by such holder) equal to (x) the number of such shares of Common Stock that are Registrable Securities held by such holder multiplied by (y) the then applicable Conversion Price (as defined in the Indenture).

"Underwritten Registration" or "Underwritten Offering": A registration in which securities of the Issuer are sold to an underwriter for reoffering to the public.

2. Shelf Registration.

(a) The Issuer shall:

(i) not later than 90 days after the date hereof (the "Shelf Filing Deadline"), cause to be filed a registration statement pursuant to Rule 415 under the Securities Act (the "Shelf Registration Statement"), which Shelf Registration Statement shall provide for resales of all Registrable Securities held by Holders that have provided the information required pursuant to the terms of Section 2(b) hereof;

(ii) use its reasonable best efforts to cause the Shelf Registration Statement to be declared effective by the Commission no later than 180 days after the date hereof (the "Effectiveness Target Date"); and

(iii) subject to Section 4(b)(i) hereof, use its reasonable best efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 4(b) hereof to the extent necessary to ensure that (A) it is available for resales by the Holders of Registrable Securities entitled to the benefit of this Agreement and (B) conforms with the requirements of this Agreement and the Securities Act and the rules and regulations of the Commission promulgated thereunder as announced from time to time for a period (the "Effectiveness Period") of:

(1) two years after the date of filing of the Shelf Registration Statement; or

(2) such shorter period, from the date of filing of the Shelf Registration Statement until either of (i)the sale pursuant to a Shelf Registration Statement of all the Registrable Securities or (ii) the expiration of the holding period applicable to the Registrable Securities held by Holders that are not Affiliates of the Issuer under Rule 144(k) under the Securities Act.

(b) No Holder of Registrable Securities may include any of its Registrable Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Issuer in writing, prior to or on the 20th Business Day after receipt of a request therefor (the "Questionnaire Deadline"), such information as the Issuer may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein and in any application to be filed with or under state securities laws. In connection with all such requests for information from Holders of Registrable Securities, the Issuer shall notify such Holders of the requirements set forth in the preceding sentence. No

Holder of Registrable Securities shall be entitled to Liquidated Damages pursuant to Section 3 hereof unless such Holder shall have provided all such reasonably requested information prior to or on the Questionnaire Deadline. Each Holder as to which the Shelf Registration Statement is being effected agrees to furnish promptly to the Issuer all information required to be disclosed in order to make information previously furnished to the Issuer by such Holder not materially misleading.

3. Liquidated Damages.

(a) If:

(i) the Shelf Registration Statement has not been filed with the Commission prior to or on the Shelf Filing Deadline,

(ii) the Shelf Registration Statement has not been declared effective by the Commission prior to or on the Effectiveness Target Date,

(iii) subject to the provisions of Section 4(b)(i) hereof, the Shelf Registration Statement is filed and declared effective but, during the Effectiveness Period and after the Effectiveness Target Date, shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within five Business Days by a post-effective amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act that cures such failure and, in the case of a post-effective amendment, is itself declared effective within such five Business Day period, or

(iv) prior to or on the 45th or 60th day, as the case may be, of any Suspension Period, such suspension has not been terminated,

(each such event referred to in foregoing clauses (i) through (iv), a "Registration Default"),

then the Issuer hereby agrees to pay liquidated damages ("Liquidated Damages") to each Holder from and including the day following the Registration Default to but excluding the day on which the Registration Default has been cured in an amount equal to:

(A) with respect to such Holder's Convertible Notes, for the first 90-day period during which a Registration Default shall have occurred and be continuing but excluding the day on which all Registration Defaults have been cured, an amount equal to 0.25% per annum on the principal amount of such Holder's then outstanding and not converted Convertible Notes, increasing to an amount per annum on the principal amount of such Holder's then outstanding and not converted Convertible Notes equal to 0.50% on the 91st day, provided that in no event shall the aggregate Liquidated Damages pursuant to this clause accrue at a rate per annum exceeding 0.50% of the sum of the principal amount of the then outstanding Convertible Notes;

(B) with respect to such Holder's Common Stock issued upon conversion of Convertible Notes, for the first 90-day period during which a Registration Default shall have occurred and be continuing but excluding the day on which all Registration Defaults have been cured, an amount equal to 0.25% per annum on the principal amount of such Holder's converted Convertible Notes, increasing to an amount per annum on the principal amount of such Holder's converted Convertible Notes equal to 0.50% on the 91st day, provided that in no event shall the aggregate Liquidated Damages pursuant to this clause accrue at a rate per annum exceeding 0.50% of the sum of the principal amount of the then converted Convertible Notes;

(b) All accrued Liquidated Damages shall be paid in arrears to Record Holders by the Issuer on each Damages Payment Date by wire transfer of immediately available funds or by federal funds check. Following the cure of all Registration Defaults relating to any particular Convertible Note or share of Common Stock, the accrual of Liquidated Damages with respect to such Convertible Note or share of Common Stock will cease.

All obligations of the Issuer set forth in this Section 3 that are outstanding with respect to any Registrable Security at the time such security ceases to be a Registrable Security shall survive until such time as all such

obligations with respect to such Registrable Security shall have been satisfied in full.

The Liquidated Damages set forth above shall be the exclusive monetary remedy available to the Holders of Registrable Securities for such Registration Default.

4. Registration Procedures.

(a) In connection with the Shelf Registration Statement, the Issuer shall comply with all the provisions of Section 4(b) hereof and shall, in accordance with Section 2 hereof, prepare and file with the Commission a Shelf Registration Statement relating to the registration on any appropriate form under the Securities Act.

(b) In connection with the Shelf Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Registrable Securities, the Issuer shall:

(i) Subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii)(D), use its reasonable best efforts to keep the Shelf Registration Statement continuously effective during the Effectiveness Period; upon the occurrence of any event that would cause the Shelf Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not be effective and usable for resale of Registrable Securities during the Effectiveness Period, the Issuer shall file promptly an appropriate amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use its reasonable best efforts to cause such amendment to be declared effective and the Shelf Registration Statement and the related Prospectus to become usable for their intended purposes as soon as practicable thereafter. Notwithstanding the foregoing, the Issuer may suspend the effectiveness of the Shelf Registration Statement by written notice to the Holders for a period not to exceed an aggregate of 45 days in any 90-day period (each such period, a "Suspension Period") if:

(x) an event occurs and is continuing as a result of which the Shelf Registration Statement would, in the Issuer's reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and

(y) the Issuer reasonably determines that the disclosure of such event at such time would have a material adverse effect on the business of the Issuer and its subsidiaries, taken as a whole;

provided, that (A) in the event the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede the Issuer's ability to consummate such transaction, the Issuer may extend a Suspension Period from 45 days to 60 days and (B) the Suspension Periods shall not exceed an aggregate of 90 days in any 360-day period. Each Holder, by its acceptance of a Registrable Security, agrees to hold in confidence any communication by the Issuer relating to an event described in Section 4(b)(i)(x) and (y) or Section 4(b)(iii)(D).

(ii) Prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective during the Effectiveness Period; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in the Shelf Registration Statement or supplement to the Prospectus.

(iii) Advise the underwriter(s), if any, and, in the case of (A), (C) and (D) below, the selling Holders promptly and, if requested by such Persons, to confirm such advice in writing:

(A) when the Prospectus or any Prospectus

supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective,

(B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto,

(C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Registrable Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, or

(D) of the existence of any fact or the happening of any event, during the Effectiveness Period, that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Shelf Registration Statement or the Prospectus in order to make the statements therein not misleading.

If at any time the Commission shall issue any stop order suspending the effectiveness of the Shelf Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Registrable Securities under state securities or Blue Sky laws, the Issuer shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(iv) Furnish to one counsel for the selling Holders and each of the underwriter(s), if any, before filing with the Commission, a copy of the Shelf Registration Statement and copies of any Prospectus included therein or any amendments or supplements to either of the Shelf Registration Statement or Prospectus (other than documents incorporated by reference after the initial filing of the Shelf Registration Statement), which documents will be subject to the review of such counsel and underwriter(s), if any, for a period of two Business Days, and the Issuer will not file the Shelf Registration Statement or Prospectus or any amendment or supplement to the Shelf Registration Statement or Prospectus (other than documents incorporated by reference) to which such counsel or the underwriter(s), if any, shall reasonably object within two Business Days after the receipt thereof. Such counsel or underwriter, if any, shall be deemed to have reasonably objected to such filing if the Shelf Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission.

(v) Subject to the execution of a confidentiality agreement reasonably acceptable to the Issuer, make available at reasonable times for inspection by one or more representatives of the selling Holders, designated in writing by a Majority of Holders whose Registrable Securities are included in the Shelf Registration Statement, any underwriter, if any, participating in any distribution pursuant to the Shelf Registration Statement, and any attorney or accountant retained by the Majority of Holders or any of the underwriter(s), all financial and other records, pertinent corporate documents and properties of the Issuer as shall be reasonably necessary to enable them to exercise any applicable due diligence responsibilities, and cause the Issuer's officers, directors, managers and employees to supply all information reasonably requested by any such representative or representatives of the selling Holders, underwriter, attorney or accountant in connection with the Shelf Registration Statement after the filing thereof and before its effectiveness; provided, however, that any information designated by the Issuer as confidential at the time of delivery of such information shall be kept confidential by the recipient thereof.

(vi) If requested by any selling Holders or the underwriter(s), if any, incorporate in the Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation: (1) information relating to the "Plan of Distribution" of the Registrable Securities, (2) information with respect to the principal amount of Convertible Notes or number of shares of Common Stock being sold, (3) the purchase price being paid

therefor and (4) any other terms of the offering of the Registrable Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as reasonably practicable after the Issuer is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(vii) Furnish to each selling Holder and each of the underwriter(s), if any, without charge, at least one copy of the Shelf Registration Statement, as first filed with the Commission, and of each amendment thereto (and any documents incorporated by reference therein or exhibits thereto (or exhibits incorporated in such exhibits by reference) as such Person may request in writing).

(viii) Deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii)(D), the Issuer hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto.

(ix) If an underwriting agreement is entered into and the registration is an Underwritten Registration, the Issuer shall:

(A) upon request, furnish to each selling Holder and each underwriter, if any, in such substance and scope as they may reasonably request and as are customarily made by issuers to underwriters in primary underwritten offerings, upon the date of closing of any sale of Registrable Securities in an Underwritten Registration:

(1) a certificate, dated the date of such closing, signed by (y) the Chairman of the Board, the President or a Vice President and (z) the Chief Financial Officer of the Issuer confirming, as of the date thereof, such matters as such parties may reasonably request;

(2) opinions, each dated the date of such closing, of counsel to the Issuer covering such matters as are customarily covered in legal opinions to underwriters in connection with primary underwritten offerings of securities; and

(3) customary comfort letters, dated the date of such closing, from the Issuer's independent accountants (and from any other accountants whose report is contained or incorporated by reference in the Shelf Registration Statement), in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with primary underwritten offerings of securities;

(B) set forth in full in the underwriting agreement, if any, indemnification provisions and procedures which provide rights no less protective than those set forth in Section 6 hereof with respect to all parties to be indemnified; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the selling Holders pursuant to this clause (ix).

(x) Before any public offering of Registrable Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Registrable Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by the Shelf Registration Statement; provided, however, that the Issuer shall not be

required (A) to register or qualify as a foreign corporation or a dealer of securities where it is not now so qualified or to take any action that would subject it to the service of process in any jurisdiction where it is not now so subject or (B) to subject itself to taxation in any such jurisdiction if it is not now so subject.

(xi) Cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends (unless required by applicable securities laws); and enable such Registrable Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may reasonably request at least two Business Days before any sale of Registrable Securities made by such underwriter(s).

(xii) Use its reasonable best efforts to cause the Registrable Securities covered by the Shelf Registration Statement to be registered with or approved by such other U.S. governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Registrable Securities, subject to the proviso in clause (x) above.

(xiii) Subject to Section 4(b)(i) hereof, if any fact or event contemplated by Section 4(b)(iii)(D) hereof shall exist or have occurred, use its reasonable best efforts to prepare a supplement or post-effective amendment to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Registrable Securities, the Prospectus will not contain

an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(xiv) Provide CUSIP numbers for all Registrable Securities not later than the effective date of the Shelf Registration Statement and provide the Trustee under the Indenture with certificates for the Convertible Notes that are in a form eligible for deposit with The Depository Trust Company.

(xv) Cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter that is required to be retained in accordance with the rules and regulations of the NASD.

(xvi) Otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the Commission and all reporting requirements under the rules and regulations of the Exchange Act.

(xvii) Cause the Indenture to be qualified under the TIA not later than the effective date of the Shelf Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the holders of Convertible Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its reasonable best efforts to cause the Trustee thereunder to execute all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner.

(xviii) Cause all Registrable Securities covered by the Shelf Registration Statement to be listed or quoted, as the case may be, on each securities exchange or automated quotation system on which securities issued by the Issuer of the same series are then listed or quoted.

(xix) Provide promptly to each Holder upon written request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act after the effective date of the Shelf Registration Statement, unless such documents are available from EDGAR.

(xx) If requested by the underwriters in an Underwritten Offering, make appropriate officers of the Issuer reasonably available to the underwriters for meetings with prospective purchasers of the Registrable Securities and prepare and present to potential investors customary "road show" material in a manner consistent with other new issuances of other securities similar to the Registrable Securities.

(c) Each Holder agrees by acquisition of a Registrable Security that, upon receipt of any notice from the Issuer of the

existence of any fact of the kind described in Section 4(b)(iii)(D) hereof, such Holder will, and will use its reasonable best efforts to cause any underwriter(s) in an Underwritten Offering to, forthwith discontinue disposition of Registrable Securities pursuant to the Shelf Registration Statement until:

(i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 4(b)(xiii) hereof; or

(ii) such Holder is advised in writing by the Issuer that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus.

If so directed by the Issuer, each Holder will deliver to the Issuer (at the Issuer's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities that was current at the time of receipt of such notice of suspension.

(d) Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall furnish to the Issuer in writing, within 20 Business Days after receipt of a request therefor as set forth in a questionnaire in the form attached hereto as Annex A, -------

such information regarding such Holder and the proposed distribution by such Holder of its Registrable Securities as the Issuer may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. Holders that do not timely complete the questionnaire and deliver it to the Issuer shall not be named as selling securityholders in the Prospectus or preliminary Prospectus included in the Shelf Registration Statement and therefore shall not be permitted to sell any Registrable Securities pursuant to the Shelf Registration Statement. Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall promptly furnish to the Issuer in writing all information required to be disclosed in order to make information previously furnished to the Issuer by such Holder not materially misleading and such other information as the Issuer may from time to time reasonably request in writing.

(e) Upon the effectiveness of the Shelf Registration Statement, each Holder shall notify the Issuer at least three Business Days prior to any intended distribution of Registrable Securities pursuant to the Shelf Registration Statement (a "Sale Notice"), which notice shall be effective for five Business Days. Each Holder of this Security, by accepting the same, agrees to hold any communication by the Issuer in response to a Sale Notice in confidence.

5. Registration Expenses.

(a) All expenses incident to the Issuer's performance of or compliance with this Agreement shall be borne by the Issuer regardless of whether a Shelf Registration Statement becomes effective, including, without limitation:

(i) all registration and filing fees and expenses (other than filings made by any Initial Purchasers or Holders with the NASD);

(ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws;

(iii) all expenses of printing (including printing of Prospectuses and certificates for the Common Stock to be issued upon conversion of the Convertible Notes), messenger and delivery services, and telephone;

(iv) all reasonable fees and disbursements of counsel to the Issuer and, subject to Section 5(b) below, the Holders of Registrable Securities;

(v) all application and filing fees in connection with listing (or authorizing for quotation) the Common Stock on a national securities exchange or automated quotation system pursuant to the requirements hereof; and

(vi) all fees and disbursements of independent certified public accountants of the Issuer (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Issuer shall bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal, accounting or other duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuer.

(b) In connection with the Shelf Registration Statement required by this Agreement, the Issuer shall reimburse the Initial Purchasers and the Holders of Registrable Securities being registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements, if any, of not more than one counsel, which shall be Vinson & Elkins L.L.P. or such other chosen by a Majority of Holders for whose benefit the Shelf Registration Statement is being prepared and is reasonably acceptable to the Issuer; provided, however, that the Company shall be responsible for such fees and disbursements only to the extent the corresponding services of such counsel were rendered at the request of the Company or its counsel or other representatives. The Issuer shall not be required to pay any underwriter discount, commission or similar fees related to the sale of the Securities.

6. Indemnification and Contribution.

(a) The Issuer shall indemnify and hold harmless each Holder, such Holder's directors, officers, employees, representatives, agents and each person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, an "Indemnified Holder"), from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, (i) any loss, claim, damage, liability or action relating to resales of the Registrable Securities and (ii) reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any investigation or litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), to which such Indemnified Holder may become subject, under the Securities Act or otherwise, insofar as any such loss, claim, damage, liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or (B) any blue sky application or other document or any amendment or supplement thereto prepared or executed by the Issuer (or based upon written information furnished by or on behalf of the Issuer expressly for use in such blue sky application or other document or amendment on supplement) filed in any jurisdiction specifically for the purpose of qualifying any or all of the Registrable Securities under the securities law of any state or other jurisdiction (such application or document being hereinafter called a "Blue Sky Application"); or

(ii) the omission or alleged omission to state in the Shelf Registration Statement any material fact required to be stated therein or necessary to make the statements therein not misleading, or the omission or alleged omission to state in the Prospectus any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and shall reimburse each Indemnified Holder promptly upon demand for any legal or other expenses reasonably incurred by such Indemnified Holder in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Issuer shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Shelf Registration Statement or Prospectus or amendment or supplement thereto or Blue Sky Application in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of any Holder (or its related Indemnified Holder) specifically for use therein; provided, further, that as to any preliminary Prospectus, this indemnity agreement shall not inure to the benefit of any Indemnified Holder or any officer, employee, representative, agent, director or controlling person of that Indemnified Holder on account of any loss, claim, damage, liability or action arising from the sale of the Registrable Securities sold pursuant to the Shelf Registration Statement to any person by such Indemnified Holder if (i) that Indemnified Holder failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus was corrected in the Prospectus or a

supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Issuer with Section 4. The foregoing indemnity agreement is in addition to any liability that the Issuer may otherwise have to any Indemnified Holder.

(b) Each Holder, severally and not jointly, shall indemnify and hold harmless the Issuer, its directors, officers, employees, representatives, agents and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, reasonable attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any investigation or litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), to which the Issuer or any such

officer, employee, representative, agent or controlling person may become subject, insofar as any such loss, claim, damage or liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of any material fact contained in the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or any Blue Sky Application; or

(ii) the omission or the alleged omission to state in the Shelf Registration Statement any material fact required to be stated therein or necessary to make the statements therein not misleading, or the omission or alleged omission to state in the Prospectus any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of such Holder (or its related Indemnified Holder) specifically for use therein, and shall reimburse the Issuer and any such director, officer, employee, representative, agent or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Issuer or any such officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability that any Holder may otherwise have to the Issuer and any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under this Section 6 except to the extent it has been materially prejudiced by such failure; provided further, however, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under this Section 6. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ counsel to represent jointly the indemnified party and its respective directors, employees, officers and controlling persons who may be subject to liability arising out of any claim in

respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 6 if such indemnified party shall have been advised in writing that the representation of such indemnified party and those directors, employees, officers and controlling persons by the same counsel would be inappropriate under

applicable standards of professional conduct due to actual or potential differing interests between them, and in that event the reasonable fees and expenses of such separate counsel shall be paid by the indemnifying party. It is understood that the indemnifying party shall be liable for the reasonable fees and expenses of only one separate firm (in addition to local counsel in each jurisdiction) for all indemnified parties in connection with any proceeding or related proceedings. Each indemnified party, as a condition of the indemnity agreements contained in Sections 6(a) and 6(b), shall use its reasonable best efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall:

(i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld) effect any settlement of any pending or threatened action in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party, or

(ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss of liability by reason of such settlement or judgment in accordance with this Section 6.

(d) If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the registration of the Registrable Securities pursuant to the Shelf Registration, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer on the one hand or such Holder or such other indemnified party, as the

case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 6(d), the Holders of the Registrable Securities shall not be required to contribute any amount in excess of the amount by which the gross proceeds received by such Holders from the sale of the Registrable Securities pursuant to the Shelf Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Issuer within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Issuer.

(e) The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Initial Purchaser, any Holder

or any person controlling any Initial Purchaser or any Holder, or by or on behalf of the Issuer, its officers or directors or any person controlling the Issuer, and (iii) any sale of Registrable Securities pursuant to the Shelf Registration Statement.

7. Rule 144A.

In the event the Issuer is not subject to Section 13 or 15(d) of the Exchange Act, the Issuer hereby agrees with each Holder, for so long as any Registrable Securities remain outstanding, to make available to any Holder or beneficial owner of Registrable Securities in connection with any sale thereof and any prospective purchaser of such Registrable Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Securities Act in order to permit resales of such Registrable Securities pursuant to Rule 144A.

8. Underwritten Registrations.

(a) The Underwriting Majority may sell its Registrable Securities in an Underwritten Offering pursuant to the Shelf Registration Statement only with the Issuer's consent, which consent may be granted or withheld in the Issuer's sole discretion.

(b) Participation of Holders. No Holder may participate in any Underwritten Registration hereunder unless such Holder:

(i) agrees to sell such Holder's Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements (including, without

limitation, the obligation of such Holder to pay all underwriting discounts); and

(ii) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents reasonably required under the terms of such underwriting arrangements.

(c) Selection of Underwriters. In any such Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by a Majority of Holders whose Registrable Securities are included in such Underwriting Offering; provided, that such investment bankers and managers must be reasonably satisfactory to the Issuer.

9. Miscellaneous.

(a) Remedies. The Issuer acknowledges and agrees that any failure by the Issuer to comply with its obligations under Section 2 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Issuer's obligations under Section 2 hereof. The Issuer further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Issuer will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. In addition, the Issuer shall not grant to any of its security holders (other than the holders of Registrable Securities in such capacity) the right to include any of its securities in the Shelf Registration Statement provided for in this Agreement other than the Registrable Securities. Other than as disclosed in the Issuer's Offering Memorandum dated March 7, 2002, the Issuer has not previously entered into any agreement (which has not expired or been terminated) granting any registration rights with respect to its securities to any Person, which rights conflict with the provisions hereof.

(c) Adjustments Affecting Registrable Securities. The Issuer shall not, directly or indirectly, take any action with respect to the Registrable Securities as a class that would adversely affect the ability of the Holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement.

