

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 March 31, 1999

Commission File Number 0-20872

ST. MARY LAND & EXPLORATION COMPANY

(Exact name of Registrant as specified in its charter)

Delaware

41-0518430

(State or other Jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

1776 Lincoln Street, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip Code)

(303) 861-8140

(Registrant's telephone number, including area code)

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

As of May 13, 1999 the registrant had 10,827,067 shares of Common Stock, \$.01 par value, outstanding.

ST. MARY LAND & EXPLORATION COMPANY

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Exhibits

- 10.1 St. Mary Land & Exploration Company Incentive Stock
Option Plan, As Amended on March 25, 1999
- 10.2 St. Mary Land & Exploration Company Stock Option
Plan, As Amended on March 25, 1999
- 10.3 Net Profits Interest Bonus Plan, As Amended on
September 19, 1996 and July 24, 1997 and
January 28, 1999
- 27.1 Financial Data Schedule

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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

<TABLE>
<CAPTION>

	March 31, ----- 1999 -----	December 31, ----- 1998 -----
-		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 5,727	\$ 7,821
Accounts receivable	14,388	17,937
Prepaid expenses and other	564	795
Refundable income taxes	322	391
Deferred income taxes	125	125
-		
Total current assets	----- 21,126 -----	----- 27,069 -----
-		
Property and equipment (successful efforts method), at cost:		
Proved oil and gas properties	245,334	241,021
Unproved oil and gas properties, net of impairment allowance of \$4,155 in 1999 and \$5,987 in 1998	28,422	25,588
Other property and equipment	4,081	4,051
-		
Less accumulated depletion, depreciation, amortization and impairment	----- 277,837 (131,546) -----	----- 270,660 (126,835) -----
-		
Total	----- 146,291 -----	----- 143,825 -----
-		
Other assets:		
Khanty Mansiysk Oil Corporation receivable and stock	6,839	6,839
Summo Minerals Corporation investment and receivable	3,012	2,869
Restricted cash	-	720
Other assets	3,471	3,175
-		
Total	----- 13,322 -----	----- 13,603 -----

-		\$ 180,739	\$ 184,497
		=====	=====
	LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:			
Accounts payable		\$ 15,183	\$ 16,926
Current portion of stock appreciation rights		358	358
		-----	-----
-	Total current liabilities	15,541	17,284
		-----	-----
Long-term liabilities:			
Long-term debt		17,898	19,398
Deferred income taxes		11,153	11,158
Stock appreciation rights		279	422
Other noncurrent liabilities		1,690	1,493
		-----	-----
-		31,020	32,471
		-----	-----
-	Commitments and contingencies		
Stockholders' equity:			
Common stock, \$.01 par value: authorized - 50,000,000 shares: issued and outstanding - 11,009,867 shares in 1999 and 10,992,447 shares in 1998		110	110
Additional paid-in capital		67,856	67,761
Treasury stock - at cost: 182,800 shares in 1999 and 147,800 shares in 1998		(2,995)	(2,470)
Retained earnings		69,207	69,341
		-----	-----
-	Total stockholders' equity	134,178	134,742
		-----	-----
-		\$ 180,739	\$ 184,497
		=====	=====

</TABLE>

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

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

<TABLE>
<CAPTION>

	For the Three Months Ended March 31,	
	1999	1998
	-----	-----
	<C>	<C>
<S>		
Operating revenues:		
Oil and gas production	\$ 13,769	\$ 19,025
Gain on sale of proved properties	195	-
Other revenues	146	114
	-----	-----
Total operating revenues	14,110	19,139
	-----	-----
Operating expenses:		
Oil and gas production	3,994	3,943
Depletion, depreciation and amortization	5,402	5,377
Impairment of proved properties	-	368
Exploration	1,739	3,421
Abandonment and impairment of unproved properties	464	303
General and administrative	1,608	2,947
Loss in equity investees	45	61
Other	125	35
	-----	-----
Total operating expenses	13,377	16,455
	-----	-----
Income from operations	733	2,684
Nonoperating income and (expense):		
Interest income	96	155

