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

FORM 10-Q

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

For the quarterly period ended September 30, 2004

Commission File Number 001-31539

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

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

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

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

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

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

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

As of October 29, 2004, the registrant had 28,633,580 shares of common stock, $0.01 par value, outstanding.

ST. MARY LAND & EXPLORATION COMPANY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

ASSETS	September 30, 2004	December 31, 2003
Current assets:		
Cash and cash equivalents	$ 24,688	$ 14,827
Short-term investments	1,431	12,509
Accounts receivable	91,397	65,084
Prepaid expenses and other	4,594	6,020
Deferred income taxes	8,564	8,872
Other	5,226	611
Total current assets	135,900	107,923
Property and equipment (successful efforts method), at cost:		
Proved oil and gas properties	975,710	858,246
Less - accumulated depletion, depreciation and amortization	(371,410)	(312,719)
Wells in progress	47,403	24,691
Unproved oil and gas properties, net of accumulated impairment		

	2004	2003
allowance of $11,756 in 2004 and $10,776 in 2003	38,317	36,793
Other property and equipment, net of accumulated depreciation of $5,557 in 2004 and $4,656 in 2003	6,964	4,276
	696,984	611,287
Other noncurrent assets	6,791	16,644
Total Assets	$ 839,675	$ 735,854
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 110,802	$ 81,217
Accrued derivative liability	22,736	23,605
Total current liabilities	133,538	104,822
Noncurrent liabilities:		
Long-term credit facility	-	11,000
Convertible notes	99,767	99,696
Asset retirement obligation	27,835	25,485
Net profits interest bonus plan liability	20,175	6,163
Other noncurrent liabilities	6,873	7,088
Deferred income taxes	117,166	90,947
Total noncurrent liabilities	271,816	240,379
Commitments and contingencies		
Temporary equity (Note 11):		
Common stock subject to put and call options, $0.01 par value; issued and outstanding: -0- shares in 2004 and 3,380,818 shares in 2003	-	71,594
Note receivable from Flying J	-	(71,594)
Total temporary equity	-	-
Stockholders' equity:		
Common stock, $0.01 par value: authorized - 100,000,000 shares; issued: 28,552,284 shares in 2004 and 29,245,123 shares in 2003; outstanding, net of treasury shares: 28,302,284 shares in 2004 and 28,242,423 shares in 2003	286	292
Additional paid-in capital	121,473	146,362
Treasury stock, at cost: 250,000 shares in 2004 and 1,002,700 shares in 2003	(5,295)	(16,057)
Deferred stock-based compensation	(5,337)	-
Retained earnings	337,943	274,937
Accumulated other comprehensive loss	(14,749)	(14,881)
Total stockholders' equity	434,321	390,653
Total Liabilities and Stockholders' Equity	$ 839,675	$ 735,854

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Operating revenues:				
Oil and gas production	$ 103,191	$ 86,414	$ 291,245	$ 278,236
Gain (loss) on sale of proved properties	738	(343)	2,514	(221)
Marketed gas revenue	3,798	3,911	11,095	11,019
Other oil and gas revenue	261	481	1,723	2,521
Other revenue	935	536	562	4,352
Total operating revenues	108,923	90,999	307,139	295,907
Operating expenses:				
Oil and gas production	24,163	23,914	69,279	68,304
Depletion, depreciation, amortization and abandonment liability accretion	21,470	20,765	62,769	61,251
Exploration	8,871	9,906	20,071	20,332
Impairment of proved properties	-	-	494	-
Abandonment and impairment of unproved properties	744	2,300	2,632	4,003
General and administrative	5,472	4,803	16,459	15,629
Change in net profits interest bonus plan liability	7,527	709	14,012	2,406
Marketed gas system operating expense	3,493	3,584	10,214	10,041
Other	680	707	2,242	1,202
Total operating expenses	72,420	66,688	198,172	183,168
Income from operations	36,503	24,311	108,967	112,739
Nonoperating income (expense):				
Interest income	93	73	479	647
Interest expense	(1,471)	(1,833)	(4,524)	(6,416)
Income before income taxes and cumulative effect of change in accounting principle	35,125	22,551	104,922	106,970
Income tax expense	(12,560)	(8,765)	(39,072)	(41,505)
Income before cumulative effect of change in accounting principle	22,565	13,786	65,850	65,465
Cumulative effect of change in accounting principle, net of income tax	-	-	-	5,435
Net Income	$ 22,565	$ 13,786	$ 65,850	$ 70,900
Basic weighted average common shares outstanding	28,545	31,529	28,982	31,126
Diluted weighted average common shares outstanding	33,186	35,828	33,486	35,426
Basic earnings per common share:				
Income before cumulative effect of change in accounting principle	$ 0.79	$ 0.44	$ 2.27	$ 2.11
Cumulative effect of change in accounting principle, net of income tax	-	-	-	0.17
Basic net income per common share	$ 0.79	$ 0.44	$ 2.27	$ 2.28
Diluted earnings per common share:				
Income before cumulative effect of change in accounting principle	$ 0.71	$ 0.41	$ 2.05	$ 1.93
Cumulative effect of change in accounting principle, net of income tax	-	-	-	0.15
Diluted net income per common share	$ 0.71	$ 0.41	$ 2.05	$ 2.08
Cash dividends declared per common share	$ 0.05	$ -	$ 0.10	$ 0.05

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

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

	For the Nine Months Ended September 30, 2004	2003
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 65,850	$ 70,900
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gain) loss on sale of proved properties	(2,514)	221
Depletion, depreciation, amortization and abandonment liability accretion	62,769	61,251
Exploratory dry hole expense	2,530	7,497
Impairment of proved properties	494	-
Abandonment and impairment of unproved properties	2,632	4,003
Unrealized derivative gain	(46)	(358)
Change in net profits interest bonus plan liability	14,012	2,406
Amortization of deferred stock-based compensation	2,965	-
Income tax benefit from the exercise of stock options	3,002	781
Deferred income taxes	27,205	14,831
Other	(3,498)	(1,324)
Cumulative effect of change in accounting principle, net of income tax	-	(5,435)
	175,401	154,773
Changes in current assets and liabilities:		
Accounts receivable	(26,313)	(23,346)
Prepaid expenses and other	(2,953)	3,741
Accounts payable and accrued expenses	10,997	15,746
Net cash provided by operating activities	157,132	150,914
Cash flows from investing activities:		
Proceeds from sale of oil and gas properties	2,725	2,717
Capital expenditures	(127,344)	(81,218)
Acquisition of oil and gas properties, including related $71,594 loan to Flying J in 2003	(6,588)	(75,234)
Deposits to short-term investments available-for-sale	(1,470)	(1,029)
Receipts from short-term investments available-for-sale	12,500	950
Receipts from restricted cash	10,412	-
Other	712	166
Net cash used in investing activities	(109,053)	(153,648)
Cash flows from financing activities:		
Proceeds from credit facility	97,497	120,011
Repayment of credit facility	(108,500)	(122,020)
Costs from issuance of convertible notes	-	(78)
Proceeds from sale of common stock for exercise of stock options	9,957	2,354
Repurchase of common stock	(35,743)	-
Dividends paid	(1,429)	(1,573)
Net cash used in financing activities	(38,218)	(1,306)
Net change in cash and cash equivalents	9,861	(4,040)
Cash and cash equivalents at beginning of period	14,827	11,154
Cash and cash equivalents at end of period	$ 24,688	$ 7,114

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

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

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

	For the Nine Months Ended September 30, 2004	2003
	(In thousands)	
Cash paid for interest, including amounts capitalized	$ 8,070	$ 7,245
Cash paid for income taxes	$ 8,800	$ 23,208

In August 2004 the Company closed a transaction whereby it exchanged oil and gas properties valued at $1.4 million together with $769,000 of cash for oil and gas properties valued at $2.2 million.

In June 2004 the Company issued 232,861 restricted stock units pursuant to the Company's restricted stock plan. The total value of the grant was $8.3 million. The Company has recorded compensation expense of $3.0 million for the nine-month period ended September 30, 2004.

In January 2004 and May 2004 the Company issued 4,200 shares and 8,400 shares, respectively, of common stock from treasury to its non-employee directors pursuant to the Company's non-employee director stock compensation plan. The Company recorded compensation expense of $341,000 for the nine-month period ended September 30, 2004.

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

In January 2003 the Company issued 3,380,818 restricted shares of common stock to Flying J Oil & Gas Inc. and Big West Oil & Gas Inc. (collectively, "Flying J") and entered into a put and call option agreement, valued at $995,000 for financial reporting purposes, with Flying J with respect to those shares in connection with the acquisition of oil and gas properties and related assets and liabilities.

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 (UNAUDITED)
(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Deferred Stock-Based Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances, December 31, 2002	28,983,110	$ 290	$140,688	(1,009,900)	$(16,210)	$ -	$182,512	$ (7,767)	$ 299,513
Comprehensive income:									
Net income	-	-	-	-	-	-	95,575	-	95,575
Unrealized net gain on marketable equity securities available for sale	-	-	-	-	-	-	-	716	716
Change in derivative instrument fair value	-	-	-	-	-	-	-	(21,873)	(21,873)
Reclassification to earnings	-	-	-	-	-	-	-	13,846	13,846
Minimum pension liability adjustment	-	-	-	-	-	-	-	197	197
Total comprehensive income									88,461
Cash dividends, $ 0.10 per share	-	-	-	-	-	-	(3,150)	-	(3,150)
Issuance of common stock under Employee Stock Purchase Plan	16,994	-	375	-	-	-	-	-	375
Value of option right granted to Flying J	-	-	995	-	-	-	-	-	995
Sale of common stock, including income tax benefit of stock option exercises	245,019	2	4,304	-	-	-	-	-	4,306
Directors' stock compensation	-	-	-	7,200	153	-	-	-	153
Balances, December 31, 2003	29,245,123	$ 292	$146,362	(1,002,700)	$(16,057)	$ -	$274,937	$ (14,881)	$ 390,653
Comprehensive income:									
Net income	-	-	-	-	-	-	65,850	-	65,850
Change in derivative instrument fair value	-	-	-	-	-	-	-	(20,613)	(20,613)
Reclassification to earnings	-	-	-	-	-	-	-	20,745	20,745
Total comprehensive income									65,982
Cash dividends declared, $ 0.10 per share	-	-	-	-	-	-	(2,844)	-	(2,844)
Treasury stock purchases	-	-	-	(489,300)	(16,336)	-	-	-	(16,336)
Retirement of treasury stock	(1,229,400)	(12)	(26,737)	1,229,400	26,479	-	-	-	-
Issuanceof common stock under Employee Stock Purchase Plan	7,412	-	180	-	-	-	-	-	180
Repurchase of common stock from Flying J	-	-	(19,406)	-	-	-	-	-	(19,406)
Sale of common stock, including income tax benefit of stock option exercises	529,149	6	12,773	-	-	-	-	-	12,779
Deferred compensation related to restricted stock unit awards	-	-	8,301	-	-	(8,301)	-	-	-
Amortization of deffered stock-based compensation	-	-	-	-	-	2,964	-	-	2,964
Directors' stock compensation	-	-	-	12,600	349	-	-	-	349
Balances, September 30, 2004	28,552,284	$ 286	$121,473	(250,000)	$ (5,295)	$ (5,337)	$337,943	$ (14,749)	$ 434,321

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

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

September 30, 2004

Note 1 - The Company and Business

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

Note 2 - Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of St. Mary have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in St. Mary's Annual Report on Form 10-K for the year ended December 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the interim financial information have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

The significant accounting policies followed by the Company are summarized in Note 1 to the Company's consolidated financial statements in the Form 10-K for the year ended December 31, 2003. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in the Form 10-K.

The Company records the estimated liability of future payments under its Net Profits Interest Bonus Plan (the "Net Profits Plan") because it is a vested employee benefit. The estimated liability is calculated based on a number of assumptions, including oil and gas reserves, recurring and workover lease operating expense, present value discount factors and certain pricing assumptions. The estimates the Company uses in calculating the liability are modified from period to period based on new information attributable to the underlying assumptions. Changes in the estimated liability of future payments associated with the Net Profits Plan are recorded as increases or decreases to expense in the current period as a separate item in the consolidated statements of operations. The estimated Net Profits Plan liability is recorded separately as a noncurrent liability in the accompanying consolidated balance sheets.