(d) Amendments and Waivers. This Agreement may not be amended,

modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, unless the Issuer has obtained the written consent of a Majority of Holders; provided, however, that no amendment, modification, supplement, waiver or consent to or departure from the provisions of Section 6 that materially and

adversely affects a Holder hereof shall be effective as against any such Holder of Registrable Securities unless consented to in writing by such Holder.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the registrar under the Indenture or the transfer agent of the Common Stock, as the case may be; and

(ii) if to the Issuer:

St. Mary Land & Exploration Company, Inc.
1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
Fax No.: (303) 861-0934
Attention: Mark A. Hellerstein

With a copy to:

Ballard Spahr Andrews & Ingersoll, LLP
1225 17th Street, Suite 2300
Denver, Colorado 80202
Fax No.: (303) 296-3956
Attention: Roger C. Cohen

(iii) if to the Initial Purchasers:

c/o Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, New York 10179
Fax No.: (212) 272-3092
Attention: Convertible Capital Markets

With a copy to:

Vinson & Elkins L.L.P.
666 Fifth Avenue, 27th Floor
New York, New York 10103
Fax No.: (917) 206-8100
Attention: Alan P. Baden

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

A document or notice shall be deemed to have been furnished to the Holders of the Registrable Securities if it is provided to the registered holders of the Registrable Securities at the address set forth in clause (i) above.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors, assigns and transferees of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Registrable Securities; provided, however, that (i) nothing contained herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture and (ii) this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Registrable Securities from such Holder. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such

Registrable Securities such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such Person shall be entitled to receive the benefits hereof. The Initial Purchasers (in their capacity as Initial Purchasers) shall have no liability or obligation to the Issuer with respect to any failure by a Holder to comply with, or breach by any Holder of, any of the obligations of such Holder under this Agreement.

(g) Purchases and Sales of Convertible Notes. The Issuer shall not, and shall use its reasonable best efforts to cause its affiliates (as defined in Rule 405 under the Securities Act) within its Control not to, resell or otherwise transfer any Convertible Notes acquired by the Company or such affiliates, except pursuant to an effective registration statement under the Securities Act or an exemption therefrom.

(h) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Issuer and the Initial Purchasers, and such Initial Purchasers shall have the right to enforce such agreements directly to the extent they deem such enforcement necessary or advisable to protect their rights or the rights of Holders hereunder.

(i) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(j) Securities Held by the Issuer or Their Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Issuer or its affiliates (as such term is defined in Rule 405 under the

Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(k) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(l) Governing Law. This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(m) Consent to Jurisdiction. Each party irrevocably agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such Jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. The parties further agree that service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any lawsuit, action or other proceeding brought in any such court. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in the Specified Courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

(n) Severability. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(o) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings other than those set forth or referred to herein with respect to the registration rights granted by the Issuer with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ MARK A. HELLERSTEIN

Name: Mark A. Hellerstein
Title:President and CEO

The foregoing Registration Rights Agreement is hereby confirmed and accepted as of the date first above written.

BEAR, STEARNS & CO. INC.,
on behalf of the Initial Purchasers

By: /s/ STEPHEN STRATI

Name:
Title:

Exhibit 10.26

ST. MARY LAND & EXPLORATION COMPANY

5.75% Senior CONVERTIBLE Notes
DUE 2022

INDENTURE

Dated as of March 13, 2002

WELLS FARGO BANK WEST, N.A..
as Trustee

CROSS-REFERENCE TABLE*

TIA Section		Indenture Section
Section	310(a)(1)	9.10
	(a)(2)	9.10
	(a)(3)	N.A.**
	(a)(4)	N.A.
	(a)(5)	9.10
	(b)	9.8; 9.10
	(c)	N.A.
Section	311(a)	9.11
	(b)	9.11
	(c)	N.A.
Section	312(a)	2.5
	(b)	13.3
	(c)	13.3
Section	313(a)	9.6
	(b)(1)	N.A.
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	(d)	9.6
Section	314(a)	6.2; 6.3, 6.4; 13.2
	(b)	N.A.
	(c)(1)	13.4(a)
	(c)(2)	13.4(a)
	(c)(3)	N.A.
	(d)	N.A.
	(e)	13.4(b)
	(f)	N.A.
Section	315(a)	9.1(b)
	(b)	9.5; 13.2
	(c)	9.1(a)
	(d)	9.1(c)
	(e)	8.11
Section	316(a)(last sentence)	2.9
	(a)(1)(A)	8.5
	(a)(1)(B)	8.4
	(a)(2)	N.A.
	(b)	8.7
	(c)	13.5
Section	317(a)(1)	8.8
	(a)(2)	8.9
	(b)	2.4

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* This Cross-Reference Table shall not, for any purpose, be deemed a part of this Indenture.

** N.A. means Not Applicable.

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COVENANTS

THIS INDENTURE dated as of March 13, 2002 is between St. Mary Land & Exploration Company, a Delaware corporation (the "Company"), and Wells Fargo Bank West, N.A., a national banking association, as Trustee (the "Trustee").

In consideration of the premises and the purchase of the Securities by the Holders thereof, both parties agree as follows for the benefit of the other and for the equal and ratable benefit of the registered Holders of the Company's 5.75% Senior Convertible Notes due 2022.

ARTICLE I
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"Affiliate" means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, Paying Agent or Conversion Agent.

"Applicable Procedures" means, with respect to any transfer or exchange of beneficial ownership interests in a Global Security, the rules and procedures of the Depositary that are applicable to such transfer or exchange.

"Board of Directors" means the board of directors of the Company or any authorized committee of the Board of Directors.

"Business Day" means each day that is not a Legal Holiday.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, but excluding any debt securities convertible into such equity.

"Cash" or "cash" means such coin or currency of the United States as at any time of payment is legal tender for the payment of public and private debts.

"Certificated Security" means a Security that is in substantially the form attached hereto as Exhibit A and that does not include the information or the schedule called for by footnotes 1, 3 and 4 thereof.

"Closing Price Per Share" means the closing price per share of the Company's Common Stock determined in accordance with Section 4.6(d) hereof.

"Common Stock" means the common stock of the Company, par value $.01 per share, as it exists on the date of this Indenture and any shares of any class or classes of Capital Stock of the Company resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by the Company; provided, however, that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable on conversion of Securities shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the party named as such in this Indenture until a successor replaces it pursuant to this Indenture, and thereafter means the successor.

"Contingent Interest" has the meaning specified in Section 1 of the form of Security attached hereto as Exhibit A.

"Conversion Value" of a Security as of any date means the product of the Sale Price of a share of Common Stock times the number of shares of Common Stock into which the Security could then be converted (assuming that the Security was convertible as of such date).

"Corporate Trust Office" means the corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Indenture is located at 1740 Broadway, MAC C7301-024, Denver, Colorado 80274, Attention: Corporate Trust Services, or at any other time at such other address as the Trustee may designate from time to time by notice to the Company.

"Default" or "default" means, when used with respect to the Securities, any event which is or, after notice or passage of time or both, would be an Event of Default.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"Ex-Dividend Time" means, with respect to any issuance or distribution on shares of Common Stock, the first date on which the shares of Common Stock trade regular way on the principal securities market on which the shares of Common Stock are then traded without the right to receive such issuance or distribution.

"Fair Market Value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction (as determined by the Board of Directors, whose determination shall be conclusive).

"Final Maturity Date" means March 15, 2022.

"GAAP" means generally accepted accounting principles in the United States of America as in effect as of the date of this Indenture, including those set forth in (1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (2) the statements and pronouncements of the Financial Accounting Standards Board, (3) such other statements by such other entity as approved by a significant segment of the accounting profession and (4) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in registration statements filed under the Securities Act and periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"Global Security" means a permanent Global Security that is in substantially the form attached hereto as Exhibit A and that includes the information and schedule called for by footnotes 1, 3 and 4 thereof and which is deposited with the Depositary or its custodian and registered in the name of the Depositary or its nominee.

"Holder" or "Securityholder" means the person in whose name a Security is registered on the Primary Registrar's books.

"Indebtedness" means obligations (other than nonrecourse obligations) of, or guaranteed or assumed by, the Company for borrowed money, including obligations evidenced by bonds, debentures, notes or other similar instruments and reimbursement and cash collateralization of letters of credit, bankers' acceptances, interest rate hedge and currency hedge agreements.

"Indenture" means this Indenture as amended or supplemented from time to time pursuant to the terms of this Indenture.

"Liquidated Damages" has the meaning specified in Section 3(a) of the Registration Rights Agreement. All references herein or in the Securities to interest accrued or payable as of any date shall include any Liquidated Damages accrued or payable as of such date as provided in the Registration Rights Agreement.

"Market Price" as of any date of determination means the average of the Sale Prices of the shares of Common Stock for the fifteen Trading Day period ending on (if the third Business Day prior to the applicable date of determination is a Trading Day, or if not, then on the last Trading Day prior to), the third Business Day prior to the applicable Optional Repurchase Date appropriately adjusted to take into account the occurrence, during the period commencing on the first of such Trading Days during such fifteen Trading Day

period and ending on such date of determination, of any event described in Section 4.6; subject, however, to the conditions set forth in Section 4.7.

"Maturity" means the date on which the outstanding principal amount, Redemption Price, Optional Repurchase Price or Change in Control Repurchase Price with respect to such Securities becomes due and payable as therein or herein provided, whether at the Final Maturity Date or by acceleration, conversion, call for redemption, exercise of a repurchase right or otherwise.

"Moody's" means Moody's Investors Service Inc. and its successors.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Controller, the Secretary or any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, that for purposes of Sections 4.11 and 6.3, "Officers' Certificate" means a certificate signed by the principal executive officer, principal financial officer or principal accounting officer of the Company and by one other Officer.

"Opinion of Counsel" means a written opinion from legal counsel. The counsel may be an employee of or counsel to the Company or the Trustee.

"Person" or "person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Principal" or "principal" of a debt security, including the Securities, means the principal of the security plus, when appropriate, the premium, if any, on the security.

"Purchase Agreement" means the Purchase Agreement, dated as of March 7, 2002, between the Company and Bear, Stearns & Co. Inc., Banc of America Securities, LLC, RBC Dain Rauscher Inc., A.G. Edwards & Sons, Inc., McDonald Investments Inc. and Comerica Securities, Inc.

"Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of shares of Common Stock have the right to receive any cash, securities or other property or in which the shares of Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

"Redemption Date" or "redemption date," when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to this Indenture.

"Redemption Price" or "redemption price," when used with respect to any Security to be redeemed, means the price fixed for such redemption pursuant to this Indenture, as set forth in the form of Security annexed as Exhibit A hereto.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of March 13, 2002, between the Company and Bear, Stearns & Co. Inc., Banc of America Securities LLC, RBC Dain Rauscher Inc., A.G. Edwards & Sons, Inc., McDonald Investments Inc. and Comerica Securities, Inc., as initial purchasers.

"Regular Record Date" for the interest (including Contingent Interest) payable on the Note means March 1 and September 1 (whether or not a Business Day), as applicable, next preceding the corresponding Interest Payment Date.

"Regulation S" means Regulation S under the Securities Act.

"Restricted Certificated Security" means a Certificated Security which is a Transfer Restricted Security.

"Restricted Global Security" means a Global Security that is a Transfer Restricted Security.

"Restricted Security" means a Restricted Certificated Security or a Restricted Global Security.

"Rule 144" means Rule 144 under the Securities Act or any successor to such Rule.

"Rule 144A" means Rule 144A under the Securities Act or any successor to such Rule.

"Sale Price" of the shares of Common Stock on any date means:

(1) the closing per share sale price (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and average ask prices) on such date as reported in the composite transactions for the principal United States securities exchange on which the shares of Common Stock are traded, or

(2) if the Common Shares are not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System or its successors.

"SEC" means the Securities and Exchange Commission.

"Securities" means the 5.75% Senior Convertible Notes due 2022 or any of them (each, a "Security"), as amended or supplemented from time to time, that are issued under this Indenture.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, as in effect from time to time.

"Securities Custodian" means the Trustee, as custodian with respect to the Securities in global form, or any successor thereto.

"Standard & Poor's" means Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc., and its successors.

"Subsidiary" means, in respect of any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

"TIA" means the Trust Indenture Act of 1939, as amended, as in effect on the date of this Indenture, except as provided in Section 13.3, and except to the extent any amendment to the Trust Indenture Act expressly provides for application of the Trust Indenture Act as in effect on another date.

"Trading Day" means:

(1) if the applicable Security is listed or admitted for trading on the New York Stock Exchange, a day on which the New York Stock Exchange is open for business;

(2) if that Security is not listed on the New York Stock Exchange, a day on which trades may be made on the Nasdaq National Market;

(3) if that Security is not so listed on the New York Stock Exchange and not quoted on the Nasdaq National Market, a day on which the principal U.S. securities exchange on which the Securities are listed is open for business; or

(4) if the applicable Security is not so listed, admitted for trading or quoted, any day other than a Saturday or a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Trading Price" of a Security on any date of determination means:

(1) the average of the secondary market bid quotations per Security obtained by the Company for $10,000,000 principal amount of the Securities at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers selected by the Company;

(2) if at least three such bids cannot reasonably be obtained by the Company, but two such bids are obtained, then the average of the two bids shall be used;

(3) if only one such bid can reasonably be obtained by the Company, this one bid shall be used; or

(4) if the Company cannot reasonably obtain at least one bid for $10,000,000 principal amount of the Securities from a nationally

recognized securities dealer or in the Company's reasonable judgment, the bid quotations are not indicative of the secondary market value of the Securities, then the trading price of the Securities will equal (i) the then-applicable Conversion Rate of the Securities multiplied by (ii) the Sale Price of the Company's Common Stock on such determination date.

"Trustee" means the party named as such in this Indenture until a successor replaces it in accordance with the provisions of this Indenture, and thereafter means the successor.

"Trust Officer" means, with respect to the Trustee, any officer assigned to the Corporate Trust Office, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Unrestricted Certificated Security" means a Certificated Security that is not a Transfer Restricted Security.

"Unrestricted Global Security" means a Global Security that is not a Transfer Restricted Security.

"Voting Stock" of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

Section 1.2 Other Definitions.

Term	Defined in Section
"Agent Members"	2.1
"Bankruptcy Law"	8.1
"Change in Control"	12.1
"Change in Control Repurchase Date"	12.1
"Change in Control Repurchase Notice"	12.1
"Change in Control Repurchase Price"	12.1
"closing price"	4.6(d)
"Company Notice"	5.5
"Company Notice Date"	5.5
"Company Order"	2.2
"Contingent Payment Regulations"	6.10
"Conversion Agent"	2.3
"Conversion Date"	4.2
"Conversion Rate"	4.1(b)
"Conversion Price"	4.6
"current market price"	4.6(d)
"Custodian"	8.1
"DTC"	2.1
"Depositary"	2.1
"Determination Date"	4.6(c)
"Event of Default"	8.1
"Expiration Date"	4.6(c)
"Expiration Time"	4.6(c)
"Legal Holiday"	13.7
"NNM"	4.5
"Optional Repurchase Date"	5.1
"Optional Repurchase Notice"	5.1
"Optional Repurchase Price"	5.1
"Paying Agent"	2.3
"Primary Registrar"	2.3
"Purchased Shares"	4.6(c)
"QIB"	2.1
"Registrar"	2.3
"Repurchase Press Release"	5.5
"Transfer Certificate"	2.12
"Transfer Restricted Security"	2.12
"Triggering Distribution"	4.6(c)
"Unissued Shares"	12.1

Section 1.3 Trust Indenture Act Provisions.

Whenever this Indenture refers to a provision of the TIA, that provision is incorporated by reference in and made a part of this Indenture. The Indenture shall also include those provisions of the TIA required to be included herein by the provisions of the Trust Indenture Reform Act of 1990. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities;

"indenture security holder" means a Securityholder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company or any other obligor on the Securities.

All other terms used in this Indenture that are defined in the TIA, defined by TIA reference to another statute or defined by any SEC rule and not otherwise defined herein have the meanings assigned to them therein.

Section 1.4 Rules of Construction.

Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(iii) words in the singular include the plural, and words in the plural include the singular;

(iv) provisions apply to successive events and transactions;

(v) the masculine gender includes the feminine and the neuter;

(vi) references to agreements and other instruments include subsequent amendments thereto; and

(vii) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

THE SECURITIES

Section 2.1 Form and Dating

The Securities and the Trustee's certificate of authentication shall be substantially in the respective forms set forth in Exhibit A, which Exhibit is incorporated in and made part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication. The Securities are being offered and sold by the Company in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

(a) Restricted Global Securities. All of the Securities are initially being offered and sold to qualified institutional buyers as defined in Rule 144A (collectively, "QIBs" or individually, each a "QIB") in reliance on Rule 144A under the Securities Act and shall be issued initially in the form of one or more Restricted Global Securities, which shall be deposited on behalf of the purchasers of the Securities represented thereby with the Trustee, at its Corporate Trust Office, as custodian for the depositary, The Depository Trust Company ("DTC") (such depositary, or any successor thereto, being hereinafter referred to as the "Depositary"), and registered in the name of its nominee, Cede & Co., duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Restricted Global Security may from time to time be increased or decreased by adjustments made on the records of the Securities Custodian as hereinafter provided, subject in each case to compliance with the Applicable Procedures.

(b) Global Securities in General. Each Global Security shall represent such of the outstanding Securities as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, purchases or conversions of such Securities. Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Securities Custodian in accordance with the standing instructions and procedures existing between the Depositary and the Securities Custodian.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or under any Global Security, and the Depositary (including, for this purpose, its nominee) may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and Holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall (A) prevent the Company, the Trustee or any

agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or (B) impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(c) Certificated Securities. Certificated Securities shall be issued only under the limited circumstances provided in Section 2.12(a)(1) hereof.

Section 2.2 Execution and Authentication

An Officer shall sign the Securities for the Company by manual or facsimile signature attested by the manual or facsimile signature of the Secretary or an Assistant Secretary of the Company. Typographic and other minor errors or defects in any such facsimile signature shall not affect the validity or enforceability of any Security which has been authenticated and delivered by the Trustee.

If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate and make available for delivery Securities for original issue in the aggregate principal amount of up to $75,000,000 (plus up to an additional $25,000,000 that may be issued pursuant to the exercise of the over-allotment option described in the Purchase Agreement) upon receipt of a written order or orders of the Company signed by an Officer of the Company (a "Company Order"). The Company Order shall specify the amount of Securities to be authenticated, shall provide that all such Securities will be represented by a Restricted Global Security and the date on which each original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed $75,000,000, except as provided above and in Section 2.7.

The Trustee shall act as the initial authenticating agent. Thereafter, the Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent shall have the same rights as an Agent to deal with the Company or an Affiliate of the Company.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and any integral multiple thereof.

Section 2.3 Registrar, Paying Agent and Conversion Agent

The Company shall maintain one or more offices or agencies where Securities may be presented for registration of transfer or for exchange (each, a "Registrar"), one or more offices or agencies where Securities may be presented for payment (each, a "Paying Agent"), one or more offices or agencies where Securities may be presented for conversion (each, a "Conversion Agent") and one or more offices or agencies where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will at all times maintain a Paying Agent, Conversion Agent, Registrar and an office or agency where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served in the Borough of Manhattan, the City of New York. One of the Registrars (the "Primary Registrar") shall keep a register of the Securities and of their transfer and exchange.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar, Paying Agent, Conversion Agent or agent for service of notices and demands in any place required by this Indenture, or fails to give the foregoing notice, the Trustee shall act as such. The Company or any Affiliate of the Company may act as Paying Agent (except for the purposes of Section 6.1 and Article X).

The Company hereby initially designates the Trustee as Paying Agent, Registrar, Securities Custodian and Conversion Agent (which shall initially be located at 45 Broadway, 12th Floor, MAC N2666-120, New York, New York 10006, Attention: Corporate Trust Department), one such office or agency of the Company for each of the aforesaid purposes.

Section 2.4 Paying Agent To Hold Money in Trust

Prior to 11:00 a.m., New York City time, on each due date of the principal of or interest, if any, on any Securities, the Company shall deposit with a Paying Agent a sum sufficient to pay such principal or interest (including Contingent Interest), if any, so becoming due. Subject to Section 5.9, a Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest, if any, on the Securities, and shall notify the Trustee of any default by the Company (or any other obligor on the Securities) in making any such payment. If the Company or an Affiliate of the Company acts as Paying Agent, it shall, before 11:00 a.m., New York City time, on each due date of the principal of or interest on any Securities, segregate money in such amount and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee, and the Trustee may at any time during the continuance of any Default, upon written request to a Paying Agent, require such Paying Agent to forthwith pay to the Trustee all sums so held in trust by such Paying Agent. Upon doing so, the Paying Agent (other than the Company) shall have no further liability for the money.

Section 2.5 Securityholder Lists

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Primary Registrar, the Company shall furnish to the Trustee on or before the third (3rd) Business Day preceding each semiannual interest payment date and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

Section 2.6 Transfer and Exchange

Subject to compliance with any applicable additional requirements contained in Section 2.12, when a Security is presented to a Registrar with a request to register a transfer thereof or to exchange such Security for an equal principal amount of Securities of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested; provided,

however, that every Security presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by an assignment form and, if applicable, a transfer certificate each in the form included in Exhibit A, and in form satisfactory to the Registrar duly executed by the Holder thereof or its attorney duly authorized in writing. To permit registration of transfers and exchanges, upon surrender of any Security for registration of transfer or exchange at an office or agency maintained pursuant to Section 2.3, the Company shall execute and the Trustee shall authenticate Securities of a like aggregate principal amount at the Registrar's request. Any exchange or transfer shall be without charge, except that the Company or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto, and provided, that this sentence shall not apply to any exchange pursuant to Section 2.7, 2.10, 2.12(a)(1), 3.6, 4.2 (last paragraph), 5.11, 11.5 or 12.4.

Neither the Company, any Registrar nor the Trustee shall be required to exchange or register a transfer of (a) any Securities for a period of 15 days next preceding any mailing of a notice of Securities to be redeemed, (b) any Securities or portions thereof selected or called for redemption (except, in the case of redemption of a Security in part, the portion not to be redeemed) or (c) any Securities or portions thereof in respect of which an Optional Repurchase Notice or a Change in Control Repurchase Notice has been delivered and not withdrawn by the Holder thereof (except, in the case of the purchase of a Security in part, the portion not to be purchased).

All Securities issued upon any transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same debt and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

(b) Any Registrar appointed pursuant to Section 2.3 hereof shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Securities upon transfer or exchange of Securities.