Interest expense	(241)	(394)
	-----	-----
Income before income taxes	588	2,445
Income tax expense	179	775
	-----	-----
Net income	\$ 409	\$ 1,670
	=====	=====
Basic net income per common share	\$.04	\$.15
	=====	=====
Diluted net income per common share	\$.04	\$.15
	=====	=====
Basic weighted average common shares outstanding	10,846	10,983
	=====	=====
Diluted weighted average common shares outstanding	10,858	11,125
	=====	=====
Cash dividend declared per share	\$ 0.05	\$ 0.05
	=====	=====

</TABLE>

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

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

<TABLE>
<CAPTION>

Ended	For the Three Months	
	March 31,	
	1999	1998
	-----	-----

<S>	<C>	<C>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 409	\$
1,670		
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of proved properties	(195)	
-		
Depletion, depreciation and amortization	5,402	
5,377		
Impairment of proved properties	-	
368		
Exploration	(95)	
916		
Abandonment and impairment of unproved properties	464	
303		
Loss in equity investees	45	
61		
Deferred income taxes	(5)	
285		
Other	166	
97		
	-----	-----

	6,191	
9,077		
Changes in current assets and liabilities:		
Accounts receivable	3,549	
2,300		
Prepaid expenses and other	1,050	
73		
Accounts payable and accrued expenses	(2,738)	
6,169		
Stock appreciation rights	-	
(351)		
	-----	-----

Net cash provided by operating activities	8,052	
17,268		
	-----	-----

Cash flows from investing activities:		
Proceeds from sale of oil and gas properties	804	
52		
Capital expenditures	(7,159)	
(18,108)		
Acquisition of oil and gas properties	(1,475)	
(1,189)		
Investment in and loans to Summo Minerals Corporation	(188)	
(235)		
Receipts from restricted cash	720	
-		
Other	(297)	
618		
----		-----
Net cash used in investing activities	(7,595)	
(18,862)		-----

Cash flows from financing activities:		
Proceeds from long-term debt	4,175	
11,700		
Repayment of long-term debt	(5,675)	
(12,917)		
Proceeds from sale of common stock	17	
-		
Repurchase of common stock	(525)	
-		
Dividends paid	(543)	
(549)		
----		-----
Net cash used in financing activities	(2,551)	
(1,766)		-----

Net decrease in cash and cash equivalents	(2,094)	
(3,360)		
Cash and cash equivalents at beginning of period	7,821	
7,112		-----
----		-----
Cash and cash equivalents at end of period	\$ 5,727	\$
3,752		
	=====	

</TABLE>

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

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

Supplemental schedule of additional cash flow information and noncash activities:

<TABLE>

<CAPTION>

	For the Three Months Ended	
	March 31,	
	1999	1998
	-----	-----
	(In thousands)	
<S>	<C>	<C>
Cash paid for interest	\$ 270	\$ 326
Cash paid for income taxes	115	30
Cash paid for exploration expenses	1,485	3,266

</TABLE>

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)

March 31, 1999

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 the Annual Report on Form 10-K of St. Mary Land & Exploration Company and Subsidiaries (the "Company") for the year ended December 31, 1998. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in Form 10-K for the year ended December 31, 1998. It is suggested that these financial statements be read in conjunction with the financial statements and notes included in the Form 10-K.

Note 2 - Investments

The Company accounts for its 37% ownership interest in Summo Minerals Corporation ("Summo") under the equity method of accounting. For the three months ended March 31, 1999, the Company recorded a loss of \$45,000 as its equity in the losses of Summo. The Company has entered into agreements to provide interim financing of up to \$3,471,000 for Summo's Lisbon Valley Copper Project (the "Project") in the form of a loan due in June 1999 bearing interest at the prime rate plus 1%. As security for this loan, Summo has pledged its interest in the Project. As of March 31, 1999, \$3,057,000 was outstanding under this loan. Additional amounts totaling \$32,000 have been advanced to Summo under this loan since March 31, 1999. The principal amount of advances made by the Company to Summo are convertible into shares of Summo common stock at a defined conversion price.