The amounts due and payable under the Net Profits Plan as cash compensation related to the current period operations are recognized as compensation expense and are included within general and administrative expense and exploration expense. This treatment provides for a consistent matching of cash expense with net cash flows from the oil and gas properties in each respective pool of the Net Profits Plan.

The non-cash portion of Net Profits Plan expense and the corresponding liability have been reclassified as separate line items in the accompanying financial statements for all periods presented. As a result, prior period general and administrative expense, exploration expense and other non-current liabilities have been reclassified to conform to the current presentation.

The stockholders approved the Restricted Stock Plan in the second quarter of 2004. The Compensation Committee of the Board of Directors is

responsible for determining the grant criteria under the Restricted Stock Plan. The Compensation Committee has approved the issuance of restricted stock units under the Restricted Stock Plan. Criteria for determining grants under the plan associated with the current year are established at the beginning of the performance year. As a result, the Company applies variable plan accounting in estimating compensation expense during the time from the beginning of the performance year until a firm measurement date occurs and the grants are issued. At the restricted stock unit issuance date, the Company is able to measure compensation expense and applies fixed plan accounting to measure and record the remaining expense attributable to grants under the plan.

Certain amounts in the 2003 unaudited consolidated financial statements have been reclassified to correspond to the 2004 presentation. Other than the Net Profits Plan liability and expense reclassification noted above, the most significant reclassification is that wells in progress has been classified as a separate line item in the consolidated balance sheets for all periods presented. As a result, prior period unproved oil and gas properties, net of impairment allowance, has been reclassified to conform to the current presentation.

Note 3 - Earnings Per Share

Basic net income per common share of stock is calculated by dividing net income available to common stockholders by the weighted-average of common shares outstanding during each period. During the first quarter of 2003, the Company issued 3,380,818 shares of common stock as part of an acquisition. On February 9, 2004, the Company repurchased these shares, and the shares were retired (see Note 11-Repurchase of Common Stock). These shares were considered outstanding from January 29, 2003 to February 9, 2004 for purposes of calculating basic and diluted net income per common share and were weighted accordingly in the calculation of common shares outstanding. The shares were included in the temporary equity section of the consolidated balance sheet as of December 31, 2003.

Diluted net income per common share of stock is calculated by dividing adjusted net income by the weighted-average of common shares outstanding, including the effect of other dilutive securities. Adjusted net income is used for the if-converted method and is derived by adding interest expense paid on the Company's 5.75% Senior Convertible Notes due 2022 (the "Convertible Notes") back to net income and then adjusting for nondiscretionary items that are based on income and that would have changed had the Convertible Notes been converted at the beginning of the period. Potentially dilutive securities of the Company consist of in-the-money outstanding options to purchase the Company's common stock, shares into which the Convertible Notes may be converted and unvested restricted stock units.

The shares underlying the grants of restricted stock units are excluded from basic and diluted earnings per share until the measurement date for grants made under the Restricted Stock Plan. Upon measurement, all unvested shares attributable to the restricted stock unit grant are included in the diluted share calculation. Vested shares are included in both basic and diluted earnings per share.

The dilutive effect of stock options and unvested restricted stock units is considered in the detailed calculation below. There were 794,455 and 673,807 anti-dilutive securities related to stock options for the three-month and nine-month periods ended September 30, 2003, respectively, and 553,766 anti-dilutive securities related to stock options for the nine-month period ended September 30, 2004. There were no anti-dilutive securities related to stock options for the three-month period ended September 30, 2004. There were no anti-dilutive securities related to restricted stock units for any periods presented.

Shares associated with the conversion feature of the Convertible Notes are accounted for using the if-converted method as described above. A total of 3,846,153 potentially dilutive shares related to the Convertible Notes were included in the calculation of diluted net income per common share for the three-month and nine-month periods ended September 30, 2004 and 2003. The Convertible Notes were issued in March 2002.

The following table sets forth the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Income before cumulative effect of change in accounting principle	$ 22,565	$ 13,786	$ 65,850	$ 65,465
Cumulative effect of change in accounting principle, net of income tax	-	-	-	5,435
Net income	$ 22,565	$ 13,786	$ 65,850	$ 70,900
Adjustments to net income for dilution:				
Add: Interest expense not incurred if Convertible Notes converted	1,597	1,597	4,757	4,740
Less: Other adjustments	(16)	(16)	(48)	(47)
Less: Income tax effect of dilution items	(565)	(614)	(1,754)	(1,821)
Net income adjusted for the effect of dilution	$ 23,581	$ 14,753	$ 68,805	$ 73,722
Basic weighted-average common shares outstanding in period	28,545	31,529	28,982	31,126
Add: Dilutive effect of stock options	620	453	599	454
Add: Dilutive effect of unvested restricted stock units	175	-	59	-
Add: Dilutive effect of Convertible Notes using if-converted method	3,846	3,846	3,846	3,846
Diluted weighted-average common shares outstanding in period	33,186	35,828	33,486	35,426
Basic earnings per common share:				
Income before cumulative effect of change in accounting principle	$ 0.79	$ 0.44	$ 2.27	$ 2.11
Cumulative effect of change in accounting principle	-	-	-	0.17
Total	$ 0.79	$ 0.44	$ 2.27	$ 2.28
Diluted earnings per common share:				
Income before cumulative effect of change in accounting principle	$ 0.71	$ 0.41	$ 2.05	$ 1.93
Cumulative effect of change in accounting principle	-	-	-	0.15
Total	$ 0.71	$ 0.41	$ 2.05	$ 2.08

Note 4 - Compensation Plans

In May 2004 the Restricted Stock Plan was approved by the stockholders, establishing a long-term incentive program whereby grants of restricted stock or restricted stock units may be awarded to eligible employees, consultants, and members of the Board of Directors. Restrictions and vesting periods for the awards are determined at the discretion of the Board of Directors and are set forth in the award agreements. The total number of shares of the Company's common stock reserved for issuance under the Restricted Stock Plan is 5,600,000. This number is reduced to the extent that stock options are granted under the Company's Option Plans.

St. Mary made grants of 232,861 restricted stock units (RSUs) on June 30, 2004. The total expense associated with these grants was $8.3 million as measured on June 30, 2004. The total measured expense was initially recorded as deferred stock-based compensation and is being charged to compensation expense based on the vesting schedule. The RSU grants vest 25% immediately upon issuance and 25% on each of the first three anniversary dates. The vested shares underlying the RSU grants will be issued on the third anniversary of the grants, at which time the shares carry no further restrictions. As of September 30, 2004, there were 170,450 unvested RSUs, which include the total of the 2004 grants less the vested portion of the grants and units forfeited due to employee terminations prior to vesting. Compensation expense for the nine-month period ended September 30, 2004 related to the 2004 grants totaled $2.6 million. In addition, the Company has recorded $389,000 of compensation expense related to the expected 25% immediate vesting of the estimated 2005 RSU grants.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income -				
As reported:	$ 22,565	$ 13,786	$ 65,850	$ 70,900
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	556	-	1,861	-
Less: Stock-based employee compensation determined under fair value based method for all expense, net of related income tax effects	(1,421)	(1,690)	(4,471)	(4,294)
Pro forma net income	$ 21,700	$ 12,096	$ 63,240	$ 66,606
Pro forma basic earnings per share:				
Income before cumulative effect of change in accounting principle	$ 0.76	$ 0.38	$ 2.18	$ 1.97
Cumulative effect of change in accounting principle	-	-	-	0.17
Total	$ 0.76	$ 0.38	$ 2.18	$ 2.14
Pro forma diluted earnings per share:				
Income before cumulative effect of change in accounting principle	$ 0.68	$ 0.36	$ 1.96	$ 1.81
Cumulative effect of change in accounting principle	-	-	-	0.15
Total	$ 0.68	$ 0.36	$ 1.96	$ 1.96

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

The fair value of options has been measured at the date of grant using the Black-Scholes option-pricing model. The fair value of options granted in the three-month and nine-month periods ended September 30, 2004 and 2003 were estimated using the following weighted-average assumptions.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Risk free interest rate:				
Stock options	*	3.8%	3.6%	3.3%
Employee stock purchase plan	**	**	3.6%	3.4%
Dividend yield:				
Stock options	*	0.4%	0.3%	0.4%
Employee stock purchase plan	**	**	0.3%	0.4%
Volatility factor of the expected market price of the Company's common stock:				
Stock options	*	49.4%	38.5%	48.7%
Employee stock purchase plan	**	**	22.8%	17.7%
Expected life of the options (in years):				
Stock options	*	7.7	7.6	6.7
Employee stock purchase plan	**	**	0.5	0.5

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* No stock options were granted in the third quarter of fiscal year 2004.
** No shares were issued under the Employee Stock Purchase Plan in the third quarter of fiscal years 2003 and 2004.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions, are fully transferable, and are not subject to trading restrictions or blackout periods. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Since 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.

The Company has not adopted any of the early transition methods provided for in SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure: an amendment of FASB Statement No. 123." The FASB has issued a final exposure draft that would further amend SFAS No. 123 and require companies to recognize the fair value of stock options and other stock-based compensation as expense for reporting periods beginning in July 2005. For awards issued prior to the effective date, the standard will require companies to utilize prior valuation models of fair value and recognize as expense the remaining unvested portion of the awards over the remaining vesting periods.

Note 5 - Income Taxes

Income tax expense for the three-month and nine-month periods ended September 30, 2004 and 2003 differs from the amounts that would be provided by applying the statutory U.S. Federal income tax rate to income before income taxes primarily due to the effect of the composition of state income rates, percentage depletion and other permanent differences. The effect of the change in marginal state tax rates the Company recorded in the third quarter of 2004 was a result of filing 2003 income tax returns, evaluating the impact on future

temporary difference reversals, the effect of percentage depletion and evaluating the effect of other permanent items.

For the three-month and nine-month periods ended September 30, 2004, the Company's income tax expense totaled $12.6 million and $39.1 million, respectively, compared to $8.8 million and $41.5 million, respectively, for the three-month and nine-month periods ended September 30, 2003. The Company's current portion of income tax expense for the three-month and nine-month periods ended September 30, 2004, was $2.1 million and $15.5 million, respectively, compared to $4.0 million and $25.9 million, respectively, for the three-month and nine-month periods ended September 30, 2003. The Company's effective tax rates for the three-month and nine-month periods ended September 30, 2004, were 35.8% and 37.2%, respectively, compared to 38.8% for both the three-month and nine-month periods ended September 30, 2003.

In October 2004, the President signed the "American Jobs Creation Act of 2004". This new law provides for sweeping restructuring of business taxes. The Company is currently evaluating the impact that this new law will have on St. Mary.

Note 6 - Long-term Debt

Revolving Credit Facility

The Company has a revolving credit facility with a group of banks. The credit facility specifies a maximum loan amount of $300.0 million and has a maturity date of January 27, 2006. Borrowings under the facility are secured by a pledge of collateral that includes certain oil and gas properties and the common stock of the material subsidiaries of the Company. The bank group authorized a borrowing base of $325.0 million in October 2004 under its normal semi-annual redetermination. The borrowing base redetermination process considers the value of St. Mary's oil and gas properties, using specified bank pricing criteria, and other assets as determined by the bank syndicate. Although the borrowing base exceeds the maximum loan amount, the most that the Company could borrow under the facility is limited to the maximum loan amount. The Company elected an aggregate commitment amount of $150.0 million. The Company must comply with certain financial and non-financial covenants. The Company is in compliance with all of the covenants. Interest and commitment fees are accrued based on the borrowing base utilization percentage table below. Eurodollar loans accrue interest at LIBOR plus the applicable margin from the utilization table, and Alternative Base Rate (ABR) loans accrue interest at Prime plus the applicable margin from the utilization table. Commitment fees are accrued on the unused portion of the aggregate commitment amount and are included in interest expense in the consolidated statements of operations.

Borrowing base utilization percentage	<50%	>50%<75%	>75%<90%	>90%
Eurodollar loans	1.25%	1.50%	1.75%	2.00%
ABR loans	0.00%	0.25%	0.50%	0.75%
Commitment fee rate	0.30%	0.38%	0.38%	0.50%

The Company had no loans outstanding under its revolving credit agreement as of September 30, 2004.