(c) Each Holder of a Security agrees to indemnify the Company, the Registrar and the Trustee against any liability that may result from the transfer, exchange or assignment of such Holder's Security in violation of any provision of this Indenture and/or applicable United States federal or state securities law.

The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Agent Members or other

beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.7 Replacement Securities

If any mutilated Security is surrendered to the Company, a Registrar or the Trustee, or the Company, a Registrar and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company, the applicable Registrar and the Trustee such security or indemnity as will be required by them to save each of them harmless, then, in the absence of actual notice to the Company, such Registrar or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be redeemed or purchased by the Company pursuant to Article III, the Company in its discretion may, instead of issuing a new Security, pay, redeem or purchase such Security, as the case may be.

Upon the issuance of any new Securities under this Section 2.7, the Company shall require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Trustee or the Registrar) in connection therewith.

Every new Security issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.7 are (to the extent lawful) exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.8 Outstanding Securities

Securities outstanding at any time are all Securities authenticated by the Trustee, except for those canceled by it, those delivered to it for cancellation and those described in this Section 2.8 as not outstanding.

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Company receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If a Paying Agent (other than the Company or an Affiliate of the Company) holds on a redemption date, a Change in Control Repurchase Date, an Optional Repurchase Date or the Final Maturity Date money sufficient to pay the principal of (including premium, if any) and accrued interest (including Contingent Interest) on Securities (or portions thereof) payable on that date, then on and after that date such Securities (or portions thereof, as the case may be) cease to be outstanding and interest on them ceases to accrue.

Subject to the restrictions contained in Section 2.9, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

Section 2.9 Treasury Securities

In determining whether the Holders of the required principal amount of Securities have concurred in any notice, direction, waiver or consent, Securities owned by the Company or any other obligor on the Securities or by any Affiliate of the Company or of such other obligor shall be disregarded, except that, for purposes of determining whether the Trustee shall be protected in relying on any such notice, direction, waiver or consent, only Securities which a Trust Officer of the Trustee actually knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith shall not be disregarded if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to the Securities and that the pledgee is not the Company or any other obligor on the Securities or any Affiliate of the Company or of such other obligor.

Section 2.10 Temporary Securities

Until definitive Securities are ready for delivery, the Company may prepare and execute, and, upon receipt of a Company Order, the Trustee shall authenticate and deliver, temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company with the consent of the Trustee considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate and deliver definitive Securities in exchange for temporary Securities.

Section 2.11 Cancellation

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar, the Paying Agent and the Conversion Agent shall forward to the Trustee or its agent any Securities surrendered to them for transfer, exchange, payment or conversion. The Trustee and no one else shall cancel, in accordance with its standard procedures, all Securities surrendered for transfer, exchange, redemption, payment, conversion or cancellation and shall deliver the canceled Securities to the Company. All Securities which are redeemed, purchased or otherwise acquired by the Company or any of its Subsidiaries prior to the Final Maturity Date shall be delivered to the Trustee for cancellation and the Company may not hold or resell such Securities or issue any new Securities to replace any such Securities or any Securities that any Holder has converted pursuant to Article IV. Without limitation to the foregoing, any Securities acquired by any investment bankers or other purchasers pursuant to Section 3.7 shall be surrendered for conversion and thereafter cancelled, and may not be reoffered, sold or otherwise transferred.

Section 2.12 Additional Transfer and Exchange Requirements

(a) Transfer and Exchange of Global Securities.

(1) Certificated Securities shall be issued in exchange for interests in the Global Securities only if (x) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Securities or if it at any time ceases to be a "clearing agency" registered under the Exchange Act, if so required by applicable law or regulation and a successor Depositary is not appointed by the Company within 90 days, or (y) an Event of Default has occurred and is continuing. In either case, the Company shall execute, and the Trustee shall, upon receipt of a Company Order (which the Company agrees to delivery promptly), authenticate and deliver Certificated Securities in an aggregate principal amount equal to the principal amount of such Global Securities in exchange therefor. Only Restricted Certificated Securities shall be issued in exchange for beneficial interests in Restricted Global Securities, and only Unrestricted Certificated Securities shall be issued in exchange for beneficial interests in Unrestricted Global Securities. Certificated Securities issued in exchange for beneficial interests in Global Securities shall be registered in such names and shall be in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver or cause to be delivered such Certificated Securities to the Persons in whose names such Securities are so registered. Such exchange shall be effected in accordance with the Applicable Procedures.

(2) Notwithstanding any other provisions of this Indenture other than the provisions set forth in Section 2.12(a)(1), a Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(b) Transfer and Exchange of Certificated Securities. In the event that Certificated Securities are issued in exchange for beneficial interests in Global Securities in accordance with Section 2.12(a)(1) of this Indenture, on or after such event when Certificated Securities are presented by a Holder to a Registrar with a request:

(x) to register the transfer of the Certificated Securities to a person who will take delivery thereof in the form of Certificated Securities only; or

(y) to exchange such Certificated Securities for an equal principal amount of Certificated Securities of other authorized denominations, such Registrar shall register the transfer or make the exchange as requested;

provided, however, that the Certificated Securities presented or surrendered for register of transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in accordance with the proviso to the first paragraph of Section 2.6; and

(2) in the case of a Restricted Certificated Security, such request shall be accompanied by the following additional information and documents, as applicable:

(i) if such Restricted Certificated Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, or such Restricted Certificated Security is being transferred to the Company or a Subsidiary of the Company, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate);

(ii) if such Restricted Certificated Security is being transferred to a person the Holder reasonably believes is a QIB in accordance with Rule 144A or pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate); or

(iii) if such Restricted Certificated Security is being transferred (i) pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 or (ii) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (ii), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from the Holder (in substantially the form set forth in the Transfer Certificate) and, if the Company or such Registrar so requests, a customary Opinion of Counsel, certificates and other information reasonably acceptable to the Company and such Registrar to the effect that such transfer is in compliance with the registration requirements of the Securities Act.

(c) Transfer of a Beneficial Interest in a Restricted Global Security for a Beneficial Interest in an Unrestricted Global Security. Any person having a beneficial interest in a Restricted Global Security may upon request, subject to the Applicable Procedures, transfer such beneficial interest to a person who is required or permitted to take delivery thereof in the form of an Unrestricted Global Security. Upon receipt by the Trustee of written instructions, or such other form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any person having a beneficial interest in a Restricted Global Security and the following additional information and documents in such form as is customary for the Depositary from the Depositary or its nominee on behalf of the person having such beneficial interest in the Restricted Global Security (all of which may be submitted by facsimile or electronically):

(1) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form set forth in the Transfer Certificate); or

(2) if such beneficial interest is being transferred (i) pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 or (ii) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (ii), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from the transferor (in substantially the form set forth in the Transfer Certificate) and, if the Company or the Trustee so requests, a customary Opinion of Counsel, certificates and other information reasonably acceptable to the Company and the Trustee to the effect that such transfer is in compliance with the registration requirements of the Securities Act,

the Trustee, as a Registrar and Securities Custodian, shall reduce or cause to be reduced the aggregate principal amount of the Restricted Global Security by the appropriate principal amount and shall increase or cause to be increased the aggregate principal amount of the Unrestricted Global Security by a like principal amount. Such transfer shall otherwise be effected in accordance with the Applicable Procedures. If no Unrestricted Global Security is then

outstanding, the Company shall execute and the Trustee shall, upon receipt of a Company Order (which the Company agrees to deliver promptly), authenticate and deliver an Unrestricted Global Security.

(d) Transfer of a Beneficial Interest in an Unrestricted Global Security for a Beneficial Interest in a Restricted Global Security. Any person having a beneficial interest in an Unrestricted Global Security may upon request, subject to the Applicable Procedures, transfer such beneficial interest to a person who is required or permitted to take delivery thereof in the form of a Restricted Global Security (it being understood that only QIBs may own beneficial interests in Restricted Global Securities). Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary, from the Depositary or its nominee, on behalf of any person having a beneficial interest in an Unrestricted Global Security and, in such form as is customary for the Depositary, from the Depositary or its nominee on behalf of the person having such beneficial interest in the Unrestricted Global Security (all of which may be submitted by facsimile or electronically) a certification from the transferor (in substantially the form set forth in the Transfer Certificate) to the effect that such beneficial interest is being transferred to a person that the transferor reasonably believes is a QIB in accordance with Rule 144A, the Trustee, as a Registrar and Securities Custodian, shall reduce or cause to be reduced the aggregate principal amount of the Unrestricted Global Security by the appropriate principal amount and shall increase or cause to be increased the aggregate principal amount of the Restricted Global Security by a like principal amount. Such transfer shall otherwise be effected in accordance with the Applicable Procedures. If no Restricted Global Security is then outstanding, the Company shall execute and the Trustee shall, upon receipt of a Company Order (which the Company agrees to deliver promptly), authenticate and deliver a Restricted Global Security.

(e) Transfers of Certificated Securities for Beneficial Interest in Global Securities. In the event that Certificated Securities are issued in exchange for beneficial interests in Global Securities and, thereafter, the events or conditions specified in Section 2.12(a)(1) which required such exchange shall cease to exist, the Company shall mail notice to the Trustee and to the Holders stating that Holders may exchange Certificated Securities for interests in Global Securities by complying with the procedures set forth in this Indenture and briefly describing such procedures and the events or circumstances requiring that such notice be given. Thereafter, if Certificated Securities are presented by a Holder to a Registrar with a request:

(x) to register the transfer of such Certificated Securities to a person who will take delivery thereof in the form of a beneficial interest in a Global Security, which request shall specify whether such Global Security will be a Restricted Global Security or an Unrestricted Global Security; or

(y) to exchange such Certificated Securities for an equal principal amount of beneficial interests in a Global Security, which beneficial interests will be owned by the Holder transferring such Certificated Securities (provided that in the case of such an exchange, Restricted Certificated Securities may be exchanged only for Restricted Global Securities and Unrestricted Certificated Securities may be exchanged only for Unrestricted Global Securities), the Registrar shall register the transfer or make the exchange as requested by canceling such Certificated Security and causing, or directing the Securities Custodian to cause, the aggregate principal amount of the applicable Global Security to be increased accordingly and, if no such Global Security is then outstanding, the Company shall issue and the Trustee shall, upon receipt of a Company Order (which the Company agrees to deliver promptly) authenticate and deliver a new Global Security;

provided, however, that the Certificated Securities presented or surrendered for registration of transfer or exchange:

(1) shall be duly endorsed or accompanied by a written instrument of transfer in accordance with the proviso to Section 2.6;

(2) in the case of a Restricted Certificated Security to be transferred for a beneficial interest in an Unrestricted Global Security, such request shall be accompanied by the following additional information and documents, as applicable:

(i) if such Restricted Certificated Security is being transferred pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate); or

(ii) if such Restricted Certificated Security is being transferred pursuant to (A) an exemption from the

registration requirements of the Securities Act in accordance with Rule 144 or (B) pursuant to an exemption from the registration requirements of the Securities Act (other than pursuant to Rule 144A or Rule 144) and as a result of which, in the case of a Security transferred pursuant to this clause (B), such Security shall cease to be a "restricted security" within the meaning of Rule 144, a certification to that effect from such Holder (in substantially the form set forth in the Transfer Certificate), and, if the Company or the Registrar so requests, a customary Opinion of Counsel, certificates and other information reasonably acceptable to the Company and the Trustee to the effect that such transfer is in compliance with the registration requirements of the Securities Act;

(3) in the case of a Restricted Certificated Security to be transferred or exchanged for a beneficial interest in a Restricted Global Security, such request shall be accompanied by a certification from such Holder (in substantially the form set forth in the Transfer Certificate) to the effect that such Restricted Certificated Security is being transferred to a person the Holder reasonably believes is a QIB (which, in the case of an exchange, shall be such Holder) in accordance with Rule 144A;

(4) in the case of an Unrestricted Certificated Security to be transferred or exchanged for a beneficial interest in an Unrestricted Global Security, such request need not be accompanied by any additional information or documents; and

(5) in the case of an Unrestricted Certificated Security to be transferred or exchanged for a beneficial interest in a Restricted Global Security, such request shall be accompanied by a certification from such Holder (in substantially the form set forth in the Transfer Certificate) to the effect that such Unrestricted Certificated Security is being transferred to a person the Holder reasonably believes is a QIB (which, in the case of an exchange, shall be such Holder) in accordance with Rule 144A.

(f) Legends.

(1) Except as permitted by the following paragraphs (2) and (3), each Global Security and Certificated Security (and all Securities issued in exchange therefor or upon registration of transfer or replacement thereof) shall bear a legend in substantially the form called for by footnote 2 to Exhibit A hereto (each a "Transfer Restricted Security" for so long as it is required by this Indenture to bear such legend). Each Transfer Restricted Security shall have attached thereto a certificate (a "Transfer Certificate") in substantially the form called for by footnote 5 to Exhibit A hereto.

(2) Upon any sale or transfer of a Transfer Restricted Security (w) after the expiration of the holding period applicable to sales of the Securities under Rule 144(k) of the Securities Act, (x) pursuant to Rule 144, (y) pursuant to an effective registration statement under the Securities Act or (z) pursuant to any other available exemption (other than Rule 144A) from the registration requirements of the Securities Act and as a result of which, in the case of a Security transferred pursuant to this clause (z), such Security shall cease to be a "restricted security" within the meaning of Rule 144:

(i) in the case of any Restricted Certificated Security, any Registrar shall permit the Holder thereof to exchange such Restricted Certificated Security for an Unrestricted Certificated Security, or (under the circumstances described in Section 2.12(e)) to transfer such Restricted Certificated Security to a transferee who shall take such Security in the form of a beneficial interest in an Unrestricted Global Security, and in each case shall rescind any restriction on the transfer of such Security; provided, however, that the Holder of such Restricted Certificated Security shall, in connection with such exchange or transfer, comply with the other applicable provisions of this Section 2.12; and

(ii) in the case of any beneficial interest in a Restricted Global Security, the Trustee shall permit the beneficial owner thereof to transfer such beneficial interest to a transferee who shall take such interest in the form of a beneficial interest in an Unrestricted Global Security and shall rescind any restriction on transfer of such beneficial interest; provided, that such Unrestricted Global Security shall continue to be subject to the provisions of Section 2.12(a)(2); and provided, further, that the owner of such

beneficial interest shall, in connection with such transfer, comply with the other applicable provisions of this Section 2.12.

(3) Upon the exchange, registration of transfer or replacement of Securities not bearing the legend described in paragraph (1) above, the Company shall execute, and the Trustee shall authenticate and deliver, Securities that do not bear such legend and that do not have a Transfer Certificate attached thereto.

(4) After the expiration of the holding period pursuant to Rule 144(k) of the Securities Act, the Company may with the consent of the Holder of a Restricted Global Security or Restricted Certificated Security, remove any restriction of transfer on such Security, and the Company shall execute, and the Trustee shall authenticate and deliver, Securities that do not bear such legend and that do not have a Transfer Certificate attached thereto.

(g) Transfers to the Company. Nothing in this Indenture or in the Securities shall prohibit the sale or other transfer of any Securities (including beneficial interests in Global Securities) to the Company or any of its Subsidiaries, which Securities shall thereupon be cancelled in accordance with Section 2.11.

Section 2.13 CUSIP Numbers

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption or purchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption or purchase and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption or purchase shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE III
REDEMPTION

Section 3.1 Right to Redeem; Notice to Trustee

The Securities may be redeemed at the election of the Company, as a whole or from time to time in part, at any time on or after March 20, 2007, on at least 20 days and no more than 60 days notice at the redemption prices specified in paragraph 5 of the form of Security attached hereto as Exhibit A, together with accrued interest (including Contingent Interest) up to but not including the Redemption Date; provided that if the Redemption Date is an interest payment date, interest will be payable to the Holders in whose name the Securities are registered at the close of business on the relevant record dates for payment of such interest.

If the Company elects to redeem Securities pursuant to this Section 3.1 and paragraph 5 of the Securities, it shall notify the Trustee in writing, at the earlier of the time the Company notifies the Holders of such redemption or 45 days prior to the redemption date as fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), of the redemption date and the principal amount of Securities to be redeemed. If fewer than all of the Securities are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee, which record date shall not be less than ten days after the date of notice to the Trustee.

Section 3.2 Selection of Securities to be Redeemed

If less than all of the Securities are to be redeemed, the Trustee shall, not more than 60 days prior to the redemption date, select the Securities to be redeemed. The Trustee shall make the selection from the Securities outstanding and not previously called for redemption on a pro rata basis; provided, however, that Securities in denominations of $1,000 may only be redeemed in whole. The Trustee may select for redemption portions (equal to $1,000 or any multiple thereof) of the principal of Securities that have denominations larger than $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed shall be treated by the Trustee as outstanding for the purpose of such selection.

Section 3.3 Notice of Redemption

At least 20 days but not more than 60 days before a Redemption Date, the Company shall mail or cause to be mailed a notice of redemption to each Holder of Securities to be redeemed at such Holder's address as it appears on the Primary Registrar's books.

The notice shall identify the Securities (including CUSIP numbers) to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) the then current Conversion Price;

(4) the name and address of each Paying Agent and Conversion Agent;

(5) that Securities called for redemption must be presented and surrendered to a Paying Agent to collect the redemption price;

(6) that Holders who wish to convert Securities must surrender such Securities for conversion no later than the close of business on the second Business Day immediately preceding the redemption date and must satisfy the other requirements in paragraph 8 of the Securities;

(7) that, if sufficient money to effect the payment of the redemption price and accrued and unpaid interest (including Contingent Interest) on all Securities to be redeemed is on deposit with the Trustee or Paying Agent and available therefor, interest (including Contingent Interest) on Securities called for redemption shall cease accruing on and after the redemption date and the only remaining right of the Holder shall be to receive payment of the redemption price, plus accrued and unpaid interest (including Contingent Interest), if any, upon presentation and surrender to a Paying Agent of the Securities; and

(8) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the redemption date, upon presentation and surrender of such Security, a new Security or Securities in aggregate principal amount equal to the unredeemed portion thereof will be issued.

If any of the Securities to be redeemed is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to redemptions. At the Company's written request, which request shall (i) be irrevocable once given and (ii) set forth all relevant information required by clauses (1) through (8) of the preceding paragraph, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

Section 3.4 Effect of Notice of Redemption

Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the redemption price stated in the notice, together with accrued and unpaid interest, if any, except for Securities that are converted in accordance with the provisions of Article IV. Upon presentation and surrender to a Paying Agent (unless the Securities are in the form of a Global Security), Securities called for redemption shall be paid at the redemption price, plus accrued interest up to but not including the redemption date; provided if the redemption date is an interest payment date, interest (including Contingent Interest) will be payable to the Holders in whose names the Securities are registered at the close of business on the relevant record dates for payment of such interest.

Section 3.5 Deposit of Redemption Price

The Company, prior to 11:00 a.m. New York City time, on the Redemption Date, shall deposit with a Paying Agent (or, if the Company acts as Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest (including Contingent Interest) on all Securities to be redeemed on that date, other than Securities or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall return to the Company any money not required for that purpose because of the conversion of Securities pursuant to Article IV or, if such money is then held by the Company in trust and is not required for such purpose, it shall be discharged from the trust.

Section 3.6 Securities Redeemed in Part

Upon presentation and surrender of a Security that is redeemed in part,

the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

Section 3.7 Conversion Arrangement on Call For Redemption

In connection with any redemption of Securities, the Company may arrange for the purchase and conversion of any Securities called for redemption by an agreement with one or more investment bankers or other purchasers to purchase such Securities by paying to a Paying Agent (other than the Company or any of its Affiliates) in trust for the Holders, on or before 11:00 a.m., New York City time on the Redemption Date, an amount that, together with any amounts deposited with such Paying Agent by the Company for the redemption of such Securities, is not less than the Redemption Price, together with interest (including Contingent Interest) accrued to, but not including, the Redemption Date, of such Securities. Notwithstanding anything to the contrary contained in this Article III, the obligation of the Company to pay the Redemption Price of such Securities, including all accrued interest (including Contingent Interest), shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers; provided, however, that nothing in this Section 3.7 shall relieve the Company of its obligation to pay the Redemption Price, plus accrued interest to but excluding the relevant redemption date, on Securities called for redemption. If such an agreement with one or more investment banks or other purchasers is entered into, any Securities called for redemption and not surrendered for conversion by the Holders thereof prior to the relevant redemption date may, at the option of the Company upon written notice to the Trustee, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in Article IV) surrendered by such purchasers for conversion, all as of 11:00 a.m., New York City time on the Redemption Date, subject to payment of the above amount as aforesaid. The Paying Agent shall hold and pay to the Holders whose Securities are selected for redemption any such amount paid to it for purchase in the same manner as it would money deposited with it by the Company for the redemption of Securities. Without the Paying Agent's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Paying Agent as set forth in this Indenture, and the Company agrees to indemnify the Paying Agent from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers, including the costs and expenses incurred by the Paying Agent in the defense of any claim or liability arising out of or in connection with the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

ARTICLE IV
CONVERSION

Section 4.1 Conversion Privilege

(a) Subject to and upon compliance with the provisions of this Article, at the option of the Holder, any Security or any portion of the principal amount thereof which is an integral multiple of $1,000 may be converted at any time prior to maturity at the principal amount thereof, or of such portion thereof, into duly authorized, fully paid and nonassessable shares of Common Stock, at the Conversion Price, determined as hereinafter provided, in effect at the time of conversion.

(b) The conversion rate applicable to the Securities, at any time, shall equal (A) $1,000 divided by the Conversion Price at such time, rounded to three decimal places (rounded up if the fourth decimal place thereof is 5 or more and otherwise rounded down) (the "Conversion Rate").

Notwithstanding the foregoing, if such Security is called for redemption pursuant to Article III or submitted or presented for repurchase pursuant to Articles V or XII, such conversion right shall terminate at the close of business on the second Business Day immediately preceding the Redemption Date, Optional Repurchase Date or Change in Control Repurchase Date, as the case may be, for such Security or such earlier date as the Holder presents such Security for redemption or for purchase (unless the Company shall default in making the Redemption Price, Optional Repurchase Price or Change in Control Repurchase Price payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Security is redeemed or purchased, as the case may be). If such Security is submitted or presented for purchase pursuant to Article III and is then subsequently withdrawn, such conversion right shall no longer be terminated, and the Holder of such Security may convert such Security pursuant to this Section 4.1. The number of shares of Common Stock issuable upon conversion of a Security shall be determined by dividing the principal amount of the Security or portion thereof surrendered for conversion by the Conversion Price in effect on the Conversion Date. The initial Conversion Price is set forth in paragraph 8 of the Securities and is subject to adjustment as provided in this Article IV.

Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of a Security.

A Security in respect of which a Holder has delivered an Optional Repurchase Notice pursuant to Section 5.1 or a Change in Control Repurchase Notice pursuant to Section 12.1(c) exercising the option of such Holder to require the Company to purchase such Security may be converted only if such Optional Repurchase Notice or Change in Control Repurchase Notice, as the case may be, is withdrawn by a written notice of withdrawal delivered to a Paying Agent prior to the close of business on the Business Day immediately preceding the Optional Repurchase Date or Change in Control Repurchase Date, as the case may be, in accordance with Sections 5.9 or 12.2, respectively.

A Holder of Securities is not entitled to any rights of a holder of Common Stock until such Holder has converted its Securities to Common Stock, and only to the extent such Securities are deemed to have been converted into Common Stock pursuant to this Article IV.

Section 4.2 Conversion Procedure

To convert a Security, a Holder must (a) complete and manually sign the conversion notice on the back of the Security and deliver such notice to a Conversion Agent, (b) surrender the Security to a Conversion Agent, (c) furnish appropriate endorsements and transfer documents if required by a Registrar or a Conversion Agent, and (d) pay any transfer or similar tax, if required. The date on which the Holder satisfies all of those requirements is the "Conversion Date." As soon as practicable after the Conversion Date, the Company shall deliver to the Holder through a Conversion Agent a certificate for the number of whole shares of Common Stock issuable upon the conversion and cash in lieu of any fractional shares pursuant to Section 4.3. Anything herein to the contrary notwithstanding, in the case of Global Securities, conversion notices may be delivered and such Securities may be surrendered for conversion in accordance with the Applicable Procedures as in effect from time to time.

The person in whose name the Common Stock certificate is registered shall be deemed to be a stockholder of record on the Conversion Date; provided, however, that no surrender of a Security on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the person or persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the person or persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; provided, further, that such conversion shall be at the Conversion Price in effect on the Conversion Date as if the stock transfer books of the Company had not been closed. Upon conversion of a Security, such person shall no longer be a Holder of such Security. No payment or adjustment will be made for dividends or distributions on shares of Common Stock issued upon conversion of a Security.

Securities so surrendered for conversion (in whole or in part) during the period from the close of business on any regular record date to the opening of business on the next succeeding interest payment date (excluding Securities or portions thereof called for redemption on a Redemption Date during the period beginning at the close of business on a Regular Record Date and ending at the opening of business on the first Business Day after the next succeeding interest payment date, or if such interest payment date is not a Business Day, the second such Business Day) shall also be accompanied by payment in funds acceptable to the Company of an amount equal to the interest payable on such interest payment date on the principal amount of such Security then being converted, and such interest shall be payable to such registered Holder notwithstanding the conversion of such Security, subject to the provisions of this Indenture relating to the payment of defaulted interest by the Company. Except as otherwise provided in this Section 4.2, no payment or adjustment will be made for accrued interest on a converted Security. If the Company defaults in the payment of interest payable on such interest payment date, the Company shall promptly repay such funds to such Holder.

Nothing in this Section shall affect the right of a Holder in whose name any Security is registered at the close of business on a record date to receive the interest payable on such Security on the related interest payment date in accordance with the terms of this Indenture and the Securities. If a Holder converts more than one Security at the same time, the number of shares of Common Stock issuable upon the conversion shall be based on the aggregate principal amount of Securities converted.

Upon surrender of a Security that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security equal in principal amount to the unconverted portion of the Security surrendered.

Section 4.3 Fractional Shares

The Company will not issue fractional shares of Common Stock upon conversion of Securities. In lieu thereof, the Company will pay an amount in cash based upon the current market price (determined as set forth in Section 4.6(d)) of the Common Stock on the Trading Day immediately prior to the Conversion Date.

Section 4.4 Taxes on Conversion

If a Holder converts a Security, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon such conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificate representing the Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulation.

Section 4.5 Company to Provide Stock

The Company shall, prior to issuance of any Securities hereunder, and from time to time as may be necessary, reserve, out of its authorized but unissued Common Stock, a sufficient number of shares of Common Stock to permit the conversion of all outstanding Securities into shares of Common Stock.

All shares of Common Stock delivered upon conversion of the Securities shall be newly issued shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company will endeavor promptly to comply with all federal and state securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities, if any, and will list or cause to have quoted such shares of Common Stock on each national securities exchange or on the Nasdaq National Market ("NNM") or other over-the-counter market or such other market on which the Common Stock is then listed or quoted; provided, however, that if rules of such automated quotation system or exchange permit the Company to defer the listing of such Common Stock until the first conversion of the Notes into Common Stock in accordance with the provisions of this Indenture, the Company covenants to list such Common Stock issuable upon conversion of the Notes in accordance with the requirements of such automated quotation system or exchange at such time.

Section 4.6 Adjustment of Conversion Price

The conversion price as stated in paragraph 8 of the Securities (the "Conversion Price") shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall (i) pay a dividend on its Common Stock in shares of Common Stock, (ii) make a distribution on its Common Stock in shares of Common Stock, (iii) subdivide its outstanding Common Stock into a greater number of shares, or (iv) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the Holder of any Security thereafter surrendered for conversion shall be entitled to receive that number of shares of Common Stock which it would have owned had such Security been converted immediately prior to the happening of such event. An adjustment made pursuant to this subsection (a) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of subdivision or combination.

(b) In case the Company shall issue rights or warrants to all or substantially all holders of its Common Stock entitling them (for a period commencing no earlier than the record date described below and expiring not more than 60 days after such record date) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share (or having a conversion price per share) less than the current market price per share of Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the record date for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price in effect immediately prior thereto shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to such record date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered (or the aggregate conversion price of the convertible securities so offered, which shall be determined by multiplying the number of shares of Common Stock issuable upon conversion of such convertible securities by the conversion price per share of Common Stock pursuant to the terms of such convertible

securities) would purchase at the current market price per share (as defined in subsection (d) of this Section 4.6) of Common Stock on such record date, and of which the denominator shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately after such record date. If at the end of the period during which such rights or warrants are exercisable not all rights or warrants shall have been exercised, the adjusted Conversion Price shall be immediately readjusted to what it would have been based upon the number of additional shares of Common Stock actually issued (or the number of shares of Common Stock issuable upon conversion of convertible securities actually issued).

(c) In case the Company shall distribute to all or substantially all holders of its Common Stock any shares of Capital Stock of the Company (other than Common Stock), evidences of indebtedness or other non-cash assets (including securities of any person other than the Company but excluding (1) dividends or distributions paid exclusively in cash or (2) dividends or distributions referred to in subsection (a) of this Section 4.6), or shall distribute to all or substantially all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (excluding those rights and warrants referred to in subsection (b) of this Section 4.6), then in each such case the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the current Conversion Price by a fraction of which the numerator shall be the current market price per share (as defined in subsection (d) of this Section 4.6) of the Common Stock on the record date mentioned below less the fair market value on such record date (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of the portion of the Capital Stock, evidences of indebtedness or other non-cash assets so distributed or of such rights or warrants applicable to one share of Common Stock (determined on the basis of the number of shares of Common Stock outstanding on the record date), and of which the denominator shall be the current market price per share (as defined in subsection (d) of this Section 4.6) of the Common Stock on such record date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date for the determination of shareholders entitled to receive such distribution.

(1) In case the Company shall, by dividend or otherwise, at any time distribute (a "Triggering Distribution") to all or substantially all holders of its Common Stock cash in an aggregate amount that, together with the aggregate amount of (A) any cash and the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of any other consideration payable in respect of any tender offer by the Company or a Subsidiary of the Company for Common Stock consummated within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no Conversion Price adjustment pursuant to this Section 4.6 has been made and (B) all other cash distributions to all or substantially all holders of its Common Stock made within the 12 months preceding the date of payment of the Triggering Distribution and in respect of which no Conversion Price adjustment pursuant to this Section 4.6 has been made, exceeds an amount equal to 10.0% of the product of the current market price per share of Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the Business Day (the "Determination Date") immediately preceding the day on which such Triggering Distribution is declared by the Company multiplied by the number of shares of Common Stock outstanding on the Determination Date (excluding shares held in the treasury of the Company), the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying such Conversion Price in effect immediately prior to the Determination Date by a fraction of which the numerator shall be the current market price per share of the Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the Determination Date less the sum of the aggregate amount of cash and the aggregate fair market value (determined as aforesaid in this Section 4.6(c)(1)) of any such other consideration so distributed, paid or payable within such 12 months (including, without limitation, the Triggering Distribution) applicable to one share of Common Stock (determined on the basis of the number of shares of Common Stock outstanding on the Determination Date) and the denominator shall be such current market price per share of the Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the Determination Date, such reduction to become effective immediately prior to the opening of business on the day next following the date on which the Triggering Distribution is paid.

(2) In case any tender offer made by the Company or any of its Subsidiaries for Common Stock shall expire and such tender offer (as amended upon the expiration thereof) shall involve the payment of aggregate consideration in an amount (determined as the sum of the aggregate amount of cash consideration and the aggregate fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee thereof) of any other consideration) that, together with the aggregate amount of (A) any cash and the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence thereof and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of any other consideration payable in respect of any other tender offers by the Company or any Subsidiary of the Company for Common Stock consummated within the 12 months preceding the date of the Expiration Date (as defined below) and in respect of which no Conversion Price adjustment pursuant to this Section 4.6 has been made and (B) all cash distributions to all or substantially all holders of its Common Stock made within the 12 months preceding the Expiration Date and in respect of which no Conversion Price adjustment pursuant to this Section 4.6 has been made, exceeds an amount equal to 10.0% of the product of the current market price per share of Common Stock (as determined in accordance with subsection (d) of this Section 4.6) as of the last date (the "Expiration Date") tenders could have been made pursuant to such tender offer (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "Expiration Time") multiplied by the number of shares of Common Stock outstanding (including tendered shares but excluding any shares held in the treasury of the Company) at the Expiration Time, then, immediately prior to the opening of business on the day after the Expiration Date, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to close of business on the Expiration Date by a fraction of which the numerator shall be the product of the number of shares of Common Stock outstanding (including tendered shares but excluding any shares held in the treasury of the Company) at the Expiration Time multiplied by the current market price per share of the Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the Trading Day next succeeding the Expiration Date and the denominator shall be the sum of (x) the aggregate consideration (determined as aforesaid) payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares and excluding any shares held in the treasury of the Company) at the Expiration Time and the current market price per share of Common Stock (as determined in accordance with subsection (d) of this Section 4.6) on the Trading Day next succeeding the Expiration Date, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Date. In the event that the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of shares actually purchased. If the application of this Section 4.6(c)(2) to any tender offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer under this Section 4.6(c)(2).

(3) For purposes of this Section 4.6(c), the term "tender offer" shall mean and include both tender offers and exchange offers, all references to "purchases" of shares in tender offers (and all similar references) shall mean and include both the purchase of shares in tender offers and the acquisition of shares pursuant to exchange offers, and all references to "tendered shares" (and all similar references) shall mean and include shares tendered in both tender offers and exchange offers.

(d) For the purpose of any computation under subsections (b) and (c) of this Section 4.6, the current market price per share of Common Stock on any date shall be deemed to be the average of the daily closing prices for the 30 consecutive Trading Days commencing 45 Trading Days before (i) the Determination Date or the Expiration Date, as the case may be, with respect to distributions or tender offers under subsection (c) of this Section 4.6 or (ii) the record date with respect to distributions, issuances or other events requiring such computation under subsection (b) or (c) of this Section 4.6. The closing price for each day shall be the last reported sales price or, in case no such reported sale takes place on such date, the average of the reported closing bid and asked prices in either case on the NNM or, if the Common Stock is not listed or admitted to trading on the NNM, on the principal national securities exchange on

which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on the NNM or any national securities exchange, the last reported sales price of the Common Stock as quoted on NASDAQ or, in case no reported sales takes place, the average of the closing bid and asked prices as quoted on NASDAQ or any comparable system or, if the Common Stock is not quoted on NASDAQ or any comparable system, the closing sales price or, in case no reported sale takes place, the average of the closing bid and asked prices, as furnished by any two members of the National Association of Securities Dealers, Inc. selected from time to time by the Company for that purpose. If no such prices are available, the current market price per share shall be the fair value of a share of Common Stock as determined by the Board of Directors (which shall be evidenced by an Officers' Certificate delivered to the Trustee).

(e) In any case in which this Section 4.6 shall require that an adjustment be made following a record date or a Determination Date or Expiration Date, as the case may be, established for purposes of this Section 4.6, the Company may elect to defer (but only until five Business Days following the filing by the Company with the Trustee of the certificate described in Section 4.9) issuing to the Holder of any Security converted after such record date or Determination Date or Expiration Date the shares of Common Stock and other Capital Stock of the Company issuable upon such conversion over and above the shares of Common Stock and other Capital Stock of the Company issuable upon such

conversion only on the basis of the Conversion Price prior to adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence prepared by the Company of the right to receive such shares. If any distribution in respect of which an adjustment to the Conversion Price is required to be made as of the record date or Determination Date or Expiration Date therefor is not thereafter made or paid by the Company for any reason, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect if such record date had not been fixed or such effective date or Determination Date or Expiration Date had not occurred.

Section 4.7 No Adjustment

No adjustment in the Conversion Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price as last adjusted; provided, however, that any adjustments which by reason of this Section 4.7 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article IV shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

No adjustment need be made for issuances of Common Stock pursuant to a Company plan for reinvestment of dividends or interest or for a change in the par value or a change to no par value of the Common Stock.

To the extent that the Securities become convertible into the right to receive cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

Section 4.8 Adjustment for Tax Purposes

The Company shall be entitled to make such reductions in the Conversion Price, in addition to those required by Section 4.6, as it in its discretion shall determine to be advisable in order that any stock dividends, subdivisions of shares, distributions of rights to purchase stock or securities or distributions of securities convertible into or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable.

Section 4.9 Notice of Adjustment

Whenever the Conversion Price or conversion privilege is adjusted, the Company shall promptly mail to Securityholders a notice of the adjustment and file with the Trustee an Officers' Certificate briefly stating the facts requiring the adjustment and the manner of computing it. Unless and until the Trustee shall receive an Officers' Certificate setting forth an adjustment of the Conversion Price, the Trustee may assume without inquiry that the Conversion Price has not been adjusted and that the last Conversion Price of which it has knowledge remains in effect.

Section 4.10 Notice of Certain Transactions

In the event that:

(1) the Company takes any action which would require an adjustment in the Conversion Price;

(2) the Company consolidates or merges with, or transfers all or substantially all of its property and assets to, another corporation

and shareholders of the Company must approve the transaction; or

(3) there is a dissolution or liquidation of the Company,

the Company shall mail to Holders and file with the Trustee a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least ten days before such date. Failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 4.10.

Section 4.11 Effect of Reclassification, Consolidation, Merger or Sale on Conversion Privilege

If any of the following shall occur, namely: (a) any reclassification or change of shares of Common Stock issuable upon conversion of the Securities (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination, or any other change for which an adjustment is provided in Section 4.6); (b) any consolidation or merger or combination to which the Company is a party other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock; or (c) any sale or conveyance as an entirety or substantially as an entirety of the property and assets of the Company, directly or indirectly, to any person, then the Company, or such successor, purchasing or transferee corporation, as the case may be, shall, as a condition precedent to such reclassification, change, combination, consolidation, merger, sale or conveyance, execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then outstanding shall have the right to convert such Security into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, combination, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon conversion of such Security immediately prior to such reclassification, change, combination, consolidation, merger, sale or conveyance. Such supplemental indenture shall provide for adjustments of the Conversion Price which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Price provided for in this Article IV. If, in the case of any such consolidation, merger, combination, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock include shares of stock or other securities and property of a person other than the successor, purchasing or transferee corporation, as the case may be, in such consolidation, merger, combination, sale or conveyance, then such supplemental indenture shall also be executed by such other person and shall contain such additional provisions to protect the interests of the Holders of the Securities as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 4.11 shall similarly apply to successive reclassifications, changes, combinations, consolidations, mergers, sales or conveyances.

In the event the Company shall execute a supplemental indenture pursuant to this Section 4.11, the Company shall promptly file with the Trustee (x) an Officers' Certificate briefly stating the reasons therefor, the kind or

amount of shares of stock or other securities or property (including cash) receivable by Holders of the Securities upon the conversion of their Securities after any such reclassification, change, combination, consolidation, merger, sale or conveyance, any adjustment to be made with respect thereto and that all conditions precedent have been complied with and (y) an Opinion of Counsel that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders.

Section 4.12 Trustee's Disclaimer

The Trustee shall have no duty to determine when an adjustment under this Article IV should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of that fact or the correctness of any such adjustment, and shall be protected in relying upon, an Officers' Certificate including the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 4.9. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article IV.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 4.11, but may accept as conclusive evidence of the correctness thereof, and shall be fully protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 4.11.

Section 4.13 Voluntary Reduction

The Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period if the Board of Directors determines that such reduction would be in the best interest of the Company and the Company provides 15 days prior notice of any reduction in the Conversion Price; provided, however, that in no event may the Company reduce the Conversion Price to be less than the par value of a share of Common Stock. Any reduction in the Conversion Price in accordance with this Section 4.13 shall apply only to conversions completed on a Conversion Date occurring within the time period during which such reduced Conversion Price is in effect. Any conversion completed on a Conversion Date occurring prior to such period shall not be retroactively recalculated to take into effect such reduced Conversion Price.

ARTICLE V
REPURCHASE OF SECURITIES AT OPTION OF THE HOLDER ON SPECIFIC DATES

Section 5.1 Optional Put

On March 20, 2007, March 15, 2012 and March 15, 2017 (each, an "Optional Repurchase Date"), each Holder shall have the right, at the Holder's option, to require the Company to repurchase, and upon the exercise of such right the Company shall repurchase, all of such Holder's Securities not theretofore called for redemption, or any portion of the principal amount thereof that is equal to $1,000 or an integral multiple thereof as directed by such Holder pursuant to Section 5.3 (provided that no single Security may be repurchased in part unless the portion of the principal amount of such

Securities to be outstanding after such repurchase is equal to $1,000 or an integral multiple thereof), at a purchase price equal to 100% of the principal amount of the Security to be repurchased plus accrued and unpaid interest (including Contingent Interest), if any, on such Optional Repurchase Date (the "Optional Repurchase Price").

Securities shall be repurchased by the Company pursuant to this Section 5.1 and paragraph 7(a) of the Securities on the Optional Repurchase Date, at the Repurchase Price, at the option of the Holder thereof, upon:

(a) delivery to the Paying Agent by the Holder of a written notice of purchase (an "Optional Repurchase Notice") at any time from the opening of business on the date that is 20 Business Days prior to an Optional Repurchase Date until the close of business on such Optional Repurchase Date stating:

(1) the certificate number of the Security which the Holder will deliver to be repurchased,

(2) the portion of the principal amount of the Security which the Holder will deliver to be repurchased, which portion must be $1,000 or an integral multiple thereof,

(3) that such Security shall be purchased as of the Optional Repurchase Date pursuant to the terms and conditions specified under paragraph 7(a) of the Securities and in this Indenture, and

(4) in the event that the Company elects, pursuant to Section 5.2 hereof, to pay the Optional Repurchase Price to be paid as of the Optional Repurchase Date occurring on March 20, 2007, in whole or in part, in shares of Common Stock but such portion of the Optional Repurchase Price shall ultimately be payable to such Holder entirely in cash because any of the conditions to payment of the Optional Repurchase Price in shares of Common Stock is not satisfied prior to the close of business on such Optional Repurchase Date, as set forth in Section 5.3 hereof, whether such Holder elects (i) to withdraw such Optional Repurchase Notice as to some or all of the Securities to which such Optional Repurchase Notice relates (stating the principal amount and certificate numbers of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Optional Repurchase Price for all Securities (or portions thereof) to which such Optional Repurchase Price relates, and

(b) delivery of such Security to the Paying Agent prior to, on or after the Optional Repurchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Optional Repurchase Price therefor; provided, however, that such Optional Repurchase Price shall be so paid pursuant to this Article V only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Optional Repurchase Notice.

If a Holder, in such Holder's Optional Repurchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 5.9 hereof, fails to indicate such Holder's choice with respect to the

election set forth in clause (4) of Section 5.1(a), such Holder shall be deemed to have elected to receive cash in respect of the Optional Repurchase Price for all Securities subject to the Optional Repurchase Notice in the circumstances set forth in such clause (4).

The Company shall purchase from the Holder thereof, pursuant to this Article V, a portion of a Security if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Article V shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Optional Repurchase Date and the time of delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Optional Repurchase Notice contemplated by this Section 5.1 shall have the right to withdraw such Optional Repurchase Notice at any time prior to the close of business on the Optional Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 5.9.

The Paying Agent shall promptly notify the Company of the receipt by it of any Optional Repurchase Notice or written notice of withdrawal thereof.

Section 5.2 The Company's Right to Elect Manner of Payment of Optional Repurchase Price on March 20, 2007

The Optional Repurchase Price of Securities on March 20, 2007, in respect of which an Optional Repurchase Notice pursuant to Section 5.1 has been given, or a specified percentage thereof, will be paid by the Company, at the election of the Company, with cash or shares of Common Stock or in any combination of cash and shares of Common Stock, subject to the conditions set forth in Section 5.2 and 5.3 hereof. The Company shall designate, in the Company Notice delivered pursuant to Section 5.5 hereof, whether the Company will purchase the Securities for cash or shares of Common Stock, or, if a combination thereof, the percentages of the Optional Repurchase Price of Securities in respect of which it will pay in cash and shares of Common Stock; provided that the Company will pay cash for fractional interests in shares of Common Stock. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to this Article V shall receive the same percentage of cash or shares of Common Stock in payment of the Optional Repurchase Price for such Securities, except (i) as provided in Section 5.4 with regard to the payment of cash in lieu of fractional shares of Common Stock and (ii) in the event that the Company is unable to purchase the Securities of a Holder or Holders for shares of Common Stock because any necessary qualifications or registrations of the shares of Common Stock under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders except pursuant to this Section 5.2 or pursuant to Section 5.4 in the event of a failure to satisfy, prior to the close of business on the Optional Repurchase Date, any condition to the payment of the Optional Repurchase Price, in whole or in part, in shares of Common Stock.