The Company has analyzed its net investment in Summo and the effect of persistent depressed copper prices and increased worldwide copper inventory levels on Summo's stock price. Management believes Summo's stock price decline is not temporary and that its value is impaired. Consequently, the Company wrote down its net investment in Summo to net realizable value in the fourth quarter of 1998. Management believes the recorded net investment is recoverable.

Note 3 - Capital Stock

In August 1998, the Company's Board of Directors approved a stock repurchase program whereby the Company may purchase from time to time, in open market purchases or negotiated sales, up to one million shares of its common stock. During the first quarter of 1999 the Company repurchased 35,000 shares of its common stock under the program at a weighted average price of \$15.00 per share, bringing the total number of shares repurchased under the program to 182,800 at a weighted-average price of \$16.38 per share. Management anticipates that additional purchases of shares by the Company may occur as market conditions warrant. Such purchases will be funded with internal cash flow and borrowings under the Company's credit facility.

Note 4 - Income Taxes

Federal income tax expense for 1999 and 1998 differ from the amounts that would be provided by applying the statutory U.S. Federal income tax rate to income before income taxes primarily due to Section 29 credits, percentage depletion, and the effect of state income taxes.

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

Overview

St. Mary Land & Exploration Company ("St. Mary" or the "Company") was founded in 1908 and incorporated in Delaware in 1915. The Company is engaged in

the exploration, development, acquisition and production of natural gas and crude oil with operations focused in five core operating areas in the United States: the Mid-Continent region; the ArkLaTex region; south Louisiana; the Williston Basin; and the Permian Basin.

The Company's objective is to build value per share by focusing its resources within selected basins in the United States where management believes established acreage positions, long-standing industry relationships and specialized geotechnical and engineering expertise provide a significant competitive advantage. The Company's ongoing development and exploration programs are complemented by less predictable opportunities to acquire producing properties having significant exploitation potential, to monetize assets at a premium and to repurchase shares of its common stock at attractive values.

Internal exploration, drilling and production personnel conduct the Company's activities in the Mid-Continent and ArkLaTex regions and in south Louisiana. Activities in the Williston Basin are conducted through Panterra Petroleum ("Panterra"), a general partnership in which the Company owns a 74% interest. The Company proportionally consolidates its interest in Panterra. Activities in the Permian Basin are primarily contracted through an oil and gas property management company with extensive experience in the basin.

The Company's presence in south Louisiana includes active management of its fee lands from which significant royalty income is derived. St. Mary has encouraged development drilling by its lessees, facilitated the origination of new prospects on acreage not held by production and stimulated exploration interest in deeper, untested horizons. The Company's discovery on its fee lands at South Horseshoe Bayou in early 1997 and the successful confirmation well in early 1998 proved that significant accumulations of gas are sourced and trapped at depths below 16,000 feet. In August 1998 one of the wells in the South Horseshoe Bayou project experienced shut-in production due to mechanical problems. These mechanical problems and premature water encroachment caused the Company to reduce the project's proved reserves by 38.8 BCFE, of which 23.7 BCFE were reclassified to the probable reserve category and 15.1 BCFE were written off. An untested fault block to the north of the existing production is expected to spud at South Horseshoe Bayou in the third quarter of 1999.

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St. Mary seeks to make selective niche acquisitions of oil and gas properties that complement its existing operations, offer economies of scale and provide further development and exploration opportunities based on proprietary geologic concepts. Management believes that the Company's focus on smaller negotiated transactions where it has specialized geologic knowledge or operating experience has enabled it to acquire attractively-priced and under-exploited properties.

The results of operations include several significant acquisitions made during recent years and their subsequent further development by the Company. In 1996, 1997 and 1998 the Company purchased a series of interests totaling \$15.8 million that formed a new core area of focus in the Permian Basin of New Mexico and west Texas. In late 1998 St. Mary, through Panterra, acquired the interests of Texaco, Inc. in several fields in the Williston Basin for \$2.1 million. In 1997 the Company acquired an 85% working interest in certain Louisiana properties of Henry Production Company for \$3.9 million, and the remaining 15% working interest in these properties was acquired in the first quarter of 1999. Also in the first quarter of 1999 St. Mary acquired additional interests in the West Cameron Block 39 property located offshore Louisiana and other properties in Louisiana totaling \$1.2 million.