5.75% Senior Convertible Notes Due 2022

As of September 30, 2004, the Company had $100.0 million in outstanding borrowings under the Convertible Notes. The Convertible Notes provide for the payment of contingent interest of up to an additional 0.5% during six-month interest periods based on the note trading price before the beginning of the particular six-month period. Under that provision, interest was accrued at a total rate of 6.25% for the three-month and nine-month periods ended September 30, 2004. Based on the trading price of the Convertible Notes at the most recent

determination period, the Company will be subject to the contingent interest payments for the interest period from September 16, 2004 to March 15, 2005.

The contingent interest provision of the Convertible Notes is considered an embedded equity-related derivative that is not clearly and closely related to the fair value of an equity interest and therefore must be separately accounted for as a derivative instrument. The value of the derivative at issuance of the Convertible Notes in March 2002 was $474,000. This amount was recorded as a decrease to the Convertible Notes payable in the consolidated balance sheets. Of this amount, $71,000 was amortized through interest expense for each of the nine-month periods ended September 30, 2004 and 2003. Interest expense for each of the three-month periods ended September 30, 2004 and 2003 includes $24,000 of amortization. Derivative gain for the nine months ended September 30, 2004 contains $57,000 of net gain from mark-to-market adjustments for this derivative, and derivative gain for the nine months ended September 30, 2003 contains $247,000 of net gain from mark-to-market adjustments. Derivative gain in the consolidated statements of operations for the three-month periods ended September 30, 2004 and 2003 includes net gains of $151,000 and $261,000, respectively, from mark-to-market adjustments for this derivative.

Interest Rate Derivative Contracts

On October 3, 2003, the Company entered into fixed-to-floating interest rate swaps for a total notional amount of $50.0 million through March 20, 2007. Under the swaps St. Mary will receive a fixed interest rate of 5.75% and will pay a variable interest rate of 235 basis points above the six-month LIBOR rate as determined on the semi-annual settlement date. The six-month LIBOR rate on March 15, 2004 and September 15, 2004 was 1.16% and 2.06% respectively. The Company received proceeds of $484,000 and $311,000 from the semi-annual settlement of the swaps on March 15, 2004 and September 15, 2004 respectively. The payment dates of the swaps match exactly with the interest payment dates of the Convertible Notes. The fair value of the swaps was a liability of $163,000 as of September 30, 2004, and was a liability of $104,000 as of December 31, 2003. The swaps do not qualify for fair value hedge treatment under SFAS No. 133 and related pronouncements. During the nine-month period ended September 30, 2004, the Company received payments of $795,000 under the swap arrangements. These payments have reduced the Company's interest expense. The Company recorded a net derivative gain in the consolidated statements of operations of $732,000 for the three-month period ended September 30, 2004 and a net derivative loss of $58,000 for the nine-month period ended September 30, 2004 from mark-to-market adjustments for this derivative. The six-month LIBOR rate as of September 30, 2004 was 2.20%.

Weighted-average Interest Rate Paid

The weighted-average interest rates paid for the third quarters of 2004 and 2003 were 7.3% and 7.0%, respectively, including commitment fees paid on the unused portion of the credit facility aggregate commitment, amortization of deferred financing costs, and amortization of the contingent interest embedded derivative associated with the convertible notes. The weighted-average interest rates paid for the nine-month periods ended September 30, 2004 and 2003 were 7.1% and 6.3%, respectively. The impact of the commitment fees over a lower average outstanding balance results in a higher weighted-average interest rate despite lower LIBOR interest rates than in previous periods.

Note 7 - Oil and Gas Derivative Contracts

The Company recognized a net loss of $33.1 million from its oil and gas derivative contracts for the nine months ended September 30, 2004, compared to a net loss of $19.6 million for the same period in 2003. Comparative amounts for the three-month periods ended September 30, 2004 and 2003 were a net loss of $13.3 million and $4.5 million, respectively.

The Company has in place derivative contracts for the sale of oil and natural gas. The Company attempts to qualify these instruments as cash flow hedges for accounting purposes. The table below describes the volumes and average contract prices of hedges currently in place, including contracts entered into after September 30, 2004. The Company's oil and natural gas derivative contracts include swap and collar arrangements. Gas contracts are indexed to a variety of regional indexes, and the oil contracts are indexed to NYMEX.

Swaps	Gas (per MMBtu)		Oil (per Bbl)	
Contract Period	Volumes	Weighted-Average Contract Price (Regional Index)	Volumes	Weighted-Average Contract Price (NYMEX)
2004				
Quarter Ended:				
December 31, 2004	3,087,500	$ 4.63	620,900	$ 28.37
2005				
Quarter Ended:				
March 31,	2,297,800	7.16	242,452	40.19
June 30,	2,026,600	6.16	184,214	42.56
September 30,	1,605,000	6.24	188,980	41.61
December 31,	1,590,000	6.54	138,770	40.80
Total 2005	7,519,400	6.56	754,416	41.24
2006				
Quarter Ended:				
March 31,	720,000	6.49	103,366	38.93
June 30,	710,000	5.51	99,976	38.15
September 30,	690,000	5.49	100,372	37.47
December 31,	270,000	5.55	77,686	36.42
Total 2006	2,390,000	5.80	381,400	37.83
2007				
Quarter Ended:				
March 31,	-	-	63,410	35.63
June 30,	-	-	61,072	35.35
September 30,	-	-	62,684	35.10
December 31,	-	-	60,620	34.79
Total 2007	-	-	247,786	35.22
All Contracts	12,996,900	$ 5.96	2,004,502	$ 35.86

Collars	Gas (per MMBtu)			
Contract Period	Weighted-Average Floor Price	Weighted-Average Ceiling Price	Volumes	Index
2004				
Quarter Ended:				
December 31, 2004	$ 5.63	$ 6.85	150,000	IF ANR OK
2005				
Quarter Ended:				
March 31,	6.62	8.08	540,000	IF ANR OK
June 30,	5.73	7.20	540,000	IF ANR OK
September 30,	5.75	7.30	415,000	IF ANR OK
December 31,	6.00	7.63	390,000	IF ANR OK
Total 2005	6.05	7.57	1,885,000	IF ANR OK
All Contracts	$ 6.01	$ 7.51	2,035,000	IF ANR OK

The Company seeks to minimize basis risk and indexes its oil contracts to NYMEX prices and its gas contracts to various regional index prices associated with pipelines in proximity to the Company's areas of gas production. Swap natural gas volumes associated with specific Inside FERC ("IF") regional indexes are as follows:

Regional Index	MMBtu
IF ANR OK	6,009,600
IF Reliant N/S	3,330,000
IF PEPL	2,490,000
IF CIG N System	540,700
IF Henry Hub	506,600
IF HSC	120,000
Total	12,996,900

Derivative gains and losses are recorded in other revenues in the consolidated statements of operations. The following table summarizes oil and gas derivative instrument gain (loss) activity for the periods presented (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Derivative contract settlements included in oil and gas production revenues	$ (13,323)	$ (4,517)	$ (33,056)	$ (19,571)
Ineffective portion of hedges qualifying for hedge accounting included in other revenues	33	28	47	75

Non-qualified derivative contracts included in other revenues	882	297	(1)	283
Total	$ (12,408)	$ (4,192)	$ (33,010)	$ (19,213)

On September 30, 2004, St. Mary's remaining cash flow hedge positions from oil and gas derivatives had an estimated net pre-tax liability of $23.8

million. The Company anticipates it will reclassify this amount to gains or losses included in oil and gas production operating revenues as the hedged production quantities are produced. Based on current prices, the net amount of existing unrealized after-tax loss as of September 30, 2004, to be reclassified from accumulated other comprehensive income to oil and gas production operating revenues in the next twelve months would be $12.6 million, net of deferred income taxes. The Company anticipates that all original forecasted transactions will occur by the end of the originally specified time periods.

Note 8 - Pension Benefits

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement replaces FASB Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits", and requires certain annual and interim period disclosure requirements. The provisions of this statement do not change the measurement and recognition provisions of SFAS No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Interim period disclosure requirements have been incorporated herein.

The Company's employees participate in a non-contributory defined-benefit 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").

Components of Net Periodic Benefit Cost

The following table presents the components of the net periodic cost for both the Qualified Pension Plan and the Nonqualified Pension Plan (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Components of net periodic benefit cost:				
Service cost	$ 285	$ 241	$ 854	$ 722
Interest cost	122	107	367	321
Expected return on plan assets	(74)	(43)	(221)	(129)
Amortization of prior service cost	(4)	(6)	(12)	(19)
Amortization of net actuarial loss	55	82	163	247
Net periodic benefit cost	$ 384	$ 381	$ 1,151	$ 1,142

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.

Contributions

St. Mary contributed $987,000 to the pension plans during the second quarter of 2004. No further contributions are planned for the remainder of 2004.

Note 9 - Asset Retirement Obligations

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

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

The estimated liability is based on historical experience in abandoning wells, estimated economic lives, estimates as to the cost to abandon the wells in the future, and federal and state regulatory requirements. The liability is discounted using a credit-adjusted risk-free rate. Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives, or if federal or state regulators enact new requirements regarding the abandonment of wells.

Upon adoption of SFAS No. 143 on January 1, 2003, the Company recorded a discounted liability of $21.4 million, reversed the existing offshore abandonment liability of $9.1 million, increased property and equipment by $12.8 million, decreased accumulated Depreciation, Depletion and Amortization ("DD&A") by $8.3 million and recognized a one-time cumulative effect gain of $5.4 million (net of deferred tax benefit of $3.4 million). The Company depletes the amount added to property costs and recognizes accretion expense in connection with the discounted liability over the remaining estimated economic lives of the respective oil and gas properties.

As of September 30, 2004, the Company has excluded $45.5 million of estimated salvage value from its DD&A calculation.

A reconciliation of the Company's liability for the three-month and nine-month periods ended September 30, 2004, is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Beginning asset retirement obligation	$ 26,868	$ 24,603	$ 25,485	$ -
Liability from SFAS No. 143 adoption	-	-	-	21,403
Liabilities incurred	612	522	1,280	3,415
Liabilities settled	(137)	(925)	(364)	(1,456)

Accretion expense	492	435	1,434	1,273
Ending asset retirement obligation	$ 27,835	$ 24,635	$ 27,835	$ 24,635

Note 10 - Net Profits Interest Bonus Plan

Under the Company's Net Profits Plan, oil and gas wells that are completed or acquired during a year are designated within a specific pool. Key employees designated as participants by the Company's Compensation Committee of the Board of Directors and employed by the Company on the last day of that year vest and become entitled to bonus payments after the Company has received net cash flows returning 100% of all costs and expenses associated with that pool. Thereafter, 10% of future cash flows generated by the pool are allocated among the participants and distributed at least annually. The percentage of cash flows from the pool to be allocated among the participants increases to 20% after the Company has recovered 200% of the total costs and expenses for the pool, including payments made under the Net Profits Plan at the 10% level.