At least three Business Days before the Company Notice Date, the Company shall deliver an Officers' Certificate to the Trustee specifying:

(1) the manner of payment selected by the Company,

(2) the information required by Section 5.5,

(3) if the Company elects to pay the Optional Repurchase Price, or a specified percentage thereof, in shares of Common Stock, that the conditions to such manner of payment set forth in Section 5.4 have been or will be complied with, and

(4) whether the Company desires the Trustee to give the Company Notice required by Section 5.5.

Section 5.3 Purchase with Cash

On the Optional Repurchase Date occurring on March 20, 2007, at the option of the Company, the Optional Repurchase Price of Securities in respect of which an Optional Repurchase Notice pursuant to Section 5.1 has been given, or a specified percentage thereof, may be paid by the Company with cash equal to the aggregate Optional Repurchase Price of such Securities. If the Company elects to purchase Securities on the Optional Repurchase Date occurring on March 20, 2007

with cash, the Repurchase Press Release, as provided in Section 5.5, shall be issued and the Company Notice, as provided in Section 5.5, shall be sent to Holders (and to beneficial owners as required by applicable law), in each case not later than the Company Notice Date, as provided in Section 5.5. On the Optional Repurchase Dates occurring on March 15, 2012 and March 15, 2017, the Optional Repurchase Price of the Securities in respect of which an Optional Repurchase Notice pursuant to Section 5.1 has been given must be paid in cash.

Section 5.4 Payment by Issuance of Shares of Common Stock on March 20, 2007

On the Optional Repurchase Date occurring on March 20, 2007 only (but not on the Optional Repurchase Dates occurring on March 15, 2012 and March 15, 2017), at the option of the Company, the Optional Repurchase Price of Securities in respect of which Optional Repurchase Notices, pursuant to Section 5.1 have been given, or a specified percentage thereof, may be paid by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing (i) the amount of cash to which the Holders would have been entitled had the Company elected to pay all or such specified percentage, as the case may be, of the Optional Repurchase Price of such Securities in cash by (ii) either (x) 95% of the Market Price of a share of Common Stock (if the Company elects to pay 33% or less of the Optional Repurchase Price in respect of which Optional Repurchase Notices pursuant to Section 5.1 have been given in shares of Common Stock) or (y) 93% of the Market Price of a share of Common Stock (if the Company elects to pay more than 33% of the Optional Repurchase Price in respect of which Optional Repurchase Notices pursuant to Section 5.1 have been given in shares of Common Stock), subject to the next succeeding paragraph.

The Company will not issue a fractional share of Common Stock in payment of the Optional Repurchase Price. Instead the Company will pay cash for the current market value of the fractional share. The current market value of a fraction of a share of Common Stock shall be determined by multiplying the Market Price by such fraction and rounding the product to the nearest whole cent with one half cent being rounded upwards. It is understood that if a Holder elects to have more than one Security repurchased, the number of shares of Common Stock shall be based on the aggregate amount of Securities to be repurchased.

If the Company elects to purchase the Securities by the issuance of shares of Common Stock (i) the Repurchase Press Release, as provided in Section 5.5, shall be issued and the Company Notice, as provided in Section 5.5, shall be sent to the Holders (and to beneficial owners as required by applicable law), in each case not later than the Company Notice Date, as provided in Section 5.5, and (ii) each Holder delivering an Optional Repurchase Notice shall receive the same proportion of shares of Common Stock and cash for the Securities of such Holder to be repurchased.

The Company's right to exercise its election to purchase the Securities pursuant to this Article V through the issuance of shares of Common Stock shall be conditioned upon:

(a) the Company's not having given its Company Notice of an election to pay entirely in cash and its giving of timely Company Notice of election to purchase all or a specified percentage of the Securities with shares of Common Stock as provided herein;

(b) the registration of the shares of Common Stock to be issued in respect of the payment of the Optional Repurchase Price under the Securities Act or the Exchange Act, in each case, if required for the initial issuance thereof;

(c) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(d) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the shares of Common Stock are in conformity with this Indenture and (B) the shares of Common Stock to be issued by the Company in payment of the Optional Repurchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Optional Repurchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, free from preemptive rights, and, in the case of such Officer's Certificate, stating that conditions (a), (b) and (c) above and the condition set forth in the second succeeding sentence have been satisfied and, in the case of such Opinion of Counsel, stating that conditions (b) and (c) above have been satisfied.

Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each $1,000 principal amount of Securities and the Sale Price of a share of Common Stock on each Trading Day during the period commencing on the first Trading Day of the period during which the Market Price is calculated and ending three Business Days prior to the applicable Optional Repurchase Date. The Company may pay the Optional Repurchase Price (or any portion thereof) in shares of Common Stock only if the information necessary to

calculate the Market Price is published in The Wall Street Journal or another daily newspaper of national circulation. If the foregoing conditions are not satisfied with respect to a Holder or Holders prior to the close of business on the Optional Repurchase Date and the Company has elected to repurchase the Securities pursuant to this Article V through the issuance of shares of Common Stock, the Company shall pay, without further notice, the entire Optional Repurchase Price of the Securities of such Holder or Holders in cash.

Section 5.5 Notice of Election

Not less than 20 Business Days prior to each Optional Repurchase Date (the "Company Notice Date"), the Company shall (i) issue a press release for publication on the PR Newswire or an equivalent newswire service giving notice of such Optional Repurchase Date (a "Repurchase Press Release") and (ii) deliver to the Holders in the manner provided in Section 13.2 its notice of election to repurchase Securities with cash or shares of Common Stock or any combination thereof, as applicable, on such Optional Repurchase Date (the "Company Notice"). Such Company Notice shall state the manner of payment elected and shall contain the following information:

In the event the Company has elected to pay the Optional Repurchase Price (or a specified percentage thereof) on the Optional Repurchase Date occurring on March 20, 2007 with shares of Common Stock, the Company Notice shall:

(a) state that each Holder will receive shares of Common Stock with a Market Price equal to such specified percentage of the Optional Repurchase Price of the Securities held by such Holder (except any cash amount to be paid in lieu of fractional shares);

(b) set forth the method of calculating the Market Price of the shares of Common Stock; and

(c) state that because the Market Price of shares of Common Stock will be determined prior to the Optional Repurchase Date, Holders will bear the market risk with respect to the value of the shares of Common Stock to be received from the date such Market Price is determined to the Optional Repurchase Date.

In any case, each Company Notice shall include a form of Optional Repurchase Notice to be completed by a Holder and shall state:

(d) the Optional Repurchase Price and the Conversion Rate;

(e) the name and address of the Paying Agent and the Conversion Agent;

(f) that Securities as to which an Optional Repurchase Notice has been given may be converted pursuant to Article IV hereof only if the applicable Optional Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(g) that Securities must be surrendered to the Paying Agent to collect payment;

(h) that the Optional Repurchase Price for any Security as to which an Optional Repurchase Notice has been given and not withdrawn will be paid promptly following the later of the Optional Repurchase Date and the time of surrender of such Security as described in (g);

(i) the procedures the Holder must follow to exercise repurchase rights under this Article V and a brief description of those rights;

(j) briefly, the conversion rights of the Securities; and

(k) the procedures for withdrawing an Optional Repurchase Notice (including, without limitation, for a conditional withdrawal pursuant to the terms of Sections 5.1 or 5.9).

If any of the Securities to be redeemed is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the applicable procedures of the Depositary. At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; provided, however, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Upon determination of the actual number of shares of Common Stock to be issued for each $1,000 principal amount of Securities, the Company will publish such determination at the Company's web site on the World Wide Web or through such other public medium as the Company may use at that time.

Section 5.6 Covenants of the Company

All shares of Common Stock delivered upon purchase of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim. The Company shall use its reasonable efforts to list or cause to have quoted any shares of Common Stock to be issued to purchase Securities on the principal national securities exchange or over-the-counter or other domestic market on which the shares of Common Stock are then listed or quoted.

Section 5.7 Procedure upon Repurchase

The Company shall deposit cash (in respect of a cash purchase under Section 5.3 or for fractional shares of Common Stock, as applicable) or shares of Common Stock, or a combination thereof, as applicable, at the time and in the manner as provided in Section 5.10, sufficient to pay the aggregate Optional Repurchase Price of all Securities to be purchased on the applicable Optional Repurchase Date pursuant to this Article V.

As soon as practicable after the Optional Repurchase Date, the Company shall deliver to each Holder entitled to receive shares of Common Stock through the Paying Agent, a certificate for the number of full shares of Common Stock issuable in payment of the Optional Repurchase Price and cash in lieu of any fractional shares of Common Stock. The Person in whose name the certificate for shares of Common Stock is registered shall be treated as a holder of record of shares of Common Stock on the Business Day next following the Optional Repurchase Date. Subject to Section 5.4, no payment or adjustment will be made for dividends on the shares of Common Stock the record date for which occurred on or prior to the Optional Repurchase Date.

Section 5.8 Taxes

If a Holder of a Security is paid in shares of Common Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of shares of Common Stock. However, the Holder shall pay any such tax which is due because the Holder requests the shares of Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 5.9 Effect of Optional Repurchase Notice

Upon receipt by the Paying Agent of the Optional Repurchase Notice, the Holder of the Security in respect of which such Optional Repurchase Notice was given shall (unless such Optional Repurchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Optional Repurchase Price with respect to such Security. Such Optional Repurchase Price shall be paid to such Holder, subject to receipt of funds and/or shares of Common Stock by the Paying Agent, promptly following the later of (x) the Optional Repurchase Date with respect to such Security (provided the conditions in Section 5.1 have been satisfied) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 5.1. Securities in respect of which an Optional Repurchase Notice has been given by the Holder thereof may not be converted pursuant to Article IV hereof on or after the date of the delivery of such Optional Repurchase Notice unless such Optional Repurchase Notice has first been validly withdrawn as specified in the following two paragraphs.

An Optional Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Optional Repurchase Notice at anytime prior to the close of business on the applicable Optional Repurchase Date specifying:

(a) the certificate number of the Security in respect of which such notice of withdrawal is being submitted;

(b) the principal amount of the Security with respect to which such notice of withdrawal is being submitted; and

(c) the principal amount, if any, of such Security which remains subject to the original Optional Repurchase Notice and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of an Optional Repurchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in an Optional Repurchase Notice pursuant to

the terms of Section 5.1(a)(4) or (ii) a conditional withdrawal containing the information set forth in Section 5.1(a)(4) and the immediately preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the immediately preceding paragraph.

There shall be no purchase of any Securities pursuant to this Article V (other than through the issuance of shares of Common Stock in payment of the Optional Repurchase Price, including cash in lieu of fractional shares) if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Optional Repurchase Notice) and is continuing an Event of Default (other than a default in the payment of the Optional Repurchase Price with respect to such Securities). The Paying Agent will promptly return to the respective Holders thereof any Securities (x) with respect to which an Optional Repurchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Optional Repurchase Price with respect to such Securities) in which case, upon such return, the Optional Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 5.10 Deposit of Optional Repurchase Price

Prior to 11:00 a.m., New York City time, on the Business Day next following the Optional Repurchase Date, the Company shall deposit with the Trustee or with the Paying Agent an amount of money (in immediately available funds if deposited on such Business Day) and/or shares of Common Stock, if permitted hereunder, sufficient to pay the aggregate Optional Repurchase Price of all of the Securities or portions thereof which are to be purchased as of the Optional Repurchase Date.

Section 5.11 Securities Repurchased in Part

Any Security which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company or the Trustee duly executed by the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security so surrendered which is not purchased.

Section 5.12 Comply with Securities Laws Upon Purchase of Securities

In connection with any offer to purchase or purchase of Securities under this Article V (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with all federal and state securities laws so as to permit the rights and obligations under Article V to be exercised in the time and in the manner specified in this Article V.

Section 5.13 Repayment to the Company

The Trustee and the Paying Agent shall return to the Company any cash or shares of Common Stock that remain unclaimed for two years, subject to applicable unclaimed property law, together with interest or dividends, if any, thereon held by them for the payment of the Optional Repurchase Price; provided, however, that to the extent that the aggregate amount of cash or shares of Common Stock deposited by the Company pursuant to Section 5.10 exceeds the aggregate Optional Repurchase Price of the Securities or portions thereof which the Company is obligated to purchase as of the Optional Repurchase Date, then promptly after the Business Day next following the Optional Repurchase Date the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon. After that, Holders entitled to money must look to the Company for payment as general creditors, unless an applicable abandoned property law designates another Person.

Section 5.14 Conversion Arrangement on Repurchase

Any Securities required to be repurchased under this Article V, unless surrendered for conversion before the close of business on the Optional Repurchase Date, may be deemed to be purchased from the Holders of such Securities for an amount in cash not less than the Optional Repurchase Price, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders, to convert them into shares of Common Stock of the Company and to make payment for such Securities to the Trustee in trust for such Holders.

ARTICLE VI

Section 6.1 Payment of Securities

The Company shall promptly make all payments in respect of the Securities on the dates and in the manner provided in the Securities and this Indenture. An installment of principal or interest (including Contingent Interest) shall be considered paid on the date it is due if the Paying Agent (other than the Company) holds by 11:00 a.m., New York City time, on that date money, deposited by the Company or an Affiliate thereof, sufficient to pay the installment. The Company shall, to the fullest extent permitted by law, pay interest on overdue principal (including premium, if any) and overdue installments of interest (including Contingent Interest) at the rate borne by the Securities per annum. All references in this Indenture or the Securities to interest shall be deemed to include Liquidated Damages, if any, payable pursuant to the Registration Rights Agreement.

Payment of the principal of (and premium, if any) and any interest (including Contingent Interest) on the Securities shall be made at the Corporate Trust Office of the Paying Agent specified in Section 2.3 in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Register; provided further that a Holder with an aggregate principal amount in excess of $2,000,000 will be paid by wire transfer in immediately available funds at the written election of such Holder delivered to the Paying Agent at least ten (10) Business Days prior to the Regular Record Date for the next succeeding Interest Payment Date.

Section 6.2 SEC Reports

The Company shall file all reports and other information and documents which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, and within 15 days after it files them with the SEC, the Company shall file copies of all such reports, information and other documents with the Trustee.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 6.3 Compliance Certificates

The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company (beginning with the fiscal year ending December 31, 2002), an Officers' Certificate as to the signer's knowledge of the Company's compliance with all conditions and covenants on its part contained in this Indenture and stating whether or not the signer knows of any default or Event of Default. If such signer knows of such a default or Event of Default, the Officers' Certificate shall describe the default or Event of Default and the efforts to remedy the same. For the purposes of this Section 6.3, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

Section 6.4 Further Instruments and Acts

Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 6.5 Maintenance of Corporate Existence

Subject to Article VII, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 6.6 Rule 144A Information Requirement

Within the period prior to the expiration of the holding period applicable to sales of Restricted Securities under Rule 144(k) under the Securities Act (or any successor provision), the Company covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the Exchange Act, make available to any Holder or beneficial holder of Securities or any Common Stock issued upon conversion thereof which continue to be Restricted Securities in connection with any sale thereof and any prospective purchaser of Securities or such Common Stock designated by such Holder or beneficial holder, the information required pursuant to Rule

144A(d)(4) under the Securities Act upon the request of any Holder or beneficial holder of the Securities or such Common Stock and it will take such further action as any Holder or beneficial holder of such Securities or such Common Stock may reasonably request, all to the extent required from time to time to enable such Holder or beneficial holder to sell its Securities or Common Stock without registration under the Securities Act within the limitation of the exemption provided by Rule 144A, as such Rule may be amended from time to time. Upon the request of any Holder or any beneficial holder of the Securities or such Common Stock, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

Section 6.7 Stay, Extension and Usury Laws

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of, premium, if any, or interest (including Liquidated Damages, if any) on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.8 Payment of Liquidated Damages

If Liquidated Damages are payable by the Company pursuant to the Registration Rights Agreement, the Company shall deliver to the Trustee a certificate to that effect stating (i) the amount of such Liquidated Damages that is payable and (ii) the date on which such Liquidated Damages are payable. Unless and until a Trust Officer of the Trustee actually receives such a certificate, the Trustee may assume without inquiry that no such Liquidated Damages are payable. If the Company has paid Liquidated Damages directly to the Persons entitled to it, the Company shall deliver to the Trustee a certificate setting forth the particulars of such payment.

Section 6.9 Resale of Certain Securities

During the period of two years after the last date of original issuance of any Securities, the Company shall not, and shall not permit any of its "affiliates" (as defined under Rule 144 under the Securities Act) to, resell any Securities, or shares of Common Stock issuable upon conversion of the Securities, which constitute "restricted securities" under Rule 144, that are acquired by any of them within the United States or to "U.S. persons" (as defined in Regulation S) except pursuant to an effective registration statement under the Securities Act or an applicable exemption therefrom. The Trustee shall have no responsibility or liability in respect of the Company's performance of its agreement in the preceding sentence.

Section 6.10 Tax Treatment of Securities

The Company agrees, and by acceptance of beneficial ownership interest in the Securities each beneficial holder of Securities will be deemed to have agreed, for United States federal income tax purposes (1) to treat the

Securities as indebtedness that is subject to Treas. Reg. Sec. 1.1275-4 (the "Contingent Payment Regulations") and, for purposes of the Contingent Payment Regulations, to treat the fair market value of any stock beneficially received by a beneficial holder upon any conversion of the Securities as a contingent payment and (2) to be bound by the Company's determination of the "comparable yield" and "projected payment schedule," within the meaning of the Contingent Payment Regulations, with respect to the Securities. A Holder of Securities may obtain the amount of original issue discount, issue date, yield to maturity, comparable yield and projected payment schedule by submitting a written request for it to the Company at the following address: St. Mary Land & Exploration Company, 1776 Lincoln Street, Suite 1100, Denver, Colorado 80203, Attention: Chief Financial Officer.

ARTICLE VII
CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 7.1 Cmpany May Consolidate, Etc. Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person (in a transaction in which the Company is not the surviving corporation) or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless:

(1) in case the Company shall consolidate with or merge into another Person (in a transaction in which the Company is not the surviving corporation)

or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (i) shall be a corporation, limited liability company, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia (whether or not such Person is a direct or indirect subsidiary of a Person which is not organized under the laws of any of such jurisdictions) and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest (including Contingent Interest) on all the Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed and the conversion rights shall be provided for in accordance with Article IV, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee, by the Person (if other than the Company) formed by such consolidation or into which the Company shall have been merged or by the Person which shall have acquired the Company's assets;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 7.2 Successor Substituted

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 7.1, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Securities.

ARTICLE VIII
DEFAULT AND REMEDIES

Section 8.1 Events of Default

An "Event of Default" shall occur if:

(1) the Company defaults in the payment of any interest (including Contingent Interest) on any Security when the same becomes due and payable and the default continues for a period of 30 days;

(2) the Company defaults in the payment of any principal of (including, without limitation, any premium, if any, on) any Security when the same becomes due and payable (whether at maturity, upon redemption, on an Optional Repurchase Date, a Change in Control Purchase Date or otherwise);

(3) the Company fails to comply with any of its other agreements contained in the Securities or this Indenture and the default continues for the period and after the notice specified below;

(4) a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Subsidiaries whether such Indebtedness now exists, or is created after the date of this Indenture, which default (a) involves the failure to pay principal of or any premium or interest on such Indebtedness when such Indebtedness becomes due and payable at the stated maturity thereof, and such default shall continue after any applicable grace period or (b) results in the acceleration of such Indebtedness unpaid prior to the stated maturity thereof and, in the case of (a) or (b), the principal amount of such Indebtedness, together with the principal amount of any other Indebtedness so unpaid at its stated maturity or the stated maturity of which has been so accelerated, aggregates $10 million or more;

(5) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $10 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(6) the Company pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case or proceeding;

(ii) consents to the entry of an order for relief against it in an involuntary case or proceeding;

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(iv) makes a general assignment for the benefit of its creditors; or

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company in an involuntary case or proceeding;

(ii) appoints a Custodian of the Company or for all or substantially all of the property of the Company; or

(iii) orders the liquidation of the Company;

and in each case the order or decree remains unstayed and in effect for 60 days.

The term "Bankruptcy Law" means Title 11 of the United States Code (or any successor thereto) or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar official under any Bankruptcy Law.

A default under clause (3) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding notify the Company and the Trustee, of the default, and the Company does not cure the default within 60 days after receipt of such notice. The notice given pursuant to this Section 8.1 must specify the default, demand that it be remedied and state that the notice is a "Notice of Default." When any default under this Section 8.1 is cured, it ceases.

The Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Trust Officer at the Corporate Trust Office of the Trustee by the Company, a Paying Agent, any Holder or any agent of any Holder.

Section 8.2 Acceleration

If an Event of Default (other than an Event of Default specified in clauses (6) or (7) of Section 8.1) occurs and is continuing, the Trustee may, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Securities then outstanding may, by written notice to the Company and the Trustee, declare all unpaid principal on the Securities then outstanding (if not then due and payable) to be due and payable upon any such declaration, and the same shall become and be immediately due and payable. If an Event of Default specified in clauses (6) or (7) of Section 8.1 occurs, all

unpaid principal of the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of a majority in aggregate principal amount of the Securities then outstanding by written notice to the Trustee may rescind an acceleration and its consequences if (a) all existing Events of Default, other than the nonpayment of the principal of the Securities which has become due solely by such declaration of acceleration, have been cured or waived; (b) to the extent the payment of such interest is lawful, interest (calculated at the rate per annum borne by the Securities) on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and (d) all payments due to the Trustee and any predecessor Trustee under Section 9.7 have been made. No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 8.3 Other Remedies

If an Event of Default occurs and is continuing, the Trustee may, but shall not be obligated to, pursue any available remedy by proceeding at law or in equity to collect the payment of the principal of or interest on the Securities or to enforce the performance of any provision of the Securities or

this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

Section 8.4 Waiver of Defaults and Events of Default

Subject to Sections 8.7 and 11.2, the Holders of a majority in principal amount of the Securities then outstanding by notice to the Trustee may waive an existing default or Event of Default and its consequence, except a default or Event of Default in the payment of the principal of or interest on any Security, a failure by the Company to convert any Securities into Common Stock or any default or Event of Default in respect of any provision of this Indenture or the Securities which, under Section 11.2, cannot be modified or amended without the consent of the Holder of each Security affected. When a default or Event of Default is waived, it is cured and ceases.

Section 8.5 Control By Majority

The Holders of a majority in principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of another Holder or the Trustee, or that may involve the Trustee in personal liability unless the Trustee is furnished indemnity satisfactory to it; provided, however, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 8.6 Limitations on Suits

A Holder may not pursue any remedy with respect to this Indenture or the Securities (except actions for payment of overdue principal or interest (including Contingent Interest) or for the conversion of the Securities pursuant to Article IV) unless:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the then outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders furnishes to the Trustee reasonable indemnity to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the furnishing of indemnity; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Securities then outstanding.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over such other Securityholder.