The Company pursues opportunities to monetize selected assets at a premium and as part of its continuing strategy to focus and rationalize its operations. In late 1998 St. Mary sold a package of non-strategic properties in Oklahoma to ONEOK Resources Company for \$22.2 million and sold its remaining minor interests in Canada for \$1.2 million, realizing a pre-tax gain of \$7.7 million.

St. Mary has one principal equity investment, Summo Minerals Corporation ("Summo"). The Company accounts for its investments in Summo under the equity method and includes its share of the income or loss from this entity in its consolidated results of operations.

In June 1998 the Company's stockholders approved an increase in the number of authorized shares of the Company's common stock from 15,000,000 to 50,000,000 shares.

In August 1998 the Company's Board of Directors authorized a stock repurchase program whereby St. Mary may purchase from time-to-time, in open market transactions or negotiated sales, up to 1,000,000 of its own common shares. The Company has repurchased a total of 182,800 shares of common stock under this plan in 1998 and the first quarter of 1999.

The Company seeks to protect its rate of return on acquisitions of producing properties by hedging up to the first 24 months of an acquisition's production at prices approximately equal to those used in the Company's acquisition evaluation and pricing model. The Company also periodically uses hedging contracts to hedge or otherwise reduce the impact of oil and gas price fluctuations on production from each of its core operating areas. The Company's strategy is to ensure certain minimum levels of operating cash flow and to take advantage of windows of favorable commodity prices. The Company generally limits its aggregate hedge position to no more than 50% of its total production. The Company seeks to minimize basis risk and indexes the majority of its oil hedges to NYMEX prices and the majority of its gas hedges to various regional index prices associated with pipelines in proximity to the Company's areas of gas production. The Company has hedged approximately 41% of its remaining estimated 1999 gas production at an average fixed price of \$2.09 per MMBtu, approximately 30% of its remaining estimated 1999 oil production at an average fixed price of \$16.16 per Bbl, approximately 15% of its estimated 2000 oil production at an average fixed price of \$15.54 per Bbl and less than 1% of its estimated 2001 oil production at an average fixed price of \$15.76. The Company has also purchased options resulting in price collars on approximately 10% of the Company's remaining estimated 1999 gas production with price ceilings between \$2.00 and \$3.00 per MMBtu and price floors between \$1.50 and \$2.00 per MMBtu and price collars on approximately 6% of its remaining estimated 1999 oil production with a price floor of \$15.00 and a price ceiling of \$16.85. In 2000 the Company has price collars on approximately 16% of its estimated gas production with price ceilings between \$2.50 and \$2.65 and a price floor of \$2.00 and approximately 6% of its estimated oil production with a price floor of \$15.00 and price ceilings between \$16.85 and \$17.75.

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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital, development and exploration expenditures (including the amount and nature thereof), drilling of wells, reserve estimates (including estimates of future net revenues associated with such reserves and the present value of such future net revenues), future production of oil and gas, repayment of debt, business strategies, expansion and growth of the Company's operations, Year 2000 readiness and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Readers are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Results of Operations

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
	(In thousands, except BOE data)	
	<C>	<C>
Oil and gas production revenues:		
Working interests	\$ 13,139	\$ 17,010
Louisiana royalties	630	2,015
Total	\$ 13,769	\$ 19,025
Net production:		
Oil (MBbls)	283	321
Gas (MMcf)	5,340	6,359

MBOE	1,173	1,381
	=====	=====
Average sales price (1):		
Oil (per Bbl)	\$ 11.51	\$ 14.90
Gas (per Mcf)	1.97	2.24
Oil and gas production costs:		
Lease operating expense	\$ 3,096	\$ 2,841
Production taxes	897	1,102
	-----	-----
Total	\$ 3,993	\$ 3,943
	=====	=====
Additional per BOE data:		
Sales price	\$ 11.74	\$ 13.78
Lease operating expense	2.64	2.06
Production taxes	.77	.80
	-----	-----
Operating margin	\$ 8.33	\$ 10.92
Depletion, depreciation and amortization	\$ 4.61	\$ 3.89
Impairment of proved Properties	-	.27
General and administrative	1.37	2.13