The Company records the estimated liability for the Net Profits Plan based on the discounted value of estimated future payments associated with each individual pool. The following table presents the changes in the estimated liability attributable to the Net Profits Plan. The amounts recorded as compensation expense from the Net Profits Plan in the periods presented below relate to those payments attributable to the respective periods' actual realized results from oil and gas sales (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
Beginning liability for Net Profits Plan	$ 12,648	$ 2,544	$ 6,163	$ 846
Increase in liability	9,669	2,811	19,610	9,403
Reduction in liability for cash payments made or accrued and recognized as compensation expense under the Net Profits Plan	(2,142)	(2,102)	(5,598)	(6,996)
Ending liability for Net Profits Plan	$ 20,175	$ 3,253	$ 20,175	$ 3,253

The Company records changes in the present value of estimated future payments under the Net Profits Plan as a separate item in the consolidated statements of operations. The change in the estimated liability is recorded as an increase or decrease to expense in the current period. The amount recorded as an increase or decrease to expense associated with the change in the estimated liability is not allocated to general and administrative costs or exploration costs because the adjustment of the liability is associated with the future net cash flows from oil and gas properties in the respective pools rather than current period performance. The table below presents the estimated allocation of the change in the liability if the Company did allocate the adjustment to these specific line items (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2004	2003	2004	2003
General and Administrative Expense	$ 4,565	$ 732	$ 8,193	$ 2,070
Exploration Expense	2,962	(23)	5,819	336
Total	$ 7,527	$ 709	$ 14,012	$ 2,406

Note 11 - Repurchase of Common Stock

Repurchase of Common Stock from Flying J

On February 9, 2004, the Company repurchased 3,380,818 restricted shares of its common stock from Flying J Oil & Gas Inc. and Big West Oil & Gas Inc. (collectively "Flying J") for a total of $91.0 million. St. Mary originally issued these shares to Flying J on January 29, 2003, in connection with the Company's acquisition of oil and gas properties. In addition to issuing the shares in the acquisition, St. Mary loaned Flying J $71.6 million. Flying J used the proceeds of the stock repurchase to repay their outstanding loan balance of $71.6 million. Accrued interest, which had not been recorded by the Company for financial reporting purposes due to the non-recourse nature of the loan, was forgiven. The net $19.4 million cash outlay for the repurchase was funded from the Company's existing cash balance and borrowings under its bank credit facility.

The following table shows the unaudited pro forma effects on the summarized consolidated balance sheet if the transactions had occurred on December 31, 2003. The table assumes that the Company would have borrowed the necessary cash payment from its existing credit facility (in thousands):

	December 31, 2003	Pro forma adjustments	Unaudited pro forma December 31, 2003
Summarized Balance Sheet:			
Current assets	$ 107,923		$ 107,923
Property and equipment, net	611,287		611,287
Other noncurrent assets	16,644		16,644
Total Assets	$ 735,854		$ 735,854
Current liabilities	$ 104,822		$ 104,822
Debt, including senior debt	110,696	$ 19,406	130,102
Other noncurrent liabilities, including minority interest	129,683		129,683
Total Liabilities	345,201		364,607
Restricted common stock held by Flying J	71,594	$ (71,594)	-
Note receivable from Flying J	(71,594)	$ 71,594	-
Total Temporary Equity	-		-
Total Equity	390,653	$ (19,406)	371,247
Total Liabilities and Stockholders' Equity	$ 735,854		$ 735,854
Selected Share Information:			
Total common shares outstanding, net of treasury shares, including restricted shares	31,623	(3,381)	28,242

Stock Repurchase Program

In August 1998, the Company's Board of Directors approved a stock repurchase program whereby shares may be repurchased from time to time in open market transactions or privately negotiated transactions subject to market conditions and other factors, including certain provisions of the Company's existing bank credit facility agreement and compliance with securities laws. The stock repurchase program may be suspended or discontinued at any time. In August 2004 the Company's Board of Directors approved an increase in the number of shares that may be repurchased under the program to 3,000,000 as of the effective date of the resolution. During the third quarter of 2004 the Company repurchased a total of 489,300 shares of its common stock under the program at a weighted average price of $33.39 per share. As of September 30, 2004, the Company has Board authorization to repurchase the remaining 2,510,700 shares. On September 30, 2004, the Company retired from treasury the 489,300 recently repurchased shares together with 740,100 shares repurchased in prior years. The retirement resulted in a reduction of 1,229,400 shares issued, $26.7 million in treasury stock, $12,000 in common stock, and $26.7 million in additional paid-in capital.

Note 12 - Subsequent Events

Subsequent to September 30, 2004, the Company signed agreements to acquire, for cash, a total of approximately $97.5 million of oil and gas properties in three separate transactions. Payment for the properties will be made from cash on hand and funds available under St. Mary's existing credit facility. It is expected that $60.4 million of the acquisitions will close in the fourth quarter of 2004 and that the remaining $37.1 million will close in

early January 2005. Closing of these acquisitions is subject to the completion of customary due diligence. Two of the acquisitions will be corporate acquisitions that will require the Company to record a deferred income tax liability that reflects a carry over tax basis which is lower than the recorded cost for financial reporting purposes.

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

Overview of the Company

General Overview

We are an independent energy company focused on the exploration, exploitation, development, acquisition and production of natural gas and crude oil in the United States. We earn our revenues and generate our cash flows from operations primarily from the sale of produced natural gas at the wellhead and the sale of produced crude oil. Our oil and gas reserves and operations are concentrated in the Anadarko, Arkoma, Permian and various Rocky Mountain basins and in the onshore Gulf Coast and offshore Gulf of Mexico area. We maintain a balanced portfolio of proved reserves, development drilling opportunities and non-conventional gas prospects.

This report contains forward-looking statements. You should review our cautionary note about forward-looking statements at the end of this section.

Oil and Gas Prices

Our results of operations and financial condition are significantly affected by oil and natural gas commodity prices, which can fluctuate dramatically. We continued to benefit from record-high oil and gas prices through the first nine months of 2004.

Third Quarter 2004 Highlights

We announced two events subsequent to the end of the quarter. In October we executed three separate agreements to acquire a total of $97.5 million of oil and gas properties. Please see our outlook for the remainder of 2004 below. In its November 1, 2004 issue Forbes magazine has listed us as the number 9 company on its 2004 list of 200 Best Small Companies. Forbes has indicated that to qualify for this list, candidate companies must indicate a consistent pattern of positive growth based on various growth and earnings criteria of Forbes over a five-year period and for the last 12 months evaluated. Those criteria are closely aligned to our long-standing objective of growing shareholder value over a long period of time.

Gas prices have remained at historic high levels due to supply and transportation constraints resulting from the continuing maturity of gas-producing basins in North America, from lost production associated with Hurricane Ivan, and from continuing strong demand for natural gas in domestic markets. Oil prices have reached all-time highs on the spot markets reflecting worldwide concerns about producer ability to ensure sufficient supply to meet increasing demand. OPEC announcements regarding increasing production have not reduced the impact of a weaker US dollar nor quelled fears caused by weather-related destruction of facilities, Middle East and North African political instability, uncertainty associated with Russian oil exports, the oil rig workers' strike in Norway and crude oil refining constraints in the United States. NYMEX prices for the third quarter of 2004 averaged $5.84 per MMBtu and $43.88 per barrel, an increase of 14 percent for gas and 45 percent for oil compared to the third quarter of 2003.

Net income for the quarter ended September 30, 2004, was $22.6 million or $0.71 per diluted share compared to the 2003 results of $13.8 million or $0.41 per diluted share. Per share results reflect a decline in basic weighted average shares outstanding resulting from the repurchase of 3.4 million shares from Flying J in early February 2004 and the repurchase under our stock repurchase program of a total of 489,300 shares in the third quarter of 2004. Offsetting these decreases was the exercise of approximately 529,000 shares of employee stock options in the nine months ended September 30, 2004. Production decreased one percent to 19.0 BCFE on a comparative three-month basis due to natural declines in existing production that have not been completely offset by new production. Compared to the same period a year earlier, our average realized price increased 21 percent to $5.43 per MCFE. Unit costs increased between comparative periods as operating expense increased $0.02 to $1.27 per MCFE due to increased production taxes caused by higher revenues. We experienced a per MCFE general decrease in both recurring LOE and workover expense between the quarters. We expect year-to-date comparisons for lease operating expense to be similar to the nine months ended comparisons. DD&A (including impairments) increased $0.05 to $1.13 per MCFE as a result of overall higher finding costs.

We re-initiated our stock repurchase program in August 2004. Since that time we have repurchased a total of 489,300 shares of our common stock at an average cost of $33.39 per share. These repurchases were funded from available cash. As of October 29, 2004, we have 2,510,700 shares remaining that may be repurchased under the program.

First Nine Months 2004 Highlights

NYMEX prices for the first nine months of 2004 averaged $5.83 per MMBtu and $39.11 per barrel, an increase of two percent for gas and 26 percent for oil compared to the same period in 2003. As of September 30, 2004, the NYMEX strip for the remainder of the year was $50.66 per barrel for oil and $6.63 per MMBtu for gas. The NYMEX strip for 2005 was $45.24 per barrel for oil and $6.89 per MMBtu for gas.

Net income for the nine months ended September 30, 2004, was $65.9 million or $2.05 per diluted share compared to the 2003 results of $65.5 million or $1.93 per diluted share before the cumulative effect of change in accounting principle of an additional $5.4 million or $0.15 per diluted share of income. Production decreased 4 percent to 55.5 BCFE on a comparative nine-month basis due to the natural decline in existing production and delays in bringing new wells on-line. Compared to the same period a year earlier, our average realized price increased nine percent to $5.25 per MCFE. Lease operating expense unit costs (including taxes) increased $0.08 to $1.26 per MCFE primarily due to increased production taxes due to higher sales prices and additions of higher cost properties in our Rocky Mountain region. General and administrative expense increased $0.03 to $0.30 per MCFE due to a 5% increase in actual general and administrative cost coupled with the 4% decrease in production volumes. DD&A unit costs (including impairments) increased $0.07 to $1.13 per MCFE as a result of higher per unit cost additions.

Except for our Gulf Coast region, we are seeing a general industry trend of drilling rig shortages in our core areas. These shortages and the increase in steel costs have created an environment of steadily increasing costs for exploration and development drilling. We now anticipate that the cost to drill and complete a well will be approximately 20 percent higher than we budgeted at the beginning of the year in these areas. The cost increases have been included in our capital expenditures budget. In our Gulf Coast region drilling rigs are still available and we are not experiencing cost increases.

We determined that the expense adjustment related to the estimated future net profits interest bonus plan liability should be presented separately from general and administrative and exploration expense because this liability is calculated based on the estimated net cash flows not yet realized from the future production of oil and gas and as such are not current expenses like general and administrative or exploration expense. This reclassification has the effect of reducing previously reported general and administrative expense and

exploration expense to include only those amounts that relate to realized periodic oil and gas production. The analyses throughout this report reflect this change for all periods presented. For the quarter ended September 30, 2004, the expense related to the change in the estimated liability for this plan increased to $7.5 million from $709,000 for the comparable quarter of 2003. The expense for the nine months ended September 30, 2004, increased to $14.0 million compared to $2.4 million in 2003. These increases are due to the performance of individual pools, the effect of a higher price environment, and the application of lower discount rates.

Net cash provided by operating activities was $157.1 million, up 4 percent from the $150.9 million provided in 2003. This positive cash flow trend is expected to continue as prices remain relatively higher and we continue to control our operating costs.

In May 2004 our stockholders approved the restricted stock plan, and we issued 232,861 restricted stock units on June 30, 2004. These grants vest 25% immediately and 25% on each of the first three anniversary dates. The shares of our common stock underlying the restricted stock units will be issued, and all restrictions will lapse on June 30, 2007. We have recorded $3.0 million of compensation expense through September 2004. The remaining expense of $5.3 million is recorded in deferred stock-based compensation and will be recognized over the remaining vesting periods.

On February 9, 2004, we repurchased 3,380,818 shares of our common stock from Flying J for a total of $91.0 million. We originally issued these shares to Flying J on January 29, 2003, in connection with our acquisition of oil and gas properties. We also loaned Flying J $71.6 million in connection with the property acquisition. Flying J used the proceeds from the share repurchase to repay the outstanding loan balance. Accrued interest, which we had not been recording due to the non-recourse nature of the note, was forgiven as part of the transaction. The net $19.4 million difference was funded from our available cash and from borrowings under our bank credit facility. The amount funded from borrowings under our bank credit facility was repaid during the second quarter. Including shares purchased under our share repurchase program, net expenditures for repurchased shares of common stock through September 30, 2004, are $35.7 million.

Outlook for the Remainder of 2004

Over the remainder of 2004, we will continue to execute our business plan, which includes:

- Capital expenditures budget revised to a total of $292 million. Of this amount, $225 million is allocated to exploration and development drilling with the remainder allocated to acquisitions. The revised exploration and development drilling portion includes adjustments for both general cost increases we are experiencing and our participation in the drilling of additional wells. A table of budgeted amounts by core area is detailed under the caption Capital Expenditure Budget. Through September 2004 we have closed $6.6 million of acquisitions. We announced in October that we have executed separate agreements to acquire, in three separate transactions, a total of $97.5 million of oil and gas properties for cash. We are scheduled to close two of the transactions in the fourth quarter totaling $60.4 million. The remaining $37.1 million acquisition is scheduled to close on January 5, 2005. Closing of these acquisitions is subject to the completion of customary due diligence. We anticipate funding these acquisitions with cash on hand and funds available under our existing credit facility.