Section 8.7 Rights of Holders to Receive Payment and to Convert

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of the principal of and interest on the Security, on or after the respective due dates expressed in the Security and this Indenture, to convert such Security in accordance with Article IV and to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, is absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

Section 8.8 Collection Suit By Trustee

If an Event of Default in the payment of principal or interest (including Contingent Interest) specified in clauses (1) or (2) of Section 8.1 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company or another obligor on the Securities for the whole amount of principal and accrued interest remaining unpaid, together with, to the extent that payment of such interest is lawful, interest on overdue principal and on overdue installments of interest (including Contingent Interest), in each case at the rate per annum borne by the Securities

and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 8.9 Trustee May File Proofs of Claim

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company (or any other obligor on the Securities), its creditors or its property and shall be entitled and empowered to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.7, and to the extent that such payment of the reasonable compensation, expenses, disbursements and advances in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other property which the Holders may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to, or on behalf of any Holder, to authorize, accept or adopt any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 8.10 Priorities

If the Trustee collects any money pursuant to this Article VIII, it shall pay out the money in the following order:

First, to the Trustee for amounts due under Section 9.7;

Second, to Holders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively; and

Third, to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 8.10.

Section 8.11 Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 8.11 does not apply to a suit made by the Trustee, a suit by a Holder pursuant to Section 8.7, or a suit by Holders of more than 10% in principal amount of the Securities then outstanding.

ARTICLE IX
TRUSTEE

Section 9.1 Duties of Trustee

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties as are specifically set forth in this Indenture and no others; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or

opinions furnished to the Trustee and conforming to the requirements of this Indenture. The Trustee, however, shall examine any certificates and opinions which by any provision hereof are specifically required to be delivered to the Trustee to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of subsection (b) of this Section 9.1;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.5.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers unless the Trustee shall have received adequate indemnity in its opinion against potential costs and liabilities incurred by it relating thereto.

(e) Every provision of this Indenture that in any way relates to the Trustee is subject to subsections (a), (b), (c) and (d) of this Section 9.1.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by applicable law.

Section 9.2 Rights of Trustee

Subject to Section 9.1:

(a) The Trustee may rely conclusively on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require, at the expense of the Company, an Officers' Certificate or an Opinion of Counsel, which shall conform to Section 13.4(b). The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate or Opinion.

(c) The Trustee may act through its agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of such counsel as to matters of law shall be full and complete authorization and protection in respect of any such action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have furnished to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Trust Officer of the Trustee has actual knowledge

thereof or unless written notice from the Company or the Holders of at least 25% of the Securities of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office, and such notice references the Securities and this Indenture.

(i) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed by it to act hereunder.

Section 9.3 Individual Rights of Trustee

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate of the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 9.10 and 9.11.

Section 9.4 Trustee's Disclaimer

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Indenture or the Securities other than its certificate of authentication.

Section 9.5 Notice of Default or Events of Default

If a default or an Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder notice of the default or Event of Default within 90 days after it occurs. However, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of Securityholders, except in the case of a default or an Event of Default in payment of the principal of or interest on any Security.

Section 9.6 Reports By Trustee To Holders

If such report is required by TIA Section 313, within 60 days after each May 15, beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Securityholder a brief report dated as of such May 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b)(2) and (c).

A copy of each report at the time of its mailing to Securityholders shall be mailed to the Company and filed with the SEC and each stock exchange, if any, on which the Securities are listed. The Company promptly shall notify the Trustee whenever the Securities become listed on any stock exchange or listed or admitted to trading on any quotation system and any changes in the stock exchanges or quotation systems on which the Securities are listed or admitted to trading and of any delisting thereof.

Section 9.7 Compensation and Indemnity

The Company shall pay to the Trustee from time to time such compensation (as agreed to from time to time by the Company and the Trustee in writing) for its services (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust). The Company shall reimburse the Trustee upon request for all reasonable, actual disbursements, expenses and advances incurred or made by it. Such expenses may include the reasonable, actual compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee or any predecessor Trustee (which for purposes of this Section 9.7 shall include its officers, directors, employees and agents) for, and hold it harmless against, any and all loss, liability or expense including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), (including reasonable legal fees and expenses) incurred by it in connection with the acceptance or administration of its duties under this Indenture or any action or failure to act as authorized or within the discretion or rights or powers conferred upon the Trustee hereunder including the reasonable costs and expenses of the Trustee and its counsel in defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Trustee shall notify the Company promptly of any claim asserted against the Trustee for which it may seek indemnity. The Company need not pay for any settlement without its written consent, which shall not be unreasonably withheld.

The Company need not reimburse the Trustee for any expense or indemnify

it against any loss or liability incurred by it resulting from its own negligent action, negligent failure to act, bad faith or willful misconduct.

To secure the Company's payment obligations in this Section 9.7, the Trustee shall have a senior claim to which the Securities are hereby made subordinate on all money or property held or collected by the Trustee, except such money or property held in trust to pay the principal of and interest on the Securities. The obligations of the Company under this Section 9.7 shall survive the satisfaction and discharge of this Indenture or the resignation or removal of the Trustee.

When the Trustee incurs expenses or renders services after an Event of Default specified in clauses (6) or (7) of Section 8.1 occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law. The provisions of this Section shall survive the termination of this Indenture.

Section 9.8 Replacement of Trustee

The Trustee may resign by so notifying the Company in writing. The Holders of a majority in principal amount of the Securities then outstanding may remove the Trustee by so notifying the Trustee in writing and may, with the Company's written consent, appoint a successor Trustee. The Company may remove the Trustee by so notifying the Trustee in writing if:

(1) the Trustee fails to comply with Section 9.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of performing its duties under this Indenture.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. The resignation or removal of a Trustee shall not be effective until a successor Trustee shall have delivered the written acceptance of its appointment as described below.

If a successor Trustee does not take office within 45 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of 10% in principal amount of the Securities then outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee at the expense of the Company.

If the Trustee fails to comply with Section 9.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Immediately after that, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee and be released from its obligations (exclusive of any liabilities that the retiring Trustee may have incurred while acting as Trustee) hereunder, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. A successor Trustee shall mail notice of its succession to each Holder.

A retiring Trustee shall not be liable for the acts or omissions of any successor Trustee after its succession.

Notwithstanding replacement of the Trustee pursuant to this Section 9.8, the Company's obligations under Section 9.7 shall continue for the benefit of the retiring Trustee.

Section 9.9 Successor Trustee By Merger, Etc

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust assets (including the administration of this Indenture) to, another corporation, the resulting, surviving or transferee corporation, without any further act, shall be the successor Trustee, provided such transferee corporation shall qualify and be eligible under Section 9.10. Such successor Trustee shall promptly mail notice of its succession to the Company and each Holder.

Section 9.10 Eligibility; Disqualification

The Trustee shall always satisfy the requirements of paragraphs (1), (2) and (5) of TIA Section 310(a). The Trustee (or its parent holding company) shall have a combined capital and surplus of at least $50,000,000. If at any

time the Trustee shall cease to satisfy any such requirements, it shall resign immediately in the manner and with the effect specified in this Article IX. The Trustee shall be subject to the provisions of TIA Section 310(b). Nothing herein shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA Section 310(b).

Section 9.11 Preferential Collection of Claims Against Company

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE X
SATISFACTION AND DISCHARGE OF INDENTURE

Section 10.1 Satisfaction and Discharge of Indenture

This Indenture shall cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Securities herein expressly provided for and except as further provided below), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(i) all Securities theretofore authenticated and delivered (other than (i) Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.7 and (ii) Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation

(a) have become due and payable, or

(b) will become due and payable at the Final Maturity Date within one year, or

(c) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of clause (a), (b) or (c) above, has irrevocably deposited or caused to be irrevocably deposited with the Trustee or a Paying Agent (other than the Company or any of its Affiliates) as trust funds in trust for the purpose cash in an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Final Maturity Date or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 9.7 shall survive and, if money shall have been deposited with the Trustee pursuant to clause (1)(ii) of this Section, the provisions of Sections 2.3, 2.4, 2.5, 2.6, 2.7, 2.12, Article IV, Article V, the last paragraph of Section 6.2, this Article X, Article XII and Section 13.5, shall survive until the Securities have been paid in full.

Section 10.2 Application of Trust Money

Subject to the provisions of Section 10.3, the Trustee or a Paying Agent shall hold in trust, for the benefit of the Holders, all money deposited with it pursuant to Section 10.1 and shall apply the deposited money in

accordance with this Indenture and the Securities to the payment of the principal of and interest on the Securities.

Section 10.3 Repayment To Company

The Trustee and each Paying Agent shall promptly pay to the Company upon request any excess money (i) deposited with them pursuant to Section 10.1 and (ii) held by them at any time.

The Trustee and each Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years after a right to such money has matured; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment, may at the expense of the Company cause to be mailed to each Holder entitled to such money notice that such money remains unclaimed and that after a date specified therein, which shall be at least 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Holders entitled to money must look to the Company for payment as general creditors.

section 10.4 Reinstatement

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 10.2 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 10.1 until such time as the Trustee or such Paying Agent is permitted to apply all such money in accordance with Section 10.2; provided, however, that if the Company has made any payment of the principal of or interest on any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive any such payment from the money held by the Trustee or such Paying Agent.

ARTICLE XI
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 11.1 Without Consent of Holders

The Company and the Trustee may amend or supplement this Indenture or the Securities without notice to or consent of any Securityholder:

(a) to comply with Sections 4.11 and 7.1;

(b) to cure any ambiguity, defect or inconsistency;

(c) to make any other change that does not adversely effect the rights of any Securityholder;

(d) to comply with the provisions of the TIA; or

(e) to appoint a successor Trustee.

Section 11.2 With Consent of Holders

The Company and the Trustee may amend or supplement this Indenture or the Securities with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities then outstanding. The Holders of at least a majority in aggregate principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities without notice to any Securityholder. However, notwithstanding the foregoing but subject to Section 11.4, without the written consent of each Securityholder affected, an amendment, supplement or waiver, including a waiver pursuant to Section 8.4, may not:

(a) change the Maturity of the principal of, or interest (including Contingent Interest) on, any Security;

(b) reduce the principal amount of, or any premium or interest (including Contingent Interest) on, any Security;

(c) reduce the amount of principal payable upon acceleration of the maturity of any Security;

(d) change the place or currency of payment of principal of, or any premium or interest on, any Security;

(e) impair the right to institute suit for the enforcement of any payment on, or with respect to, any Security;

(f) adversely affect the right of Holders to convert Securities other than as provided in or under Article IV of this Indenture;

(g) reduce the percentage of the aggregate principal amount of the outstanding Securities whose Holders must consent to a supplement or amendment;

(h) reduce the percentage of the aggregate principal amount of the outstanding Securities necessary for the waiver of compliance with certain provisions of this Indenture or the waiver of certain defaults under this Indenture; and

(i) modify any of the provisions of this Section or Section 8.4, except to increase any such percentage or to provide that certain provisions of this Indenture cannot be modified or waived without the consent of the Holder of each outstanding Security affected thereby.

It shall not be necessary for the consent of the Holders under this Section 11.2 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 11.2 becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

Section 11.3 Compliance With Trust Indenture Act

Every amendment to or supplement of this Indenture or the Securities shall comply with the TIA as in effect at the date of such amendment or supplement.

Section 11.4 Revocation and Effect of Consents

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to its Security or portion of a Security if the Trustee receives the notice of revocation in writing before the date the amendment, supplement or waiver becomes effective.

After an amendment, supplement or waiver becomes effective, it shall bind every Securityholder, unless it makes a change described in any of clauses (a) through (i) of Section 11.2. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

Section 11.5 Notation on or Exchange of Securities

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

Section 11.6 Trustee To Sign Amendments, Etc

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article XI if the amendment or supplemental indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, in its sole discretion, but need not sign it. In signing or refusing to sign such amendment or supplemental indenture, the Trustee shall be entitled to receive and, subject to Section 9.1, shall be fully protected in relying upon, an Opinion of Counsel stating that such amendment or supplemental indenture is authorized or permitted by this Indenture. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it.

ARTICLE XII
REPURCHASE AT THE OPTION OF HOLDERS UPON A CHANGE OF CONTROL

Section 12.1 Change in Control Put

(a) In the event that a Change in Control shall occur, each Holder shall have the right (a "Change in Control Repurchase Right"), at the Holder's option, but subject to the provisions of Section 12.1(a) hereof, to require the Company to repurchase, and upon the exercise of such right the Company shall

repurchase, all of such Holder's Securities not theretofore called for redemption, or any portion of the principal amount thereof that is equal to $1,000 or an integral multiple thereof as directed by such Holder pursuant to Section 12.3 (provided that no single Securities may be repurchased in part unless the portion of the principal amount of such Securities to be outstanding after such repurchase is equal to $1,000 or an integral multiple thereof), on the date (the "Change in Control Repurchase Date") that is a Business Day no earlier than 30 days nor later than 60 days after the date of the Company Notice at a purchase price in cash equal to 100% of the principal amount of the Securities to be repurchased (the "Change in Control Repurchase Price"), plus accrued and unpaid interest (including Contingent Interest) to, but excluding, the Change in Control Repurchase Date; provided, however, that installments of interest (including Contingent Interest) on Securities whose Maturity is prior to or on the Change in Control Repurchase Date shall be payable to the Holders of such Securities, registered as such on the relevant regular record date.

A "Change in Control" shall be deemed to have occurred if, as a result of any transaction or series of transactions, any of the following occurs after the date hereof:

(1) any "person" or "group" (as such terms are defined below) is or becomes the "beneficial owner" (as defined below), directly or indirectly, of shares of Voting Stock of the Company representing 50% or more of the total voting power of all outstanding classes of Voting Stock of the Company or has the power, directly or indirectly, to elect a majority of the members of the Board of Directors of the Company; or

(2) the Company consolidates with, or merges with or into, another Person or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of the assets

of the Company, or any Person consolidates with, or merges with or into, the Company, in any such event other than pursuant to a transaction in which the Persons that "beneficially owned" (as defined below), directly or indirectly, shares of Voting Stock of the Company immediately prior to such transaction "beneficially own" (as defined below), directly or indirectly, shares of Voting Stock of the Company representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving or transferee Person; or

(3) there shall occur the liquidation or dissolution of the Company.

For the purpose of the definition of "Change in Control", (i) "person" and "group" have the meanings given such terms under Section 13(d) and 14(d) of the Exchange Act or any successor provision to either of the foregoing, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act (or any successor provision thereto), (ii) a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the Exchange Act, as in effect on the date of this Indenture, except that the number of shares of Voting Stock of the Company shall be deemed to include, in addition to all outstanding shares of Voting Stock of the Company and Unissued Shares deemed to be held by the "person" or "group" (as such terms are defined above) or other Person with respect to which the Change in Control determination is being made, all Unissued Shares deemed to be held by all other Persons, and (iii) the terms "beneficially owned" and "beneficially own" shall have meanings correlative to that of "beneficial owner". The term "Unissued Shares" means shares of Voting Stock not outstanding that are subject to options, warrants, rights to purchase or conversion privileges exercisable within 60 days of the date of determination of a Change in Control.

Notwithstanding anything to the contrary set forth in this Section 12.1, a Change in Control will not be deemed to have occurred if the closing price (determined in accordance with Section 4.6(d) of this Indenture) of the Common Stock for any five Trading Days within:

(i) the period of the ten Trading Days immediately after the later of the Change in Control or the public announcement of the Change in Control, in the case of a Change in Control resulting solely from a Change in Control under Section 12.1(a)(1); or

(ii) the period of the ten Trading Days immediately preceding the Change in Control, in the case of a Change in Control resulting from a Change in Control under Section 12.1(a)(2) or (3),

is at least equal to 105% of the Conversion Price in effect on such Trading Day.

(b) Within 10 Business Days after the occurrence of a Change in

Control, the Company shall mail a written notice of the Change in Control to the Trustee (and the Paying Agent if the Trustee is not then acting as Paying Agent) and to each Holder (and to beneficial owners as required by applicable law). The notice shall include the form of a Change in Control Repurchase Notice to be completed by the Holder and shall state:

(1) the date of such Change in Control and, briefly, the events causing such Change in Control;

(2) the date by which the Change in Control Repurchase Notice pursuant to this Section 12.1 must be given;

(3) the Change in Control Repurchase Date;

(4) the Change in Control Repurchase Price;

(5) briefly, the conversion rights of the Securities;

(6) the name and address of each Paying Agent and Conversion Agent;

(7) the Conversion Price and any adjustments thereto;

(8) that Securities as to which a Change in Control Repurchase Notice has been given may be converted into Common Stock pursuant to Article IV of this Indenture only to the extent that the Change in Control Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(9) the procedures that the Holder must follow to exercise rights under this Section 12.1;

(10) the procedures for withdrawing a Change in Control Repurchase Notice, including a form of notice of withdrawal; and

(11) that the Holder must satisfy the requirements set forth in the Securities in order to convert the Securities.

If any of the Securities is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to the repurchase of Global Securities.

A Holder may exercise its rights specified in subsection (a) of this Section 12.1 upon delivery of a written notice (which shall be in substantially the form included in Exhibit A hereto and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Global Securities, may be delivered electronically or by other means in accordance with the Depositary's customary procedures) of the exercise of such rights (a "Change in Control Repurchase Notice") to any Paying Agent at any time prior to the close of business on the Business Day next preceding the Change in Control Repurchase Date.

The delivery of such Security to any Paying Agent (together with all necessary endorsements) at the office of such Paying Agent shall be a condition to the receipt by the Holder of the Change in Control Repurchase Price therefor.

The Company shall purchase from the Holder thereof, pursuant to this Section 12.1, a portion of a Security if the principal amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of the Indenture that apply to the purchase of all of a Security pursuant to Sections 12.1 through 12.6 also apply to the purchase of such portion of such Security.

Notwithstanding anything herein to the contrary, any Holder delivering to a Paying Agent the Change in Control Repurchase Notice contemplated by this subsection (c) shall have the right to withdraw such Change in Control Repurchase Notice in whole or in a portion thereof that is a principal amount of $1,000 or in an integral multiple thereof at any time prior to the close of business on the Business Day next preceding the Change in Control Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 12.2.

A Paying Agent shall promptly notify the Company of the receipt by it of any Change in Control Repurchase Notice or written withdrawal thereof.

Anything herein to the contrary notwithstanding, in the case of Global Securities, any Change in Control Repurchase Notice may be delivered or withdrawn and such Securities may be surrendered or delivered for purchase in accordance with the Applicable Procedures as in effect from time to time.

Section 12.2 Effect of Change in Control Repurchase Notice

Upon receipt by any Paying Agent of the Change in Control Repurchase Notice specified in Section 12.1(c), the Holder of the Security in respect of which such Change in Control Repurchase Notice was given shall (unless such Change in Control Repurchase Notice is withdrawn as specified below) thereafter be entitled to receive the Change in Control Repurchase Price with respect to such Security. Such Change in Control Repurchase Price shall be paid to such Holder promptly following the later of (a) the Change in Control Repurchase Date with respect to such Security (provided the conditions in Section 12.1(c) have been satisfied) and (b) the time of delivery of such Security to a Paying Agent by the Holder thereof in the manner required by Section 12.1(c). Securities in respect of which a Change in Control Repurchase Notice has been given by the Holder thereof may not be converted into shares of Common Stock on or after the date of the delivery of such Change in Control Repurchase Notice unless such Change in Control Repurchase Notice has first been validly withdrawn.

A Change in Control Repurchase Notice may be withdrawn by means of a written notice (which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Global Securities, may be delivered electronically or by other means in accordance with the Depositary's customary procedures) of withdrawal delivered by the Holder to a Paying Agent at any time prior to the close of business on the Business Day immediately preceding the Change in Control Repurchase Date, specifying the principal amount of the Security or portion thereof (which must be a principal amount of $1,000 or an integral multiple of $1,000 in excess thereof) with respect to which such notice of withdrawal is being submitted.

Section 12.3 Deposit of Change in Control Repurchase Price

On or before 11:00 a.m., New York City time, on the Change in Control Repurchase Date, the Company shall deposit with the Trustee or with a Paying Agent (other than the Company or an Affiliate of the Company) an amount of money (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Change in Control Repurchase Price of all the Securities or portions thereof that are to be purchased as of such Change in Control Repurchase Date. The manner in which the deposit required by this Section 12.3 is made by the Company shall be at the option of the Company, provided that such deposit shall be made in a manner such that the Trustee or a Paying Agent shall have immediately available funds on the Change in Control Repurchase Date.

If a Paying Agent holds, in accordance with the terms hereof, money sufficient to pay the Change in Control Repurchase Price of any Security for which a Change in Control Repurchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Change in Control Repurchase Date, such Security will cease to be outstanding and the rights of the Holder in respect thereof shall terminate (other than the right to receive the Change in Control Repurchase Price as aforesaid). The Company shall publicly announce the principal amount of Securities purchased as a result of such Change in Control on or as soon as practicable after the Change in Control Repurchase Date.

Section 12.4 Securities Purchased in Part

Any Security that is to be purchased only in part shall be surrendered at the office of a Paying Agent and promptly after the Change in Control Repurchase Date the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of such authorized denomination or denominations as may be requested by such Holder, in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security so surrendered that is not purchased.

Section 12.5 Compliance with Securities Laws Upon Purchase of Securities

In connection with any offer to purchase or purchase of Securities under Section 12.1, the Company shall (a) comply with Rule 13e-4 and Rule 14e-1 (or any successor to either such Rule), if applicable, under the Exchange Act, (b) file the related Schedule TO (or any successor or similar schedule, form or report) if required under the Exchange Act, and (c) otherwise comply with all federal and state securities laws in connection with such offer to purchase or purchase of Securities, all so as to permit the rights of the Holders and obligations of the Company under Sections 12.1 through 12.6 to be exercised in the time and in the manner specified therein.

Section 12.6 Repayment to the Company

To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 12.3 exceeds the aggregate Change in Control Repurchase Price together with interest (including Contingent Interest), if any, thereon of the Securities or portions thereof that the Company is obligated to purchase, then promptly after the Change in Control Repurchase Date the Trustee or a Paying Agent, as the case may be, shall return any such excess cash to the Company.

ARTICLE XIII
MISCELLANEOUS

Section 13.1 Trust Indenture Act Controls

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by any of Sections 310 to 317, inclusive, of the TIA through operation of Section 318(c) thereof, such imposed duties shall control.