</TABLE>

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

Oil and Gas Production Revenues. Oil and gas production revenues decreased \$5.2 million, or 28% to \$13.8 million for the first quarter of 1999 compared to \$19.0 million for the first quarter of 1998. Oil production volumes decreased 12% and gas production volumes decreased 16% for the first quarter of 1999 compared to 1998. Average net daily production declined to 13.0 MBOE in 1999 compared to 15.3 MBOE in the comparable quarter of 1998. The decline resulted from the significant loss of production at the South Horseshoe Bayou Field in 1998 and 1999 and the sale of certain Oklahoma properties which occurred in late 1998.

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The average realized oil price for the first quarter of 1999 decreased 23% to \$11.51 per Bbl, while average realized gas prices decreased 12% to \$1.97 per Mcf, from their respective 1998 levels. The Company hedged approximately 6% of its oil production for the first quarter of 1999 or 18.0 MBbls at an average NYMEX price of \$16.05 and realized a \$51,000 increase in oil revenue or \$.18 per Bbl for the first quarter of 1999 on these contracts compared to a \$200,000 increase or \$.62 per Bbl in 1998. The Company also hedged 51% of its 1999 first quarter gas production or 3.1 million MMBtu at an average indexed price of \$2.096 and realized a \$1.4 million increase in gas revenues or \$.25 per Mcf for the first quarter of 1999 from these hedge contracts compared to a \$78,000 increase in gas revenues or \$.01 per Mcf in 1998.

Oil and Gas Production Costs. Oil and gas production costs consist of lease operating expense and production taxes. Total production costs increased \$51,000 or 1% for the first quarter of 1999 from comparable levels in 1998. Total oil and gas production costs per BOE increased 19% to \$3.41 in 1999 compared with \$2.86 for the 1998 first quarter due to increased workover costs and the December 1998 sale of producing properties in Oklahoma with lower production costs per BOE.

Depreciation, Depletion, Amortization and Impairment. Depreciation, depletion and amortization expense ("DD&A") increased \$25,000 or less than 1% for the first quarter of 1999 from comparable levels in 1998. DD&A expense per BOE increased 18% to \$4.61 in the first quarter of 1999 compared to \$3.89 in 1998 due to the reduction in volumes produced at South Horseshoe Bayou, decreased royalty production from the Fee Lands, the effect of continued low prices on the Company's oil and gas reserves at March 31, 1999 and the December 1998 sale of producing properties in Oklahoma with lower DD&A expense per BOE. The Company recorded no impairments of proved oil and gas properties for the first quarter of 1999 compared with \$368,000 in 1998.

Abandonment and impairment of unproved properties increased \$160,000 or 53% to \$463,000 for the first quarter of 1999 compared to \$303,000 in 1998 due to additional abandonments of expired leases in 1999.

Exploration. Exploration expense decreased \$1.7 million or 49% to \$1.7 million for the first quarter of 1999 compared with \$3.4 million in 1998. The

decrease results from lower delay rental payments and improved exploratory drilling results.

General and Administrative. General and administrative expenses decreased \$1.3 million or 45% in the first quarter of 1999 compared to 1998 primarily due to a decrease in compensation expense related to decreases in bonus and stock appreciation rights expenses. This decrease in compensation expense was partially offset by an increase in rent expense and a reduction in overhead reimbursements from outside interest owners in properties operated by the Company.

Other operating expenses primarily consist of legal expenses in connection with ongoing oil and gas activities. This expense increased \$90,000 or 257% for the first quarter of 1999 compared with 1998, primarily due to increased activity in the pending litigation that seeks to recover damages from the drilling contractor for the St. Mary Land & Exploration No. 1 well at South Horseshoe Bayou.

Equity in Loss of Summo Minerals Corporation. The Company accounts for its investment in Summo under the equity method and includes its share of Summo's income or loss in its results of operations. The equity in the net loss of Summo was \$45,000 for the first quarter of 1999 and \$61,000 in 1998.