- We expect the third quarter production increase to continue into the fourth quarter. We attribute our estimate of future production to improved drilling results from expected completion activity for the rest of 2004 supplemented slightly by our recently announced acquisitions.

- Our Hanging Woman Basin coalbed methane project is slightly behind our original schedule. We previously planned to complete 108 wells in Wyoming in 2004. However, permitting on Federal land has been slower than expected. We anticipate that these permits will be issued in the spring of 2005. We anticipate that 27 Federal well permits will be approved in November bringing the total number of completed wells to 69 at year-end, 37 of which have been drilled as of October 20, 2004. Of the originally scheduled 108 wells, 19 wells have been combined with deeper zones using multi-seam completions to provide operational enhancements. The high-pressure pipeline to connect these wells to the main trunk line is currently under construction and is on schedule to be completed by December 1, 2004. Although we may have some moderate production in December 2004, we expect more meaningful volumes of natural gas to begin producing in 2005.

A Quarter and Nine-Month Overview of Selected Reserve, Production and Financial Information, Including Trends:

Selected Operations Data (In Thousands, Except Price and Per MCFE Amounts):

	Three Months Ended September 30,		% of Change Between Periods	Nine Months Ended September 30,		% of Change Between Periods
	2004	2003		2004	2003	
Net Production Volumes						
Natural Gas (Mcf)	11,531	12,378		34,214	37,696	
Oil (Bbl)	1,245	1,147		3,547	3,352	
MCFE	19,000	19,262	(1)%	55,494	57,808	(4)%

Average Daily Production						
Natural Gas (Mcf per day)	125	135		125	138	
Oil (Bbls per day)	14	13		13	12	
MCFE per day (6:1)	207	209	(1)%	203	212	(4)%
Oil & Gas Production Revenues						
Gas Production	$ 61,031	$ 56,134		$ 181,172	$ 187,715	
Oil Production	42,160	30,280		110,073	90,521	
Total	$ 103,191	$ 86,414	19%	$ 291,245	$ 278,236	5%
Oil & Gas Production Costs						
Lease Operating Expenses	$ 14,663	$ 16,282		$ 45,291	$ 45,302	
Transportation Costs	2,022	1,751		5,388	5,082	
Production Taxes	7,478	5,881		18,600	17,920	
Total	$ 24,163	$ 23,914	1%	$ 69,279	$ 68,304	1%
Average Realized Price, net of hedging						
Natural Gas (Per Mcf)	$ 5.29	$ 4.53	17%	$ 5.30	$ 4.98	6%
Oil (Per Bbl)	$ 33.87	$ 26.39	28%	$ 31.04	$ 27.01	15%
Per MCFE Data:						
Average Realized Price, net of hedging	$ 5.43	$ 4.49	21%	$ 5.25	$ 4.81	9%
Lease Operating Expense	(0.77)	(0.85)	(9)%	(0.82)	(0.78)	5%
Transportation Costs	(0.11)	(0.09)	22%	(0.10)	(0.09)	11%
Production Taxes	(0.39)	(0.31)	26%	(0.34)	(0.31)	10%
General and Administrative	(0.29)	(0.25)	16%	(0. 30)	(0.27)	11%
Operating Profit	$ 3.87	$ 2.99	30%	$ 3.69	$ 3.36	10%
Depletion, Depreciation and Amortization	$ 1.13	$ 1.08	5%	$ 1.13	$ 1.06	7%

Financial Information (In Thousands, Except Per Share Amounts):

	September 30, 2004	December 31, 2003	% of Change Between Periods
Working Capital	$ 2,362	$ 3,101	(8)%
Long-Term Debt	$ 99,767	$ 110,696	(10)%
Stockholders' Equity	$ 434,321	$ 390,653	11%

	For the Three Months Ended September 30,		% of Change Between Periods	For the Nine Months Ended September 30,		% of Change Between Periods
	2004	2003		2004	2003	
Basic Net Income Per Common Share	$ 0.79	$ 0.44	80%	$ 2.27	$ 2.28	-%
Diluted Net Income Per Common Share	$ 0.71	$ 0.41	78%	$ 2.05	$ 2.08	-%
Basic Weighted-Average Shares Outstanding	28,545	31,529	(9)%	28,982	31,126	(7)%
Diluted Weighted-Average Shares Outstanding	33,186	35,828	(7)%	33,486	35,426	(5)%
Net Cash Provided By Operating Activities				$ 157,132	$ 150,914	4%
Net Cash Used In Investing Activities				$ (109,053)	$ (153,648)	(29)%
Net Cash Used In Financing Activities				$ (38,218)	$ (1,306)	(2,826)%

We present the preceding table as a summary of information relating to those key indicators of financial condition and operating performance that we believe to be most important. We present per MCFE information since we use this information to evaluate our performance relative to our peers and to measure trends that we believe require analysis. Our period-to-period comparison of financial results presented later provides additional details for the per MCFE differences between reported periods.

For the remainder of this year we expect oil and gas production costs will increase compared to prior year amounts. Production taxes will be higher as a percentage of revenue in the remainder of 2004 as a result of the increase in pricing we are experiencing and the timing of the Oklahoma incentive tax credit we recorded in the fourth quarter of 2003. Depreciation, depletion and amortization will likely increase due to the higher costs associated with finding and acquiring crude oil and natural gas. We expect general and administrative expense per MCFE for all of 2004 will also remain fairly consistent relative to the first nine months of 2004.

The remaining information in the table relates to information we have provided in operations update press releases and is intended to supplement the discussion above.

Overview of Liquidity and Capital Resources

We continue to believe that we have sufficient liquidity and capital resources to execute our business plans for the foreseeable future.

Sources of Cash

Our primary sources of liquidity are the cash provided by operating activities, debt financing and access to the capital markets.

Our Current Credit Facility.

The calculated borrowing base for our credit facility was increased to $325.0 million in October 2004 following a normal semi-annual borrowing base review. This determination was based on our June 2004 internal estimate of oil and gas reserves using bank specified pricing. We have elected a commitment amount of $150.0 million under this facility, which results in lower commitment fees payable to the bank syndicate. We believe this commitment level is adequate for our near-term liquidity requirements. We must comply with certain financial and non-financial covenants, and we are in compliance with all of these covenants. Interest and commitment fees are accrued based on the borrowing base utilization percentage. LIBOR-based borrowings accrue interest at LIBOR plus the applicable margin from the utilization table, and Alternate Base Rate borrowings accrue interest at prime plus the applicable margin from the utilization table located in Note 6 of Part I, Item 1 of this report. Commitment fees are accrued

on the unused portion of the aggregate commitment amount and are included in interest expense in the consolidated statements of operations. We did not have an outstanding balance on September 30, 2004. Please see Note 6 in Part I, Item 1 of this report.

We decreased our net borrowings by $11.0 million in the first nine months of 2004 through cash flow from operations. Our weighted-average interest rate paid in 2004 has been 7.1 percent and includes commitment fees paid on the unused portion of the credit facility borrowing base, amortization of deferred financing costs, and amortization of the contingent interest embedded derivative associated with the convertible notes.

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. On October 3, 2003, we executed interest rate swaps on a total notional amount of $50.0 million of the convertible notes. The sensitivity analysis discussed below presents the hypothetical change in fair value of those financial instruments we held at September 30, 2004, 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, interest rate changes for floating-rate debt generally do not affect the fair market value but do impact future results of operations and cash flows, assuming other factors are held constant. Giving consideration to the interest rate swaps, we had floating-rate debt of $50.0 million and had $50.0 million of fixed-rate debt at September 30, 2004. Assuming constant debt levels, the cash flow impact for the remainder of the year resulting from a one-percentage point change in interest rates would be approximately $125,000 before taxes. The results of operations impact might be less than this amount as a direct effect of the capitalization of interest to wells drilled during the year. In prior years when our debt amount was at a reduced level we capitalized a larger percentage 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.

Uses of Cash

We use cash for the acquisition, exploration and development of oil and gas properties and for the payment of debt obligations, trade payables and stockholder dividends. In the first nine months of 2004 we spent $133.9 million on capital development and a net $35.7 million to acquire shares of our common stock using cash flows from operations and debt financing. We decreased outstanding borrowings on our credit facility by $11.0 million, and we made net cash payments of $14.8 million for income taxes and $1.4 million for dividends.

The following table presents amounts and percentage changes between the nine-month periods ended September 30, 2004 and 2003 for our operating, investing and financing activities. The analysis following the table should be read in conjunction with our consolidated statements of cash flows in Part I, Item 1 of this report.

	Amount of Change 2004/2003	Percent Change Between Periods
Net cash provided by operating activities	$ 6,218	4%
Net cash used in investing activities	$ 44,595	(29)%
Net cash used in financing activities	$ (36,912)	(2,826)%

Analysis of cash flow changes between the nine months ended September 30, 2004 and 2003.

Operating Activities. Sources of cash flow from oil and gas sales increased by $10.0 million from the period ended September 30, 2003 to the period ended September 30, 2004. This was a result of price increases that offset a net production decrease between the comparative periods. Cash expenditures for operating expenses, exploration expenses and general and administrative expenses decreased by $6.3 million between the two periods and were partially offset by a $3.8 million dollar decrease in cash received from other revenue items. Prepaid expenses and other also increased for the 2004 period, but decreased during the respective period of 2003 resulting in a $6.2 million negative impact to cash flows from operating activities and resulted in that amount of offset to the positive increases.

Investing Activities. The decrease in net cash used resulted from lower acquisition activity in 2004, noting that the Flying J acquisition occurred in the first quarter of 2003. This decrease is offset by the $46.1 million increase in drilling expenditures in 2004 over 2003. Total 2004 capital expenditures, including acquisitions of oil and gas properties, decreased $22.5 million or 14 percent to $133.9 million compared to $156.5 million in 2003. An additional $21.5 million of the decrease relates to expiration of the restriction period for funds held for tax-deferred exchange of oil and gas properties and net receipts from short-term investments.

Financing Activities. The $36.9 million increase in cash used in financing activities reflects the net $19.4 million we paid to repurchase our shares from Flying J on February 9, 2004, $16.3 million paid to repurchase shares under our share repurchase plan, and payments against our credit facility. In 2003 we borrowed to fund our acquisition of properties from Flying J. In 2004 we have paid $11.0 million and reduced our credit facility outstanding balance to zero. In 2004 we also received $7.6 million more of proceeds from stock option exercises as compared to 2003.

St. Mary had $24.7 million in cash and cash equivalents and had working capital of $2.4 million as of September 30, 2004, compared to $14.8 million in cash and cash equivalents and working capital of $3.1 million as of December 31, 2003.

Capital Expenditure Budget

Expenditures for exploration and development of oil and gas properties and acquisitions are the primary use of our capital resources. We now anticipate spending approximately $225 million for exploration and development expenditures in 2004. In October 2004 we executed separate agreements to acquire a total of approximately $97.5 million of oil and gas properties for cash. Of this amount, $60.4 million is expected to close in the fourth quarter of 2004 and $37.1 million is expected to close in January 2005. Anticipated ongoing exploration and development expenditures and budgeted gross wells for each of our core areas are as follows. The timing of drilling and completion of wells is variable and will differ from these estimates.

	In millions	Gross well count
o Mid-Continent region	$ 96.0	129
o Rocky Mountain region	59.7	92
o ArkLaTex region	27.2	56
o Gulf Coast region	25.8	12
o Coal Bed Methane	11.8	95
o Permian Basin region	4.9	19
	$ 225.4	

We regularly review our capital expenditure budget to reflect changes in current and projected cash flow, acquisition opportunities, debt requirements and other factors. The above allocations are subject to change based on various factors and results.

The following table sets forth certain information regarding the costs incurred by us in our oil and gas activities during the periods indicated.