Section 13.2 Notices

Any notice, request or communication shall be given in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows:

If to the Company:

St. Mary Land & Exploration Company
1776 Lincoln Street, Suite 1100
Denver, Colorado 80203
Attention: Richard Norris
Telephone: (303) 863-4334
Facsimile: (303) 861-0934

If to the Trustee:

Wells Fargo Bank West, N.A.
1740 Broadway, MAC: C7301-024
Denver, Colorado 80274
Attention: Gretchen L. Middents
Telephone: (303) 863-6450
Facsimile: (303) 863-5645

Such notices or communications shall be effective when received.

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Securityholder shall be mailed by first-class mail to it at its address shown on the Register kept by the Primary Registrar.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication to a Securityholder is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 13.3 Communications By Holders With Other Holders

Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and any other person shall have the protection of TIA Section 312(c).

Section 13.4 Certificate and Opinion as to Conditions Precedent

(a) Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee at the request of the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent (including any covenants, compliance with which constitutes a condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent (including any covenants, compliance with which constitutes a condition precedent) have been complied with.

(b) Each Officers' Certificate and Opinion of Counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with; provided, however, that with respect to matters of fact an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials.

Section 13.5 Record Date for Vote or Consent of Securityholders

The Company (or, in the event deposits have been made pursuant to Section 10.1, the Trustee) may set a record date for purposes of determining the identity of Holders entitled to vote or consent to any action by vote or consent authorized or permitted under this Indenture, which record date shall not be more than thirty (30) days prior to the date of the commencement of solicitation of such action. Notwithstanding the provisions of Section 11.4, if a record date is fixed, those persons who were Holders of Securities at the close of business on such record date (or their duly designated proxies), and only those persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such persons continue to be Holders after such record date.

Section 13.6 Rules By Trustee, Paying Agent, Registrar and Conversion Agent

The Trustee may make reasonable rules (not inconsistent with the terms of this Indenture) for action by or at a meeting of Holders. Any Registrar, Paying Agent or Conversion Agent may make reasonable rules for its functions.

Section 13.7 Legal Holidays

A "Legal Holiday" is a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York and the state in which the Corporate Trust Office is located are not required to be open. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a Regular Record Date is a Legal Holiday, the Record Date shall not be affected.

Section 13.8 Governing Law

This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws.

Section 13.9 No Adverse Interpretation of Other Agreements

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10 No Recourse Against Others

All liability described in paragraph 18 of the Securities of any director, officer, employee or shareholder, as such, of the Company is waived and released.

Section 13.11 Successors

All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 13.12 Multiple Counterparts

The parties may sign multiple counterparts of this Indenture. Each signed counterpart shall be deemed an original, but all of them together represent the same agreement.

Section 13.13 Separability

In case any provisions in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.14 Table of Contents, Headings, Etc.

The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of

reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the date and year first above written.

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ RICHARD C. NORRIS

Name: Richard C. Norris
Title:Vice President - Finance

WELLS FARGO BANK WEST, N.A., as Trustee

By: /s/ GRETCHEN L. MIDDENTS

Name: Gretchen L. Middents
Title:Vice President

EXHIBIT A
[FORM OF FACE OF SECURITY]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.]1

[THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION THEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY AND THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION THEREOF MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE

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1 This paragraph should be included only if the Security is a Global Security.

SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), (IV) IN THE UNITED STATES TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE REGISTRATION OF TRANSFER OF SUCH NOTES AND AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.]

[THE HOLDER OF THIS SECURITY IS ENTITLED TO THE BENEFITS OF A REGISTRATION RIGHTS AGREEMENT (AS SUCH TERM IS DEFINED IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF) AND, BY ITS ACCEPTANCE HEREOF, AGREES TO BE BOUND BY

AND TO COMPLY WITH THE PROVISIONS OF SUCH REGISTRATION RIGHTS AGREEMENT.]2

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2 These paragraphs to be included only if the Security is a Transfer Restricted Security.

ST. MARY LAND & EXPLORATION COMPANY

CUSIP: 792 228 AA6 R-_____

5.75% SENIOR CONVERTIBLE NOTES DUE 2021

St. Mary Land & Exploration Company, a Delaware corporation (the "Company", which term shall include any successor corporation under the Indenture referred to on the reverse hereof), promises to pay to _____, or registered assigns, the principal sum of _____ Dollars ($_____) on March 15, 2022 [or such greater or lesser amount as is indicated on the Schedule of Exchanges of Securities on the other side of this Security].3

Interest Payment Dates: March 15 and September 15

Regular Record Dates: March 1 and September 1

This Security is convertible as specified on the other side of this Security. Additional provisions of this Security are set forth on the other side of this Security.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

ST. MARY LAND & EXPLORATION COMPANY

By:

Name:
Title:

Attest:

By:

Name:
Title:

Dated:

Trustee's Certificate of Authentication: This is one of the Securities referred to in the within-mentioned Indenture.

WELLS FARGO BANK WEST, N.A., as Trustee

Authorized Signatory

By:

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3 This phrase should be included only if the Security is Global Security.

[FORM OF REVERSE SIDE OF SECURITY]

ST. MARY LAND & EXPLORATION COMPANY
5.75% SENIOR CONVERTIBLE NOTES DUE 2022

1. Interest (Including Contingent Interest)

St. Mary Land & Exploration Company, a Delaware corporation (the "Company", which term shall include any successor corporation under the Indenture hereinafter referred to), promises to pay interest on the principal amount of this Security at the rate of 5.75% per annum. In addition, the Company will pay contingent interest ("Contingent Interest"), subject to the accrual and record date provisions described above, to the holders of Securities during any six-month period from March 15 to September 14 and from September 15 to March 14, as appropriate, commencing with the six-month period beginning September 15, 2002, if the average Trading Price of Securities for the five Trading Days ending on the second Trading Day immediately preceding the beginning of the relevant six-month period equals 120% or more of the principal amount of Securities. Contingent Interest will accrue on this Security under the conditions specified in the Indenture and in this Note at a rate per annum equal

to the greater of (i) cash dividends, if any, paid by the Company per share of its common stock, par value $.01 per share, during such period multiplied by the then applicable Conversion Rate (as defined in the Indenture referred to below) and divided by $1,000 and (ii) a per annum rate equal to 5.00% of the Company's estimated per annum borrowing rate for senior non-convertible fixed rate Indebtedness with a Maturity comparable to this Security, but in no event may the rate of Contingent Interest exceed a per annum rate of 0.50%. The Company shall pay interest semiannually on March 15 and September 15 of each year, commencing September 15, 2002. The Company shall make all determinations related to the payment of Contingent Interest and shall file with the Trustee an Officers' Certificate setting forth the calculations relevant to such determinations. Interest (including Contingent Interest) on the Securities shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from March 13, 2002; provided, however, that if there is not an existing default in the payment of interest (including Contingent Interest) and if this Security is authenticated between a Regular Record Date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such Interest Payment Date. Interest (including Contingent Interest) will be computed on the basis of a 360-day year of twelve 30-day months. Any reference herein to interest accrued or payable as of any date shall include any Liquidated Damages accrued or payable on such date as provided in the Registration Rights Agreement.

If any Security is surrendered for conversion subsequent to the Regular Record Date preceding an Interest Payment Date but on or prior to such Interest Payment Date (except Security called for redemption on a Redemption Date between such Regular Record Date and Interest Payment Date), the Holder of such Security at the close of business on such Regular Record Date shall be entitled to receive the interest (including Contingent Interest) payable on such Security on such Interest Payment Date notwithstanding the conversion thereof. Any Security surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Interest Payment Date to the opening of business on such Interest Payment Date shall (except in the case of Securities which have been called for redemption on a Redemption Date within such period)

be accompanied by payment in New York Clearing House funds or other funds of an amount equal to the interest (including Contingent Interest) payable on such Interest Payment Date on the Security being surrendered for conversion. Except as provided in this Security or in the Indenture, no adjustments in respect of payments of interest (including for conversion on any dividend or distributions or interest (including Contingent Interest)) on any Security surrendered for conversion on any dividend or distributions or interest (including Contingent Interest) on the Common Stock issued upon conversion shall be made upon the conversion of any Security.

All percentages resulting from any calculation with respect to this Security will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point being rounded upward) and all dollar amounts used in or resulting from any such calculation with respect to this Security will be rounded to the nearest cent (with one-half cent being rounded upward.)

2. Method of Payment

The Company shall pay interest on this Security (except defaulted interest) to the person who is the Holder of this Security at the close of business on March 1 or September 1, as the case may be, next preceding the related Interest Payment Date. The Holder must surrender this Security to a Paying Agent to collect payment of principal. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company may, however, pay principal and interest in respect of any Certificated Security by check or wire payable in such money; provided, however, that a Holder with an aggregate principal amount in excess of $2,000,000 will be paid by wire transfer in immediately available funds at the election of such Holder. The Company may mail an interest check to the Holder's registered address. Notwithstanding the foregoing, so long as this Security is registered in the name of a Depositary or its nominee, all payments hereon shall be made by wire transfer of immediately available funds to the account of the Depositary or its nominee.

3. Paying Agent, Registrar And Conversion Agent

Initially, Wells Fargo Bank West, N.A. (the "Trustee," which term shall include any successor trustee under the Indenture hereinafter referred to) will act as Paying Agent, Registrar and Conversion Agent. The Company may change any Paying Agent, Registrar or Conversion Agent without notice to the Holder. The Company or any of its Subsidiaries may, subject to certain limitations set forth in the Indenture, act as Paying Agent or Registrar.

4. Indenture, Limitations

This Security is one of a duly authorized issue of Securities of the Company designated as its 5.75% Senior Convertible Notes due 2022 (the

"Securities"), issued under an Indenture dated as of March 13, 2002 (together with any supplemental indentures thereto, the "Indenture"), between the Company and the Trustee. The terms of this Security include those stated in the Indenture and those required by or made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, as in effect on the date of the

Indenture. This Security is subject to all such terms, and the Holder of this Security is referred to the Indenture and said Act for a statement of them.

The Securities are senior unsecured obligations of the Company limited to $75,000,000 aggregate principal amount, subject to Section 2.2 of the Indenture. The Indenture does not limit other debt of the Company, secured or unsecured.

5. Optional Redemption

The Securities are subject to redemption, at any time on or after March 20, 2007, on at least 20 days and no more than 60 days notice, in whole or in part, at the election of the Company, at a Redemption Price equal to 100% of the principal amount thereof, together with accrued interest (including Contingent Interest) up to but not including the Redemption Date; provided that if the redemption date is an Interest Payment Date, interest will be payable to the Holders in whose names the Securities are registered at the close of business on the relevant record dates.

6. Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 20 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price plus accrued interest, if any, accrued to, but excluding, the Redemption Date, interest shall cease to accrue on Securities or portions of them called for redemption.

7. Repurchase of Securities by the Company at Option of Holder

(a) Subject to the terms and conditions of the Indenture and at the option of the Holder, on March 20, 2007, on March 15, 2012 and March 15, 2017, the Company shall become obligated to purchase all of such Holder's Securities, or any portion of the principal amount thereof that is equal to any integral multiple of $1,000, at a Repurchase Price equal to 100% of the principal amount of the Securities to be repurchased, plus accrued and unpaid interest (including Contingent Interest) to, but excluding, March 20, 2007, March 15, 2012 and March 15, 2017, as the case may be. On March 20, 2007, the Repurchase Price may be paid, at the option of the Company, in cash or by the issuance of shares of Common Stock, or in any combination thereof, in accordance with the Indenture. On March 15, 2012 and March 15, 2017, the Repurchase Price must be paid in cash only.

(b) In addition, subject to the terms and conditions of the Indenture and at the option of the Holder, following the occurrence of a Change in Control, the Company shall become obligated to purchase all of such Holder's Securities, or any portion of the principal amount thereof that is equal to any integral multiple of $1,000, on the date that is 45 days after the date of the Company Notice given in connection with such Change in Control at a repurchase price equal to 100% of the principal amount of the Securities to be repurchased, plus accrued and unpaid interest (including Contingent Interest) to, but excluding, the Change in Control Repurchase Date.

8. Conversion

Subject to compliance with the provisions of the Indenture, a Holder of a Security may convert the principal amount of such Security (or any portion thereof equal to $1,000 or any integral multiple of $1,000 in excess thereof) into shares of Common Stock at the Conversion Price in effect at the time of conversion under certain circumstances described in the Indenture; provided, however, that if the Security is called for redemption or subject to repurchase upon a specific date pursuant to Article V of the Indenture or upon a Change in Control, the conversion right will terminate at the close of business on the Business Day immediately preceding the redemption date or the Change in Control Repurchase Date, as the case may be, for such Security or such earlier date as the Holder presents such Security for redemption or purchase (unless the Company shall default in making the redemption payment, Optional Repurchase Price or Change in Control Repurchase Price, as the case may be, when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Security is redeemed or purchased).

The Company will notify Holders of any event triggering the right to convert the Security as specified above in accordance with the Indenture.

A Security in respect of which a Holder has delivered an Optional Repurchase Notice or a Change in Control Repurchase Notice exercising the option of such Holder to require the Company to repurchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture.

The initial Conversion Price is $26.00 per share, subject to adjustment under certain circumstances. The number of shares of Common Stock issuable upon conversion of a Security is determined by dividing the principal amount of the Security or portion thereof converted by the Conversion Price in effect on the Conversion Date. No fractional shares will be issued upon conversion; in lieu thereof, an amount will be paid in cash based upon the closing price (as defined in the Indenture) of the Common Stock on the Trading Day immediately prior to the Conversion Date.

To convert a Security, a Holder must (a) complete and manually sign the conversion notice set forth below and deliver such notice to a Conversion Agent, (b) surrender the Security to a Conversion Agent, (c) furnish appropriate endorsements and transfer documents if required by a Registrar or a Conversion Agent, and (d) pay any transfer or similar tax, if required. Securities so surrendered for conversion (in whole or in part) during the period from the close of business on any Regular Record Date to the opening of business on the next succeeding Interest Payment Date (excluding Securities or portions thereof called for redemption or subject to repurchase upon a specific date pursuant to Article V of the Indenture or upon a Change in Control on a Redemption Date, Optional Repurchase Date or Change in Control Repurchase Date, as the case may be, during the period beginning at the close of business on a Regular Record Date and ending at the opening of business on the first Business Day after the next succeeding Interest Payment Date, or if such Interest Payment Date is not a Business Day, the second such Business Day) shall also be accompanied by payment in funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of such Security then being converted, and such interest shall be payable to such registered Holder notwithstanding the conversion of such Security, subject to the provisions of this Indenture relating to the payment of defaulted interest by the Company. If the Company defaults in the payment of interest (including Contingent Interest) payable on such Interest Payment Date, the Company shall promptly repay such funds to such Holder. A Holder may convert a portion of a Security equal to $1,000 or any integral multiple thereof.

9. Conversion Arrangement on Call for Redemption

Any Securities called for redemption, unless surrendered for conversion before the close of business on the Business Day immediately preceding the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price, together with accrued interest, if any, to, but not including, the Redemption Date, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders, to convert them into Common Stock of the Company and to make payment for such Securities to the Paying Agent in trust for such Holders.

10. Tax Treatment

The Company agrees, and by acceptance of a beneficial ownership interest in the Securities each beneficial holder of Securities will be deemed to have agreed, for United States federal income tax purposes (1) to treat the Securities as indebtedness that is subject to Treas. Reg. Sec. 1.1275-4 (the "Contingent Payment Regulations") and, for purposes of the Contingent Payment Regulations, to treat the fair market value of any stock beneficially received by a beneficial holder upon any conversion of the Securities as a contingent payment and (2) to be bound by the Company's determination of the "comparable yield" and "projected payment schedule," within the meaning of the Contingent Payment Regulations, with respect to the Securities. A Holder of Securities may obtain the amount of the original issue discount, issue date, yield to maturity, comparable yield and projected payment by submitting a written request for it to the Company at the following address: St. Mary Land & Exploration Company, 176 Lincoln Street, Suite 1100, Denver, Colorado 80203, Attention: Chief Financial Officer.

11. Denominations, Transfer, Exchange

The Securities are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer of or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or other governmental charges that may be imposed in relation thereto by law or permitted by the Indenture.

12. Persons Deemed Owners

The Holder of a Security may be treated as the owner of it for all purposes.

13. Unclaimed Money

If money for the payment of principal or interest (including Contingent Interest) remains unclaimed for two years, the Trustee or Paying Agent will pay the money back to the Company at its written request. After that, Holders entitled to money must look to the Company for payment.

14. Amendment, Supplement and Waiver

Subject to certain exceptions, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Securities then outstanding, and an existing default or Event of Default and its consequence or compliance with any provision of the Indenture or the Securities may be waived in a particular instance with the consent of the Holders of a majority in principal amount of the Securities then outstanding. Without the consent of or notice to any Holder, the Company and the Trustee may amend or supplement the Indenture or the Securities to, among other things, cure any ambiguity, defect or inconsistency or make any other change that does not adversely affect the rights of any Holder.

15. Successor Corporation

When a successor corporation assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor corporation will (except in certain circumstances specified in the Indenture) be released from those obligations.

16. Defaults and Remedies

Under the Indenture, an Event of Default includes: 1. default for 30 days in payment of any interest (including Contingent Interest) on any Securities; 1. default in payment of any principal (including, without limitation, any premium, if any) on the Securities when due; 1. failure by the Company for 60 days after notice to it to comply with any of its other agreements contained in the Indenture or the Securities; 1. a default which involves the failure to pay principal of or any premium or interest on Indebtedness of the Company and its Subsidiaries, or which results in the acceleration of such Indebtedness prior to its stated maturity, if such Indebtedness aggregates $10 million or more; 1. failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $10 million, which judgments are not paid, discharged or stayed for a period of 60 days; 1. certain events of bankruptcy, insolvency or reorganization of the Company. If an Event of Default (other than as a result of certain events of bankruptcy, insolvency or reorganization of the Company or any of its Subsidiaries) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Securities then outstanding may declare all unpaid principal to the date of acceleration on the Securities then outstanding to be due and payable immediately, all as and to the extent provided in the Indenture. If an Event of Default occurs as a result of certain events of bankruptcy, insolvency or reorganization of the Company, unpaid principal of the Securities then outstanding shall become due and payable immediately without any declaration or other act on the part of the Trustee or any Holder, all as and to the extent provided in the Indenture. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the Securities then outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or interest (including Contingent Interest)) if it determines that withholding notice is in their interests. The Company is required to file periodic reports with the Trustee as to the absence of default.

17. Trustee Dealings with the Company

Wells Fargo Bank West, N.A., the Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from and perform services for the Company or an Affiliate of the Company, and may otherwise deal with the Company or an Affiliate of the Company, as if it were not the Trustee.

18. No Recourse Against Others

A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture nor for any claim based on, in respect of or by reason of such obligations or their creation. The Holder of this Security by accepting this Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of this Security.

19. Authentication

This Security shall not be valid until the Trustee or an authenticating agent manually signs the certificate of authentication on the other side of this Security.

20. Abbreviations and Definitions

Customary abbreviations may be used in the name of the Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and UGMA (= Uniform Gifts to Minors Act).

All terms defined in the Indenture and used in this Security but not specifically defined herein are defined in the Indenture and are used herein as so defined.

21. Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control. This Security shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law.

The Company will furnish to any Holder, upon written request and without charge, a copy of the Indenture. Requests may be made to: St. Mary Land & Exploration Company, 1776 Lincoln Street, Suite 1100, Denver, Colorado 80203, Attention: Chief Financial Officer.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

- ---

(Insert assignee's soc. sec. or tax I.D. no.)

- ---

(Print or type assignee's name, address and zip code)

and irrevocably appoint

---

agent to transfer this Security on the books of the Company. The agent may substitute another to act for him or her.

Your Signature:

Date:

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by:

By:

- ---

* The signature must be guarnteed by an institution which is a member of one of the following recognized signature guaranty programs:(i) the Securities Transfer Agent Medallion Program (STAMP);(ii) the New York stock Exchange Medallion Program (MSP);(iii) the Stock Exchange Medallion Program (SEMP;or (iv) such other guaranty program acceptable to the Trustee.

CONVERSION NOTICE

To convert this Security into Common Stock of the Company, check the box: |_|

To convert only part of this Security, state the principal amount to be converted (must be $1,000 or a multiple of $1,000): $_____.

If you want the stock certificate made out in another person's name, fill in the form below:

- ---

(Insert assignee's soc. sec. or tax I.D. no.)

- ---

(Print or type assignee's name, address and zip code)

Your Signature:

Date:

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by:

By:

- ---

* The signature must be guarnteed by an institution which is a member of one of the following recognized signature guaranty programs:(i) the Securities Transfer Agent Medallion Program (STAMP);(ii) the New York stock Exchange Medallion Program (MSP);(iii) the Stock Exchange Medallion Program (SEMP;or (iv) such other guaranty program acceptable to the Trustee.

OPTION TO ELECT REPURCHASE UPON A CHANGE IN CONTROL OR ON SPECIFIC DATES

To: St. Mary Land & Exploration Company

To elect to have this Security purchased by the Company pursuant to Article V (Repurchase at Option of Holder on Specific Dates) or Article XII (Repurchase at Option of Holder Upon a Change in Control) of the Indenture, check the applicable box:

|_| Article V (Repurchase at Option of Holder on Specific Dates)

|_| Article XII (Repurchase at Option of Holder Upon a Change in Control)

Date:

Signature(s)

Signature(s) must be guaranteed by a qualified guarantor institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Signature Guaranty

Principal amount to be redeemed
(in an integral multiple of
$1,000, if less than all):

- ---

Notice: The signature to the foregoing Election must correspond to the Name as written upon the face of this Security in every particular, without alteration

or any change whatsoever.

SCHEDULE OF EXCHANGES OF NOTES4

The following exchanges, redemptions, repurchases or conversions of a part of this global Security have been made:

Principal Amount of this Global Security Following Such Decrease Date of Exchange (or Increase)	Authorized Signatory of Securities Custodian	Amount of Decrease in Principal Amount of this Global Security	Amount of Increase in Principal Amount of this Global Security

- ---

4 This schedule should be included only if the Security is Global Security.

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER OF TRANSFER RESTRICTED SECURITIES5

Re: 5.75% Senior Convertible Notes due 2022 (the "Securities") of St. Mary Land & Exploration Company

This certificate relates to $_____ principal amount of Securities owned in (check applicable box)

|_| book-entry or |_| definitive form by _____ (the "Transferor").