	Nine Months Ended September 30,	
	2004	2003
	(In thousands)	
Development costs	$ 118,508	$ 78,155
Exploration costs	29,037	26,416
Acquisitions:		
Proved	8,026	75,844
Unproved	6,951	5,476

Total including asset retirement obligation	$ 162,522	$ 185,891

We are proceeding with the development of coalbed methane reserves in our Hanging Woman Basin project. We have 155,000 net lease acres in the basin and are concentrating our initial development on 80,000 net acres located in Wyoming. Outstanding legal challenges filed by environmental public interest groups affect 47,000 net acres in Montana relating to this project. See Legal Proceedings under Part II, Item 1 of this report.

We believe that internally generated cash flow and our credit facility will be utilized to fund our capital expenditures budget in 2004 and for identified acquisitions expected to close in 2004 and 2005. 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, whether we can make an economic acquisition, and our ability to assimilate acquisitions we are considering. 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.

Financing Alternatives

We continue to see that the debt and equity financing capital markets remain very attractive to energy companies who operate in the exploration and production segment. This is a result of strong commodity prices and the general strength reflected in the balance sheets of the companies in this segment. As our current cash balance and debt availability are significant, we are not currently considering accessing the capital markets in 2004. However, if additional development or attractive acquisition opportunities arise that exceed our currently available resources, we may consider other forms of financing, including the public offering or private placement of equity or debt securities as well as expanding our borrowing availability under traditional secured bank financing.

Sensitivity Analysis

There has been no material change to the natural gas and crude oil price sensitivity analysis previously disclosed. Please see the corresponding section under Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2003.

Summary of Oil and Gas Production Hedges in Place

Our net realized oil and gas prices are impacted by hedges we have placed on future forecasted transactions. We have historically entered into hedges of existing production around the time we make acquisitions of producing oil and gas properties. Our intent is to lock in a significant portion of an equivalent amount of existing production to the prices we used to evaluate the risked economics of our acquisition. We are also hedging a small percentage of our forecasted production on a discretionary basis.

Note 7 of the Notes to Consolidated Financial Statements (Unaudited) contained in Part I, Item 1 of this report contains important information about our oil and gas derivative contracts including the volumes and average contract prices of hedges we currently have in place and have entered into through October 29, 2004, and Note 7 is incorporated herein by reference. We anticipate that all hedge transactions will occur as expected.

For contracts in place on September 30, 2004, a hypothetical change of 10 percent in future gas strip prices representing a $0.65 increase per MMBtu applied to a notional amount of 3.9 million MMBtu covered by natural gas swaps and 955,000 MMBtu covered by natural gas collars would cause a change in hedge gain or loss included in gas revenue of $1.7 million in 2004 and $849,000 in 2005. A hypothetical change of 10 percent in the future NYMEX strip oil prices representing a $4.43 increase per Bbl applied to a notional amount of 1.6 MMBbl covered by crude oil swaps would cause a change in hedge gain or loss included in oil revenue of $2.9 million in 2004, $2.3 million in 2005, $1.1 million in 2006, and $923,000 in 2007. Oil and gas derivatives tend to make our earnings less sensitive to movements in commodity price and were factored into this analysis of sensitivity.

Summary of Interest Rate Hedges in Place

We entered into fixed-to-floating interest rate swaps on $50.0 million of convertible notes on October 3, 2003. We attempt to maintain a balanced allocation between fixed and floating rate debt. As our usage of the credit facility at that time was nearing zero, we elected to exchange fixed rate payments for floating rate payments on a portion of the interest on our convertible notes. This hedge does not qualify for fair value hedge treatment under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Excluding accrued payments due to us at September 30, 2004, the interest rate swaps had a fair value liability of $163,000. Derivative loss in the consolidated statements of operations for the nine months ended September 30, 2004, includes $58,000 of loss related to the fair value liability increase. We anticipate that interest expense in the fourth quarter of 2004 will increase relative to the first three quarters as we access our credit facility to close acquisitions.

Schedule of Contractual Obligations

The following table summarizes our future estimated debt payments and minimum lease payments for the periods specified (in millions):

Contractual Obligations	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-Term Debt Principal and Interest	$ 6.3	$ 109.4	$ -	$ -	$ 115.7
Operating Leases	2.8	3.0	2.2	3.0	11.0
Other Long-Term Liabilities	-	2.7	0.2	0.6	3.5
Total	$ 9.1	$ 115.1	$ 2.4	$ 3.6	$ 130.2

This table excludes the unfunded portion of our estimated pension liability of $2.4 million as we cannot determine with accuracy the timing of future payments. The table also excludes estimated payments associated with our net profits interest bonus plan. Although we record a liability for the estimated future payments, we are not able to precisely predict the timing of these amounts. We have excluded asset retirement obligations for the same reason. Pension liabilities and asset retirement obligations are discussed in Note 8 and Note 9, respectively, of Part IV, Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2003, and also in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Three leases for office space will expire in year 3, and a fourth office space lease will expire in year 4. Estimated costs to replace these leases are not included in the table above. For purposes of the table we assume that the holders of our convertible notes will not exercise the conversion feature. If the holders do exercise their conversion feature, we will not have to repay the $100.0 million. However, our common shares outstanding would increase by 3,846,150 shares.

Our projected requirements for cash to pay interest and dividends for the remainder of 2004 are $112,000 and $1.4 million, respectively. We anticipate making cash payments for income taxes, dependent on net income and capital spending.

Off-Balance Sheet Arrangements

Aside from operating leases we do not have any off-balance sheet financing nor do we have any unconsolidated subsidiaries.

Critical Accounting Policies and Estimates

We refer you to the corresponding section of our Annual Report on Form 10-K for the year ended December 31, 2003.

Additional Comparative Data in Tabular Form:

Oil and Gas Production Revenues	Change Between the Three Months Ended September 30, 2004 and 2003	Change Between the Nine Months Ended September 30, 2004 and 2003
Increase in oil and gas production revenues (in thousands)	$ 16,777	$ 13,009

Components of Revenue Increases (Decreases):

Natural Gas		
Realized price change per Mcf	$ 0.76	$ 0.32
Realized price change percentage	17%	6%
Production change (MMcf)	(847)	(3,482)
Production change percentage	(7)%	(9)%
Oil		
Realized price change per Bbl	$ 7.48	$ 4.03
Realized price change percentage	28%	15%
Production change (MBbl)	98	195
Production change percentage	9%	6%

Our product mix as a percentage of total oil and gas revenue and production:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Revenue	2004	2003	2004	2003
Natural Gas	59%	65%	62%	67%
Oil	41%	35%	38%	33%
Production				
Natural Gas	61%	64%	62%	65%
Oil	39%	36%	38%	35%

Information regarding the effects of oil and gas hedging activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Natural Gas Hedging	2004	2003	2004	2003
Percentage of gas production hedged	24%	44%	25%	38%
Natural gas MMBtu hedged	3.0 million	6.0 million	9.6 million	15.7 million
Decrease in gas revenue	($3.4 million)	($1.9 million)	($10.5 million)	($11.8 million)
Average realized gas price per Mcf before hedging	$ 5.59	$ 4.69	$ 5.61	$ 5.29
Average realized gas price per Mcf after hedging	$ 5.29	$ 4.53	$ 5.30	$ 4.98
Oil Hedging				
Percentage of oil production hedged	43%	55%	43%	57%
Oil volumes hedged (MBbl)	530	636	1,512	1,898
Decrease in oil revenue	($9.9 million)	($2.6 million)	($22.5 million)	($7.8 million)
Average realized oil price per Bbl before hedging	$ 41.84	$ 28.66	$ 37.40	$ 29.33
Average realized oil price per Bbl after hedging	$ 33.87	$ 26.39	$ 31.04	$ 27.01

Information regarding the components of exploration expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Summary of Exploration Expense (in millions)	2004	2003	2004	2003
Geological and geophysical expenses	$ 3.2	$ 0.7	$ 5.3	$ 4.4
Exploratory dry holes	1.3	6.4	2.5	7.5
Overhead and other expenses	4.4	2.8	12.3	8.4
	$ 8.9	$ 9.9	$ 20.1	$ 20.3

Comparison of Financial Results and Trends between the Quarters ended September 30, 2004 and 2003

Oil and gas production revenues. Average net daily production decreased one percent to 206.5 MMCFE for the quarter ended September 30, 2004 compared with 209.4 MMCFE for the quarter ended September 30, 2003. Wells completed in 2003 and 2004 combined with wells from acquisitions in 2003 and 2004 have added revenue of $21.2 million and average net daily production of 27.1 MMCFE in 2004 compared to 2003. These increases are offset by natural declines in production from older properties and 3.8 MMCFE per day of 2003 production from properties that were sold in 2003.

Oil and gas production expenses. Total production costs were relatively flat between the quarters. Wells completed in 2003 and 2004 combined with wells from acquisitions in 2003 and 2004 added $1.8 million of incremental production costs in 2004 that were not reflected in 2003. Production costs from properties sold in 2003 totaled $995,000 in 2003 that were not reflected in 2004. We experienced an increase in production taxes consistent with an increase in revenue from crude oil.

Total oil and gas production costs per MCFE increased $0.02 to $1.27 for 2004, compared with $1.25 for 2003. This increase is comprised of the following:

- A $0.07 increase in production taxes due to higher revenue from crude oil in our Rocky Mountain region;
- A $0.02 increase in production taxes due to higher revenue from natural gas prices;
- A $0.01 increase in transportation costs;
- A $0.05 decrease reflecting general decreases in LOE per MCFE primarily related to our Rocky Mountain and Permian regions; and
- A $0.03 overall decrease in LOE relating to workover charges.

Change in net profits interest bonus plan liability. This expense is the change in the net present value of estimated future incentive compensation payments to be made to plan participants under the computational provisions of the plan. The increase in the estimated liability resulted in expense of $7.5 million for the three months ended September 30, 2004 compared to $709,000 for the same three months of 2003. The increase is a result of higher production prices and lower discount rates used in the calculation.

General and administrative. General and administrative expenses increased 14% or $669,000 to $5.5 million for the quarter ended September 30, 2004 compared to $4.8 million for the quarter ended September 30, 2003. The increase in expense on a per MCFE basis of $0.04 reflects a 14% increase in cost and reflects lower volumes in 2004.

The increase in our employee count from June of 2003 to September of 2004 has resulted in an increase in general and administrative expense of $798,000 between the third quarter of 2004 and the third quarter of 2003. That increase, plus a $342,000 increase in fees that are directly related to Sarbanes-Oxley compliance, other increases in professional fees of $267,000 and a $709,000 increase in expense associated with our incentive compensation plans were offset by a $1.6 million increase in the amount of general and

administrative expense we allocated to exploration expense. The increase in expense associated with our incentive compensation plans results from $865,000 of expense we recorded for restricted stock units offset by a $196,000 decrease in accruals under our cash bonus plans.

Interest expense. Interest expense decreased by $362,000 to $1.5 million for 2004 compared to $1.8 million for 2003. The decrease reflects the benefit of the interest rate swaps that we entered into on October 3, 2003, and decreased average borrowings under our credit facility in 2004 relative to the prior year.

Income taxes. Income tax expense totaled $12.6 million for the third quarter of 2004 and $8.8 million for the third quarter of 2003, resulting in effective tax rates of 35.8 % and 38.8%, respectively. The effective rate change from 2003 reflects percentage depletion and other permanent differences as well as changes in the composition of the highest marginal state tax rates as a result of acquisition and drilling activity. The cumulative effect of the change in marginal state tax rates that we recorded in the third quarter of 2004 was a result of filing our 2003 income tax returns and evaluating the impact on future temporary difference reversals. Changes in the effect of percentage depletion and other permanent items also impact the two periods differently, although on a much smaller scale.

On October 22, 2004, the President signed the "American Jobs Creation Act of 2004". This new law provides for sweeping restructuring of business taxes. We are currently evaluating the impact that this new law will have on St. Mary.

Comparison of Financial Results and Trends between the nine months ended September 30, 2004 and 2003

Oil and gas production revenues. Average net daily production decreased four percent to 202.5 MMCFE for the nine months ended September 30, 2004 compared with 211.8 MMCFE for the nine months ended September 30, 2003. Wells completed in 2003 and 2004 combined with wells from acquisitions in 2003 and 2004 have added revenue of $65.6 million and average net daily production of 35.7 MMCFE in 2004 compared to 2003. These increases are offset by natural declines in production from older properties and 4.1 MMCFE per day of 2003 production from properties that were sold in 2003.