The Transferor has requested a Registrar or the Trustee to exchange or register the transfer of such Securities.

In connection with such request and in respect of each such Security, the Transferor does hereby certify that the Transferor is familiar with transfer restrictions relating to the Securities as provided in Section 2.6 of the Indenture dated as of March 13, 2002 between St. Mary Land & Exploration Company and Wells Fargo Bank West, N.A. (the "Indenture"), and the transfer of such Security is being made pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") (check applicable box) or the transfer or exchange, as the case may be, of such Security does not require registration under the Securities Act because (check applicable box):

|_| Such Security is being transferred pursuant to an effective registration statement under the Securities Act.

|_| Such Security is being acquired for the Transferor's own account, without transfer.

|_| Such Security is being transferred to the Company or a Subsidiary (as defined in the Indenture) of the Company.

|_| Such Security is being transferred to a person the Transferor reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A or any successor provision thereto ("Rule 144A") under the Securities Act) that is purchasing for its own account or for the account of a "qualified institutional buyer", in each case to whom notice has been given that the transfer is being made in reliance on such Rule 144A, and in each case in reliance on Rule 144A.

|_| Such Security is being transferred outside the United States in an offshore transaction in accordance with Rule 904 under the Securities Act.

|_| Such Security is being transferred in the United States to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) that, prior to such transfer, will furnish to the Trustee a signed letter containing certain representations and agreements relating to the transfer of such Securities and an opinion of counsel acceptable to the Company that such transfer is in compliance with the Securities Act.

- ---

5 This certificate should only be included if this Security is a Transfer Restricted Security.

|_| Such Security is being transferred pursuant to and in compliance with an exemption from the registration requirements under the Securities Act in accordance with Rule 144 (or any successor thereto) ("Rule 144") under the Securities Act.

|_| Such Security is being transferred pursuant to and in compliance with an exemption from the registration requirements of the Securities Act (other than an exemption referred to above) and as a result of which such Security will, upon such transfer, cease to be a "restricted security" within the meaning of Rule 144 under the Securities Act.

The Transferor acknowledges and agrees that, if the transferee will hold any such Securities in the form of beneficial interests in a global Security which is a "restricted security" within the meaning of Rule 144 under the Securities Act, then such transfer can only be made pursuant to Rule 144A under the Securities Act and such transferee must be a "qualified institutional buyer" (as defined in Rule 144A).

Date:

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(Insert Name of Transferor)

Exhibit 10.27

[First Amendment to Credit Agreement]

NationsBank
Energy Banking Group
P.O. Box 830104
Dallas, TX 75283-0104
Tel 214 508-1200

December 22, 1998

St. Mary Land & Exploration Company
Mr. David L. Henry, Chief Financial Officer
1776 Lincoln Street, 11th Floor
Denver, Colorado, 80203

RE: Credit Agreement dated June 30, 1998 between St. Mary Land & Exploration Company and NationsBank, N.A., as Agent, and Lenders.

Dear David:

Pursuant to Section 7.5 Limitation on Sales of Property, Lenders hereby consent to Borrower's sale of certain oil and gas properties located in Oklahoma. Additionally, upon the sale of such properties, the Aggregate Borrowing Base is reduced to $105,000,000 until the next Determination Date. For purposes of this reduction, the effective date of ther revised Aggregate Borrowing Base is December 21, 1998.

David, please feel free to call me if you have any questions or if I can be of additional assistance.

Sincerely,

David C. Rubenking
Senior Vice President

Cc: Tom Foncannon
Mark Thompson

Exhibit 10.28

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (herein called the "Amendment") made as of March 4, 2002, by and among St. Mary Land & Exploration Company, a Delaware corporation ("Borrower"), Bank of America, N.A., individually and as Agent ("Agent"), and the undersigned lenders (the "Lenders").

W I T N E S S E T H:

WHEREAS, Borrower, Agent and Lenders entered into that certain Credit Agreement dated as of June 30, 1998 (as heretofore amended, modified or supplemented, the "Original Agreement"), for the purpose and consideration therein expressed, whereby Lenders became obligated to make loans to Borrower as therein provided; and

WHEREAS, Borrower, Agent and Lenders desire to amend the Original Agreement for the purposes described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Lenders to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

Definitions and References

ss. 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

ss. 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this. 1.2.

"Amendment" means this Fourth Amendment to Credit Agreement.

"Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II.

Amendment to Original Agreement

ss. 2.1. Defined Terms. The following definitions in Section 1.1 of the Original Agreement are hereby amended in their entirety to read as follows:

'Evaluation Date' means each of the following:

(a) Each date which either Borrower or Lender, at their respective options, specifies as a date as of which the Borrowing Base is to be redetermined, provided that each such date must be the first or last date of a current calendar month; provided that neither Borrower nor Lender shall be entitled to request more than one such redetermination during the period between any consecutive Evaluation Dates described in subsection (b) of this definition; and

(b) March 1 and September 1 of each year." "'Eurodollar Margin' means

(a) during the Tranche A Revolving Period with respect to each Eurodollar Loan:

(i) when the Debt to Capitalization Ratio in effect hereunder is less than 0.30 to 1.0, 1.00%, or

(ii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.30 to 1.0 but less

than 0.40 to 1.0, 1.25%, or

(iii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.40 to 1.0 but less than 0.5 to 1.0, 1.375%, or

(iv) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.50 to 1.0, 1.625%; and

(b) after the Tranche A Revolving Period with respect to each Eurodollar Loan:

(i) when the Debt to Capitalization Ratio in effect hereunder is less than 0.30 to 1.0, 1.125%, or

(ii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.30 to 1.0 but less than 0.40 to 1.0, 1.375%, or

(iii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.40 to 1.0 but less than 0.5 to 1.0, 1.625%, or

(iv) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.50 to 1.0, 1.875%."

"'Loan Documents' means this Agreement, the Notes, the Security Documents, the Letters of Credit, the LC Applications, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters)."

"'Oil and Gas Properties' means those oil and gas properties and related interests, whether now owned or hereafter acquired by any of the Restricted Persons, but only to the extent included in the most recent reserve report delivered pursuant to paragraph 2.8(b)."

ss. 2.2. Permitted Investments. Clause (b) of the definition of Permitted Investments in Section 1.1 of the Original Agreement which reads

"(b) Investments by Borrower in any of its wholly owned Subsidiaries,"

is hereby amended in to read as follows:

"(b) Investments by Borrower in any of its wholly owned Subsidiaries which are Guarantors,"

ss. 2.3. Additional Definitions. The following definitions of "Collateral", "Guarantor", "Security Documents" and "Senior Convertible Notes" are hereby added to Section 1.1 of the Original Agreement to read as follows:

"'Collateral' means all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien."

"'Guarantor' means any Subsidiary of Borrower which now or hereafter executes and delivers a guaranty to Agent pursuant to Section 6.19."

"'Mortgaged Properties' means the Oil and Gas Properties that are mortgaged to Agent under the Security Documents."

"'Security Documents' means the security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Restricted Person to Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of

any part of the Obligations or the performance of any Restricted Person's other duties and obligations under the Loan Documents."

"'Senior Convertible Notes' means those certain 5.75% Senior Convertible Notes issued by Borrower pursuant to the Offering Memorandum from Borrower initially circulated on March 6, 2002, in the aggregate principal amount of up to $115,000,000, due in March 2022, as amended, modified, supplemented, or restated from time to time."

"Senior Convertible Note Documents' means the Senior Convertible Notes, the Indenture pursuant to which the Convertible Senior Notes are issued, and any other documents or instruments which govern the Senior Convertible Notes."

ss. 2.4. Engineering Reports. Section 2.8(b) of the Original Agreement is hereby amended in its entirety to read as follows:

"(b) Engineering Reports.

(i) No later than March 1 of each year that this Agreement is in effect, commencing March 1, 1999, Borrower shall submit to each Lender, in a format and using the pricing and cost assumptions and discount factors required by the Securities and Exchange Commission, a report, prepared by a qualified independent engineer acceptable to Agent, setting forth, as of December 31 of the immediately preceding year, all of the revenues (and the future volumes of production to be derived therefrom) attributable to all proved Oil and Gas Properties owned by Borrower as of such date.

(ii) No later than September 1 of each year that this Agreement is in effect, commencing September 1, 2002, Borrower shall submit to each Lender, in a format and using the pricing and cost assumptions and discount factors required by the Securities and Exchange Commission, a supplement to the most recent report delivered pursuant to subsection (ii) immediately above, prepared by an in-house engineer of Borrower acceptable to Agent in its reasonable judgment, setting forth, as of June 30 of the same year, all of the revenues (and the future volumes of production to be derived therefrom) attributable to all proved Oil and Gas Properties owned by Borrower as of such date.

ss. 2.5. Commitment Fee. Section 2.5(b) of the Original Agreement is hereby deleted in its entirety and replaced with the following:

(b) Tranche A Loan Commitment Fee. In consideration of Lenders' commitment to enter into this Agreement and to advance funds to Borrower as Tranche A Loans, Borrower will pay to Agent, for pro rata distribution to each Lender in accordance with its Percentage Share, a commitment fee determined on a daily basis by applying the Tranche A Commitment Fee Rate to such Lender's Percentage Share of the

unused portion of the Tranche A Borrowing Base on each day during the Tranche A Revolving Period, determined for each such day by deducting from the amount of the Tranche A Borrowing Base at the end of such day the Tranche A Facility Usage. Promptly at the end of each Fiscal Quarter and at the end of the Tranche A Revolving Period, Agent shall calculate the commitment fee then due and shall notify Borrower thereof. Borrower shall pay such commitment fee to Agent within five Business Days after receiving such notice. As used in this section, "Tranche A Commitment Fee Rate" means:

(i) when the Debt to Capitalization Ratio in effect hereunder is less than 0.30 to 1.0, .35%, or

(ii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.30 to 1.0 but less than 0.40 to 1.0, .40%, or

(iii) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.40 to 1.0 but less than 0.5 to 1.0, .45%, or

(iv) when the Debt to Capitalization Ratio in effect hereunder is greater than or equal to 0.50 to 1.0, .50%."

ss. 2.6. Regularly Scheduled Payments of Principal of Tranche A Note.

Section 2.7(c) of the Original Agreement is hereby deleted in its entirety and replaced with the following:

"(c) Regularly Scheduled Payments of Principal of Tranche A Note. The principal of the Tranche A Note shall be due and payable in fourteen (14) quarterly installments, each of which shall be equal to the greater of (i) one-fourteenth (1/14) of the aggregate unpaid principal balance of the Tranche A Note at the end of the Tranche A Revolving Period or (ii) sixty percent (60%) of the Net Oil and Gas Revenues during the applicable Accounting Quarter, and shall be due and payable on the last day of each Fiscal Quarter, beginning September 30, 2003 and continuing regularly thereafter until the Tranche A Maturity Date, at which time the unpaid principal balance of the Tranche A Note and all interest accrued thereon shall be due and payable in full."

ss. 2.7. Provisions Concerning Collateral and Guaranty of Subsidiaries.

Sections 6.15, 6.16, 6.17, 6.18, 6.19 and 6.20 are hereby added to the Original Agreement immediately after Section 6.14 to provide as follows:

"Section 6.15. Agreement to Deliver Security Documents. Borrower agrees to deliver and to cause each other Restricted Person to deliver to secure the Obligations, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests in Oil and Gas Properties to which are attributed

80% of the total value of the Oil and Gas Properties as determined by Agent after consultation with Borrower and in all personal property of the Restricted Persons, including but not limited to the stock of all of Borrower's Subsidiaries, in each case no later than thirty (30) days after the issuance of the Senior Convertible Notes.

Section 6.16. Title Review. Borrower agrees that Agent's counsel shall review the lease files for the Oil and Gas Properties and existing title reports and title opinions covering the properties subject to the Security Documents. Based upon such review and in order to confirm title to the Oil and Gas Properties, Agent may request, and Borrower agrees to deliver, such additional favorable reports and/or title opinions which Majority Lenders determine in their reasonable judgment are necessary from legal counsel acceptable to Agent with respect to any Oil and Gas Properties designated by Agent, based upon title examinations to dates acceptable to Agent and stating that a Restricted Person has good and defensible title to such Oil and Gas Properties, free and clear of all Liens other than Permitted Liens, and covering such other matters which Majority Lenders determine in their reasonable judgment are necessary.

Section 6.17. Perfection and Protection of Security Interests and Liens. Borrower will from time to time deliver, and will cause each other Related Person from time to time to deliver, to Agent any authorizations to file financing statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by Related Persons in form and substance satisfactory to Agent, which Agent requests for the purpose of perfecting, confirming, or protecting any Liens or other rights in Collateral securing any Obligations.

Section 6.18. Production Proceeds. Notwithstanding that, by the terms of the various Security Documents, Restricted Persons are and will be assigning to Agent and Lenders all of the "Production Proceeds" (as defined therein) accruing to the property covered thereby, so long as no Default has occurred and is continuing Restricted Persons may continue to receive from the purchasers of production all such Production Proceeds, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence and during the continuance of a Default, Agent and Lenders may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Production Proceeds then held by Restricted Persons or to receive directly from the purchasers of production all other Production Proceeds. In no case shall any failure, whether purposed or inadvertent, by Agent or Lenders to collect directly any such Production Proceeds constitute in any way a waiver, remission or release of any of their rights under the

Security Documents, nor shall any release of any Production Proceeds by Agent or Lenders to Restricted Persons constitute a waiver, remission, or release of any other Production Proceeds or of any rights of Agent or Lenders to collect other Production Proceeds thereafter.

Section 6.19. Guaranties of Borrower's Subsidiaries. Each Subsidiary of Borrower shall, promptly upon request by Agent, execute and deliver to Agent an absolute and unconditional guaranty of the

timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower hereunder, which guaranty shall be satisfactory to Agent in form and substance. Borrower will cause each of its Subsidiaries to deliver to Agent, simultaneously with its delivery of any Security Document to Agent, written evidence satisfactory to Agent and its counsel that such Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such Security Document and any other documents which it is required to execute.

Section 6.20. Maintenance of Liens on Eighty Percent of Oil and Gas Properties. The Mortgaged Properties shall constitute at least eighty percent (80%) of the total value of the Oil and Gas Properties. Within thirty (30) days following each Determination Date, Restricted Persons will execute and deliver documentation in form and substance satisfactory to Agent, granting to Agent first perfected Liens on and in Oil and Gas Properties that are not then part of the Mortgaged Properties, sufficient to cause the Mortgaged Properties to constitute eighty percent (80%) of the total value of the Oil and Gas Properties directly owned by Restricted Persons. In addition, Borrower will furnish to Agent title due diligence in form and substance satisfactory to Agent and will furnish all other documents and information relating to such properties as Agent may reasonably request."

ss. 2.8. Indebtedness. Section 7.1 of the Original Agreement is hereby amended by deleting the period at the end of subsection 7.1(h) and substituting therefor "; and" and adding the following subsection (i) immediately thereafter to read as follows:

"(i) Indebtedness of Borrower in an original principal amount not to exceed $115,000,000 evidenced by the Senior Convertible Notes, provided that neither the Senior Convertible Notes nor any other Senior Convertible Note Document may be modified except as expressly permitted pursuant to Section 8.1(p)."

ss. 2.9. Limitation on Liens. Section 7.2 of the Original Agreement is hereby deleted in its entirety and replaced with the following:

"Section 7.2. Limitation on Liens. No Restricted Person will create, assume or permit to exist any Lien upon any of the Oil and Gas Properties included in the Aggregate Borrowing Base except liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which adequate reserves have been set aside on Borrower's books; operator's, mechanic's, workmen's, materialmen's and other like liens arising in the ordinary course of business in respect of obligations not overdue or which are being contested in good faith and by appropriate proceedings and for which adequate reserves have been set aside on Borrower's books."

ss. 2.10. Negative Covenants. Sections 7.12, 7.13 and 7.14 are hereby added to the Original Agreement immediately after Section 7.11 to provide as follows:

"Section 7.12. Prohibited Contracts. No Restricted Person will amend or permit any amendment to any contract or lease which releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Agent or any Lender under or acquired pursuant to any Security Documents in any material respect.

Section 7.13. Limitation on Prepayments on Senior Convertible Notes. No Restricted Person will purchase, repurchase, defease or make any prepayments on or with respect to the Senior Convertible Notes.

Section 7.14. Certain Contracts. Except as expressly provided for in the Loan Documents, no Restricted Person will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Restricted Person to (i) pay dividends or make other distributions to Borrower, (ii) redeem equity interests held in it by Borrower, (iii) repay any of its assets to Borrower, and (iv) pledge its assets or properties to Agent or any Lender."

ss. 2.11. Events of Default. Section 8.1 of the Original Agreement is hereby amended as follows:

(a) by deleting the "and" at the end of subsection 8.1(l);

(b) by deleting the period at the end of subsection 8.1(m) and substituting therefor ";"; and

(c) by adding the following subsections (n), (o) and (p) immediately after Subsection 8.1(m) to read as follows:

"(n) Any Restricted Person fails to deliver to Agent any the Security Document as required pursuant to Section 6.15 or Section 6.19;

(o) Borrower fails to duly observe, perform or comply with any covenant, agreement, or provision of any Senior Convertible Note Document which has not been waived in accordance with the Senior Convertible Note Documents and such failure is not remedied within the applicable period of grace (if any) provided therein; and

(p) Without the express prior written consent of Majority Lenders, Borrower amends or modifies any Senior Convertible Note Document in a manner which requires the consent of all or the holders of a majority of the principal of the Senior Convertible Notes."

ss. 2.12. Amendments. The provision in the last sentence of Section 2.10 of the Original Agreement which currently reads:

"(6) release Borrower from its obligation to pay such Lender's Note."

is hereby deleted and replaced with the following:

"(6) release Borrower from its obligation to pay such Lender's Note or any Guarantor from its guaranty of such payment."

ARTICLE III.

Conditions of Effectiveness

ss. 3.1. Effective Date. This Amendment shall become effective as of the date first above written when and only when:

(a) Agent shall have received all of the following, at Agent's office, duly executed and delivered and in form and substance satisfactory to Agent, all of the following:

(i) this Amendment;

(ii) a certificate of the Secretary of Borrower dated the date of this Amendment certifying: (1) that the resolutions attached to that certain Omnibus Certificate dated as of June 30, 1998 (the "Original Certificate") authorize the execution, delivery and performance of this Amendment by Borrower; (2) that the names and true signatures of the officers of the Borrower attached to the Original Certificate are authorized to sign this Amendment; and (3) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness;

(iii) A favorable opinion of counsel for Restricted Persons as to the organization of Borrower, the due

authorization, execution and delivery of this Amendment and the enforceability of the Credit Agreement, as amended by this Amendment, in form and substance acceptable to Agent;

(iv) such other supporting documents as Agent may reasonably request; and

(b) Borrower shall have paid, in connection with such Loan Documents, all fees and reimbursements to be paid to Agent pursuant to any Loan Documents, or otherwise due Agent and including fees and disbursements of Agent's attorneys; and

(c) the Senior Convertible Notes have been issued.

ARTICLE IV.

Representations and Warranties

ss. 4.1. Representations and Warranties of Borrower. In order to induce each Lender to enter into this Amendment, Borrower represents and warrants to each Lender that:

(a) Except as set forth in the Disclosure Schedule attached hereto as Exhibit A, the representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof.

(b) Borrower has duly taken all action necessary to authorize the execution and delivery by it of this Amendment and to authorize the consummation of the transactions contemplated hereby and the performance of its obligations hereunder. Borrower is duly authorized to borrow funds under the Credit Agreement.

(c) The execution and delivery by Borrower of this Amendment, the performance by Borrower of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not (i) conflict with any provision of (1) any Law, (2) the organizational documents of Borrower, or (3) any agreement, judgment, license, order or permit applicable to or binding upon Borrower, (ii) result in the acceleration of any Indebtedness owed by Borrower, or (iii) result in or require the creation of any Lien upon any assets of properties of Borrower. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, and Tribunal or third party is required in connection with the execution, delivery or performance by Borrower of this Amendment or to consummate any transactions contemplated hereby.

(d) When duly executed and delivered, each of this Amendment and the Credit Agreement will be a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(e) The audited annual Consolidated financial statements of Borrower dated as of December 31, 2000, and the unaudited quarterly Consolidated financial statements of Borrower dated as of September 30, 2001, fairly present Borrower's Consolidated financial position at such dates and the Consolidated results of Borrower's operations and Borrower's Consolidated cash flows for the periods ending on such dates for Borrower. Copies of such financial statements have heretofore been delivered to each Lender. Since such dates no Material Adverse Change has occurred.

ARTICLE V.

Miscellaneous

ss. 5.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The Loan Documents, as they may be amended or affected hereby, are hereby ratified and confirmed in all respects. Any reference to the Credit Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lenders under the Credit Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Credit Agreement, the Notes or any

other Loan Document.

ss. 5.2. Survival of Agreements. All of Borrower's representations, warranties, covenants and agreements herein shall survive the execution and delivery of this Amendment and the performance hereof, including the making or granting of the Loans, and shall further survive until all of the Obligations are paid in full to each Lender and all of Lender Parties' obligations to Borrower are terminated. All statements and agreements contained in any certificate or instrument delivered by Borrower hereunder or under the Credit Agreement to any Lender shall be deemed representations and warranties by Borrower or agreements and covenants of Borrower under this Amendment and under the Credit Agreement.

ss. 5.3. Loan Documents. This Amendment is a Loan Document, and all provisions in the Credit Agreement pertaining to Loan Documents apply hereto.

ss. 5.4. Governing Law. This Amendment shall be deemed a contract and instrument made under the laws of the State of Colorado and shall be construed and enforced in accordance with and governed by the laws of the State of Colorado and the laws of the United States of America, without regard to the principles of conflicts of law.

ss. 5.5. Counterparts. This Amendment may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment.

THIS AMENDMENT AND THE OTHER 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 OF THE PARTIES.

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ MARK HELLERSTEIN

Name: Mark Hellerstein

Title: President and CEO

BANK OF AMERICA, N.A.
Agent, LC Issuer and Lender

By: /s/ RICHARD L. STEIN

Name: Richard L. Stein
Title:Principal

COMERICA BANK-TEXAS
a Lender

By: /s/ THOMAS G. RAJAN

Name: Thomas G. Rajan
Title:Vice President

WELLS FARGO BANK, N.A., formerly known as
Wells Fargo Bank West, N.A.,
a Lender

By: /s/ KAREN L. ROGERS

Name: Karen L. Rogers
Title:Vice President