Gain on sale of proved properties. In 2004 we finalized sales of properties sold in 2003 and recognized $1.6 million additional gain.

Other revenue. The nine months ended September 30, 2003 included $3.6 million from proceeds of a litigation settlement.

Oil and gas production expenses. Total production costs remained flat between the respective periods. Wells completed in 2003 and 2004 combined with wells from acquisitions in 2003 added $6.7 million of incremental production costs in 2004 that were not reflected in 2003. Production costs from properties sold in 2003 totaled $2.6 million in 2003 that were not reflected in 2004. Additionally, we experienced an increase in production taxes consistent with an increase in revenue from crude oil, but those amounts were offset by a June 2004 accrual of $3.1 million in state severance tax incentive credits.

Total oil and gas production costs per MCFE increased $0.08 to $1.26 for 2004, compared with $1.18 for 2003. This increase is comprised of the following:

- A $0.06 increase in production taxes due to higher revenue from crude oil in our Rocky Mountain region;
- A $0.03 increase in production taxes due to higher revenue from natural gas prices;

- A $0.01 increase in transportation costs;
- A $0.04 increase in LOE that reflects our additions of higher cost oil properties in our Rocky Mountain region through our acquisitions from Burlington and Flying J; and
- A $0.06 decrease in our Mid-Continent region production taxes resulting from the severance tax incentive credit accrual.

Change in net profits interest bonus plan liability. This expense increased $11.6 million to $14.0 million for the nine months ended September 30, 2004 compared to $2.4 million for the same nine months of 2003. The amount recorded is reflective of sustained oil and gas price increases that are currently increasing the amounts we expect to pay out under the net profits interest bonus plan. Adjustments to the liability are subject to estimation and may change dramatically from quarter to quarter based on assumptions used for reserve quantities, commodity pricing, discount rates and costs.

General and administrative. General and administrative expenses increased five percent or $830,000 to $16.5 million for the nine months ended September 30, 2004, compared with $15.6 million for the respective 2003 timeframe. The increase in cost on a per MCFE basis of $0.03 reflects the effect of the five percent increase in general and administrative expense and a four percent decrease in production between the respective periods.

The increase in employee count has resulted in an increase in general and administrative expense of $3.4 million between the first nine months of 2004 and the first nine months of 2003. We also experienced an $858,000 increase in fees that are directly related to Sarbanes-Oxley compliance and $680,000 of increases in other professional fees. Those increases were offset by a $250,000 decrease in expense associated with our incentive compensation plans and a $4.0 million increase in the amount of general and administrative expense we allocated to exploration expense. The decrease in expense associated with our incentive compensation plans results from a $1.4 million decrease in cash payments under our net profits interest bonus plan and a $1.8 million decrease in accruals under our cash bonus plan that reflects the production decline we have experienced in 2004. The impact of these two items is reduced by the $3.0 million of expense we recorded related to our June 30, 2004 restricted stock unit issuance. The increase in general and administrative expense allocated to exploration expense reflects our increase in skilled technical staff from early 2003 to date. The technical staff was increased in order to integrate our acquisitions from 2002 and 2003 and to implement an increased drilling budget in 2004. The budget increase results from new projects identified from these acquisitions as well as other new drilling projects and discoveries during that timeframe.

Interest expense. Interest expense decreased by $1.9 million to $4.5 million for 2004 compared to $6.4 million for 2003. The decrease reflects the benefit of the interest rate swap that we entered into on October 3, 2003 and decreased average borrowings under our credit facility in 2004 relative to the prior year.

Income taxes. Income tax expense totaled $39.1 million for the first nine months of 2004 and $41.5 million for the first nine months of 2003, resulting in effective tax rates of 37.2 % and 38.8%, respectively. The effective rate change from 2003 reflects percentage depletion and other permanent differences as well as changes in the composition of the highest marginal state tax rates as a result of acquisition and drilling activity.

The current portion of the income tax expense in 2004 is $15.5 million compared to $25.9 million in 2003. These amounts are 40 percent and 62 percent of the total tax for the respective periods. We increased our 2004 budget for drilling expenditures over 2003 amounts, and revenues are projected for only a slight increase in 2004 over 2003. We continue to believe that current taxable income and the resulting current portion of income tax as a percentage of total income tax will be lower in 2004 than it was in 2003.

Accounting Matters

We recognized a $5.4 million gain net of income tax in 2003 from the adoption of SFAS No. 143 effective January 1, 2003.

We refer you to Note 9 of Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

Cautionary Note About Forward - Looking Statements

This Quarterly Report on Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that St. Mary management expects, believes or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "anticipate," "intend," "estimate," "expect," "project," and similar expressions are intended to identify forward - looking statements, although not all forward - looking statements contain such identifying words. Examples of forward-looking statements may include discussion of such matters as:

- 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,
- recent legal developments, and
- other similar matters.

These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, including such factors as the volatility and level of oil and natural gas prices, unexpected drilling conditions and results, the risks of various exploration strategies, production rates and reserve replacement, the imprecise nature of oil and gas reserve estimates, drilling and operating service availability and risks, uncertainties in cash flow, the financial strength of hedge contract counterparties, the availability of economically attractive exploration, development and property acquisition opportunities, financing requirements, expected acquisition benefits, the pending nature of certain reported acquisition transactions in this report and the ability to complete the transactions, competition, litigation, environmental matters, the potential impact of government regulations, and other matters discussed in the "Risk Factors" section of our 2003 Annual Report on Form 10-K. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those expressed or implied in the forward-looking statements. Although we may from time to time voluntarily update our prior forward - looking statements, we disclaim any commitment to do so except as required by securities laws.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is provided under the captions "Interest Rate Risk" and "Sensitivity Analysis" in Item 2 above and is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

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 the date of this report, no legal proceedings are pending against us that we believe individually or collectively could have a material adverse effect upon our financial condition or results of operations.

As previously reported, Nance Petroleum Corporation, a wholly owned subsidiary, is named along with several other leaseholders and interested parties as an additional co-defendant in a lawsuit that was originally filed in the U.S. District Court for the District of Montana on June 12, 2001. The plaintiff, the Northern Plains Resource Council, Inc., an environmental public interest group, sued the U.S. Bureau of Land Management, the U.S. Secretary of the Interior, the Montana BLM State Director and Fidelity Exploration & Production Company. The lawsuit seeks the cancellation of all federal leases related to coalbed methane development in Montana issued by the BLM since January 1, 1997. This cancellation is sought primarily on the grounds of an alleged failure of the BLM to comply with federal environmental laws. NPRC alleges that the environmental impacts of coalbed methane development were not properly analyzed before the challenged leases were issued. The Montana portion of our Hanging Woman Basin coalbed methane project contains approximately 74,000 total net acres. The lawsuit potentially affects approximately 47,000 net acres that are subject to federal leases. Based on information presently available, we believe that the BLM complied with the applicable environmental laws, and the District Court agreed by granting the defendants' motion for summary judgment in December 2003. The court held that the issuance process regarding the federal leases in question complied with the applicable environmental laws. The plaintiff appealed this decision, and the Ninth Circuit Court of Appeals affirmed the decision of the trial court on August 26, 2004. Plaintiff has filed a petition for rehearing that is now pending before the Ninth Circuit. The Court has not ruled on whether it will grant this petition. Notwithstanding our success in the lower court and the appellate court, there is no assurance as to the ultimate outcome of the lawsuit, and therefore, there is no assurance that it will not adversely affect our coalbed methane project. Even if the federal

leases in Montana become unavailable, we are proceeding with this project on non-federal leases in Wyoming, and we anticipate acquiring additional non-federal leases in Montana and Wyoming.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(e) The following table provides information about purchases by the Company during the quarter ended September 30, 2004, of shares of the Company's common stock, which is the sole class of equity securities registered by the Company pursuant to Section 12 of the Exchange Act.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) (b) (c) (d) Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)
07/01/04 - 07/31/04	- 0 -	$ - 0 -	- 0 -	990,100
08/01/04 - 08/31/04	413,000	$ 33.24	413,000	2,587,000
09/01/04 - 09/30/04	76,300	$ 34.21	76,300	2,510,700
Total:	489,300	$ 33.39	489,300	2,510,700

(1) In August 2004 the Company's Board of Directors approved an increase in the number of shares that may be repurchased under the original authorization approved in August of 1998 to 3,000,000 as of the effective date of the resolution. St. Mary had not made any repurchases under the program since 2001. The shares may be repurchased from time to time in open market transactions or privately negotiated transactions, subject to market conditions and other factors, including certain provisions of St. Mary's existing bank credit facility agreement and compliance with securities laws. Stock repurchases may be funded with existing cash balances, internal cash flow and borrowings under St. Mary's bank credit facility. The stock repurchase program may be suspended or discontinued at any time.

The payment of dividends and stock repurchases are subject to covenants in our bank credit facility, including the requirement that we maintain certain levels of stockholders' equity and the limitation of our annual dividend rate to no more than $0.20 per share.

ITEM 5. OTHER INFORMATION

On August 3, 2004, the Audit Committee of the Board of Directors of St. Mary approved in advance certain non-audit services to be performed by Deloitte & Touche LLP, St. Mary's independent auditor. These non-audit services are to perform corporate income tax compliance services.

ITEM 6. Exhibits

The following exhibits are furnished as part of this report:

Exhibit	Description
10.1*	Second Amendment to Credit Agreement dated September 20, 2004 among St. Mary Land & Exploration Company, Wachovia Bank, National Association as Issuing Bank and Administrative Agent, and the Lenders party thereto
10.2*	Third Amendment to Credit Agreement dated October 20, 2004 among St. Mary Land & Exploration Company, Wachovia Bank, National Association as Issuing Bank and Administrative Agent, and the Lenders party thereto
10.3*	Form of Restricted Stock Unit Award Memorandum under the St. Mary Land & Exploration Company Restricted Stock Plan
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2*	Certification of Vice President - Finance pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32.1*	Certification pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

* Filed with this Form 10-Q.

SIGNATURES

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

ST. MARY LAND & EXPLORATION COMPANY

November 4, 2004 By: /s/ MARK A. HELLERSTEIN
Mark A. Hellerstein
President and Chief Executive Officer

November 4, 2004 By: /s/ DAVID W. HONEYFIELD
David W. Honeyfield
Vice President - Finance, Secretary and Treasurer

November 4, 2004 By: /s/ GARRY A. WILKENING
Garry A. Wilkening
Vice President - Administration and Controller

EXHIBIT 10.1

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT dated effective as of September 20, 2004 (the "Second Amendment"), among ST. MARY LAND & EXPLORATION COMPANY, a Delaware corporation (the "Borrower"); the banks party hereto (the "Lenders"); WACHOVIA BANK, NATIONAL ASSOCIATION, individually, as Issuing Bank and as Administrative Agent (in such capacity, the "Administrative Agent"); BANK ONE, NA and WELLS FARGO BANK, N.A., individually and as Co-Syndication Agents; and ROYAL BANK OF CANADA and COMERICA BANK-TEXAS, individually and as Co-Documentation Agents.

R E C I T A L S:

A. The Borrower, the Lenders, the Administrative Agent, the Co-Syndication Agents and the Co-Documentation Agents are parties to that certain Credit Agreement dated as of January 27, 2003 (as amended by First Amendment to Credit Agreement dated as of January 27, 2003, the "Credit Agreement").

B. The parties to the Credit Agreement intend to amend Section 9.05(l) of the Credit Agreement to increase the aggregate amount the Borrower may pay in connection with repurchases of its stock.

C. Therefore, in consideration of the mutual covenants and agreements contained herein and in the Credit Agreement, the parties hereto hereby agree as follows:

SECTION 1. Amendments to Credit Agreement.

(a) The term Agreement, as defined in Section 1.02 of the Credit Agreement, is hereby amended in its entirety to read as follows:

> "Agreement" means this Credit Agreement, as amended by the First Amendment, as further amended by the Second Amendment, and as the same may be further amended, waived or otherwise modified from time to time in accordance herewith.

(b) Section 1.02 of the Credit Agreement is hereby further amended by adding thereto the following new definition in its appropriate alphabetical order:

> "Second Amendment" means that certain Second Amendment to Credit Agreement dated effective as of September 20, 2004, among the Borrower, the Lenders party thereto, the Administrative Agent and the Issuing Bank.

(c) Section 9.05(l) of the Credit Agreement is hereby amended in its entirety to read as follows:

> "(l) so long as no Event of Default shall have occurred which is continuing, from and after September 20, 2004, the Borrower may make additional purchases of its stock provided that the aggregate amount paid by the Borrower in connection with such repurchases from and after September 20, 2004 shall not exceed $40,000,000."

SECTION 2. Defined Terms. Except as amended hereby, terms used herein when defined in the Credit Agreement shall have the same meanings herein unless the context otherwise requires.

SECTION 3. Conditions Precedent to Effectiveness. This Second Amendment shall become effective as of the date hereof when the Administrative Agent shall have received counterparts hereof duly executed by the Borrower and the Majority Lenders (or, in the case of any party as to which an executed counterpart shall not have been received, telegraphic, telex, or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 4. Reaffirmation of Representations and Warranties. To induce the Lenders, the Administrative Agent and the Issuing Bank to enter into this Second Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties in their entirety contained in Article VII of the Credit Agreement and in all other documents executed pursuant thereto (except to the extent such representations and warranties relate solely to an earlier date).

SECTION 5. Reaffirmation of Credit Agreement. This Second Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement, as amended hereby.

SECTION 6. Governing Law; Entire Agreement. This Second Amendment shall be governed by, and construed in accordance with, the laws of the State of Texas. The Credit Agreement, as amended by this Second Amendment, the Notes and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 7. Severability of Provisions. Any provision in this Second Amendment that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Second Amendment are declared to be severable.

SECTION 8. Counterparts. This Second Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Second Amendment by signing any such counterpart.

SECTION 9. Headings. Article and section headings in this Second Amendment are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Second Amendment.

SECTION 10. Successors and Assigns. This Second Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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

BORROWER

ST. MARY LAND & EXPLORATION COMPANY

By: /S/ DAVID W. HONEYFIELD

Name: David W. Honeyfield
Title: V.P - Finance, Secretary and Treasurer

AGENTS AND LENDERS:

WACHOVIA BANK, NATIONAL ASSOCIATION, Individually, as Issuing Bank and as Administrative Agent

By: /S/ PHILIP J. TRINDER

Name: Philip J. Trinder
Title: Vice President

BANK ONE, NA, Individually and as
Co-Syndication Agent

By: /s/ J. SCOTT FOWLER

Name: J. Scott Fowler
Title: Director, Capital Markets

WELLS FARGO BANK, N.A., Individually
and as Co-Syndication Agent

By: /S/ LAURA BUMGARNER

Name: Laura Bumgarner
Title: Relationship Manager

ROYAL BANK OF CANADA, Individually and
as Co-Documentation Agent

By: /S/ JASON YORK

Name: Jason York
Title: Attorney-In-Fact

COMERICA BANK-TEXAS, Individually and
as Co-Documentation Agent

By: /S/ PETER L. SEFZIK

Name: Peter L. Sefzik
Title: Vice President

BNP PARIBAS

By: /S/ DOUGLAS R. LIFTMAN

Name: Douglas R. Liftman
Title: Managing Director

By: /S/ POLLY SCHOTT

Name: Polly Schott
Title: Vice President

BANK OF SCOTLAND

By: /S/ AMENA NABI

Name: Amena Nabi
Title: Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /S/ MARK E. THOMPSON

Name: Mark E. Thompson
Title: Vice President

HIBERNIA NATIONAL BANK

By: /S/ DARIA MAHONEY

Name: Daria Mahoney
Title: Vice President

EXHIBIT 10.2

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT dated effective as of October 20, 2004 (this "Third Amendment"), among ST. MARY LAND & EXPLORATION COMPANY, a Delaware corporation (the "Borrower"); the banks party hereto (the "Lenders"); WACHOVIA BANK, NATIONAL ASSOCIATION, individually, as Issuing Bank and as Administrative Agent (in such capacity, the "Administrative Agent"); BANK ONE, NA and WELLS FARGO BANK, N.A., individually and as Co-Syndication Agents; and ROYAL BANK OF CANADA and COMERICA BANK, individually and as Co-Documentation Agents.

R E C I T A L S:

A. The Borrower, the Lenders, the Administrative Agent, the Co-Syndication Agents and the Co-Documentation Agents are parties to that certain Credit Agreement dated as of January 27, 2003 (as amended by First Amendment to Credit Agreement dated as of January 27, 2003, and as further amended by Second Amendment to Credit Agreement dated as of September 20, 2004, the "Credit Agreement").

B. The parties hereto intend to amend the Credit Agreement to state an increase in the Borrowing Base but not in the Aggregate Commitment or Maximum Credit Amount.

C. Therefore, in consideration of the mutual covenants and agreements contained herein and in the Credit Agreement, the parties hereto hereby agree as follows:

SECTION 1. Amendments to Credit Agreement.

(a) The following terms, as defined in Section 1.02 of the Credit Agreement, are hereby amended in their entirety to read as follows:

> "Agreement" means this Credit Agreement, as amended by the First Amendment, as further amended by the Second Amendment, as further amended by the Third Amendment, and as the same may be further amended, waived or otherwise modified from time to time in accordance herewith.
>
> "Aggregate Commitment" at any time means the aggregate amount of the Commitments of all the Lenders, as reduced or increased from time to time pursuant to the terms hereof; provided that the Aggregate Commitment shall not at any time exceed the Maximum Credit Amount. The initial Aggregate Commitment is $150,000,000.
>
> "Borrowing Base" means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 8.13(c), Section 9.12(a) or Section 9.13(e).
>
> "Maximum Credit Amount" means an amount equal to the lesser of (a) the then effective Borrowing Base or (b) $300,000,000.

(b) Section 1.02 of the Credit Agreement is hereby further amended by adding thereto the following new definitions in their appropriate alphabetical order:

> "Third Amendment" means that certain Third Amendment to Credit Agreement dated effective as of October 20, 2004, among the Borrower, the Lenders party thereto, the Administrative Agent and the Issuing Bank.
>
> "Third Amendment Effective Date" means October 20, 2004.

(c) Section 2.07(a) of the Credit Agreement is hereby amended in its entirety to read as follows:

(a) Initial Borrowing Base. For the period from and including the Third Amendment Effective Date to but excluding the next Redetermination Date, the amount of the Borrowing Base shall be $325,000,000. Notwithstanding the foregoing, the Borrowing Base shall be subject to adjustments from time to time pursuant to this Section 2.07 and Section 8.13(c), Section 9.12(a) and Section 9.13(e).

SECTION 2. Defined Terms. Except as amended hereby, terms used herein when defined in the Credit Agreement shall have the same meanings herein unless the context otherwise requires.

SECTION 3. Conditions Precedent to Effectiveness. This Third Amendment shall become effective as of the date hereof when the Administrative Agent shall have received counterparts hereof duly executed by the Borrower and all of the Lenders (or, in the case of any party as to which an executed counterpart shall not have been received, telegraphic, telex, or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 4. Reaffirmation of Representations and Warranties. To induce the Lenders, the Administrative Agent and the Issuing Bank to enter into this Third Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties in their entirety contained in Article VII of the Credit Agreement and in all other documents executed pursuant thereto (except to the extent such representations and warranties relate solely to an earlier date).

SECTION 5. Reaffirmation of Credit Agreement. This Third Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement, as amended hereby.

SECTION 6. Governing Law; Entire Agreement. This Third Amendment shall be governed by, and construed in accordance with, the laws of the State of Texas. The Credit Agreement, as amended by this Third Amendment, the Notes and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 7. Severability of Provisions. Any provision in this Third Amendment that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of this Third Amendment are declared to be severable.

SECTION 8. Counterparts. This Third Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Third Amendment by signing any such counterpart.

SECTION 9. Headings. Article and section headings in this Third Amendment are for convenience of reference only, and shall not govern the interpretation of any of the provisions of this Third Amendment.

SECTION 10. Successors and Assigns. This Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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

BORROWER

ST. MARY LAND & EXPLORATION COMPANY

By: /S/ DAVID W. HONEYFIELD

Name: David W. Honeyfield
Title: V.P - Finance, Secretary and Treasurer

AGENTS AND LENDERS:

WACHOVIA BANK, NATIONAL ASSOCIATION, Individually, as Issuing Bank and as Administrative Agent

By: /S/ PHILIP J. TRINDER

Name: Philip J. Trinder
Title: Vice President

BANK ONE, NA, Individually and as Co-Syndication Agent

By: /s/ ELIZABETH PAVLAS

Name: Elizabeth Pavlas
Title: Associate

WELLS FARGO BANK, N.A., Individually and as Co-Syndication Agent

By: /S/ LAURA BUMGARNER

Name: Laura Bumgarner
Title: Relationship Manager, AVP

ROYAL BANK OF CANADA, Individually and as Co-Documentation Agent

By: /S/ DAVID A. MCCLUSKEY

Name: David A. McCluskey
Title: Authorized Signatory

COMERICA BANK-TEXAS, Individually and
as Co-Documentation Agent

By: /S/ PETER L. SEFZIK

Name: Peter L. Sefzik
Title: Vice President

BNP PARIBAS

By: /S/ BETSY JOCHER

Name: Betsy Jocher
Title: Vice President

By: /S/ POLLY SCHOTT

Name: Polly Schott
Title: Vice President

BANK OF SCOTLAND

By: /S/ AMENA NABI

Name: Amena Nabi
Title: Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /S/ MARK E. THOMPSON

Name: Mark E. Thompson
Title: Vice President

HIBERNIA NATIONAL BANK

By: /S/ DARIA MAHONEY

Name: Daria Mahoney
Title: Vice President

EXHIBIT 10.3

FORM OF RESTRICTED STOCK UNIT AWARD MEMORANDUM

M E M O R A N D U M

TO: [Name]1

FROM: Human Resources

DATE: [Date]

SUBJECT: [Date] Restricted Stock Unit Grant

Congratulations [Name]! You have been awarded [Number] Restricted Stock Units (RSU's) under the new Restricted Stock Plan. The market value of these RSU's based on the closing price on [Date] of [Amount] is [Amount]. These RSU's will vest 25% upon the grant ([Date]), then 25% on each of the next three anniversary dates. The shares underlying the grant will become freely tradable and will be issued on [Date]. As a reminder, Social Security and Medicare withholding taxes are due as the RSU's vest. Accordingly, any applicable withholdings for the first 25% vesting will be deducted, or loaned to you if you are eligible, and reflected on the [Date] payroll. The withholdings will occur with each 25% vesting.

The attached Prospectus should be read in conjunction with this grant.

The table below reflects the vesting schedule. Note that when we enter this grant into our software system, rounding occurs and the vesting may change between periods.

Number of Units	Vesting Date	Percentage
[Number]	[Date]	25%
[Number]	[Date]	25%
[Number]	[Date]	25%
[Number]	[Date]	25%

Should you have questions, please do not hesitate to ask any one of us in HR, or [Name] and [Name].

- ---------------------------------

1 Items in brackets are features that vary among individual awards.

EXHIBIT 31.1

CERTIFICATION

I, Mark A. Hellerstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of St. Mary Land & Exploration Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2004

/S/ MARK A. HELLERSTEIN
- -----------------------
Mark A. Hellerstein
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, David W. Honeyfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of St. Mary Land & Exploration Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2004

/S/ DAVID W. HONEYFIELD
- -----------------------
David W. Honeyfield
Vice President - Finance

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-K of St. Mary Land & Exploration Company (the "Company") for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mark A. Hellerstein, as Chief Executive Officer of the Company, and David W. Honeyfield, as Vice President - Finance of the Company, each hereby certifies, pursuant to and solely for the purpose of 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ MARK A. HELLERSTEIN
- -----------------------
Mark A. Hellerstein
Chief Executive Officer
November 1, 2004

/S/ DAVID W. HONEYFIELD
- -----------------------
David W. Honeyfield
Vice President - Finance
(principal financial officer)
November 3, 2004