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Non-Operating Income and Expense. Net interest and other non-operating expense decreased \$94,000 to \$145,000 in the first quarter of 1999 compared to \$239,000 in 1998 due to decreased borrowings resulting from cash received from the sale of Oklahoma properties in late 1998.

Income Taxes. Income tax expense was \$179,000 in the first quarter of 1999 and \$775,000 in 1998, resulting in effective tax rates of 30% and 32%, respectively. The reduced expense reflects lower net income from operations before income taxes for 1999 due primarily to lower oil and gas production and prices. The reduced rate reflects a higher impact on lower net income from Section 29 credits and percentage depletion in 1999.

Net Income. Net income for the first quarter of 1999 decreased \$1.3 million or 76% to \$409,000 compared to \$1.7 million in 1998. The 28% decrease in oil and gas revenues caused by reductions in both price and produced volumes in the first quarter of 1999 was partially offset by significant decreases in exploration expense, general and administrative expense and income tax expense.

Liquidity and Capital Resources

The Company's primary sources of liquidity are the cash provided by operating activities, debt financing, sales of non-strategic properties and access to the capital markets. The Company's cash needs are for the acquisition, exploration and development of oil and gas properties and for the payment of debt obligations, trade payables and stockholder dividends. The Company generally finances its exploration and development programs from internally generated cash flow, bank debt and cash and cash equivalents on hand. The Company continually reviews its capital expenditure budget based on changes in cash flow and other factors.

Cash Flow. The Company's net cash provided by operating activities decreased \$9.2 million or 53% to \$8.1 million in the first quarter 1999 compared to \$17.3 million in the first quarter 1998. Revenues decreased significantly due to decreased production at South Horseshoe Bayou and in Oklahoma from the sale of producing properties and due to lower prices. Additionally, accounts payable and accrued expenses decreased significantly in the first quarter 1999 compared to a significant increase in the first quarter 1998 due to lower drilling activity in 1999. These factors were only partially offset by decreases in general and administrative expenses and exploration expense.

Net cash used in investing activities decreased \$11.3 million or 60% to \$7.6 million in the first quarter 1999 compared to \$18.9 million in the first quarter 1998. The decrease is primarily due to a \$10.9 million decrease in capital expenditures in the first quarter 1999. Total first quarter 1999 capital expenditures, including acquisitions of oil and gas properties, decreased \$10.9 million or 60% to \$7.2 million in the first quarter 1999 compared to \$18.1 million in the first quarter 1998.

A portion of the proceeds from sales of oil and gas properties in 1998 were applied to acquisitions of oil and gas properties in 1999 under tax-free exchanges. In a tax-free exchange of properties the tax basis of the sold property carries over to the acquired property for tax purposes. Gains or losses for tax purposes are recognized by amortization of the lower tax basis of the property throughout its remaining life or when the acquired property is sold or abandoned.

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Net cash used in financing activities increased \$785,000 or 44% to \$2.6 million in the first quarter 1999 compared to \$1.8 million in the first quarter 1998. The increase was primarily due to the repurchase of the Company's common stock for \$525,000 in the first quarter of 1999. No such repurchases were made in the first quarter 1998.

The Company had \$5.7 million in cash and cash equivalents and had working capital of \$5.6 million as of March 31, 1999 compared to \$7.8 million in cash and cash equivalents and working capital of \$9.8 million as of December 31, 1998. Decreases in accounts receivable and in cash and cash equivalents were partially offset by a decrease in accounts payable.

Credit Facility. On June 30, 1998, the Company entered into a new long-term revolving credit agreement that replaced the agreement dated March 1, 1993 and amended in April 1996. The new credit agreement specifies a maximum loan amount of \$200.0 million. The lender may periodically re-determine the aggregate borrowing base depending upon the value of the Company's oil and gas properties and other assets. In May 1999 the borrowing base was reduced \$25.0 million by the lender to \$80.0 million as a result of reduced reserve pricing and the write down of South Horseshoe Bayou. The accepted borrowing base was \$40.0 million at December 31, 1998. The credit agreement has a maturity date of December 31, 2005, and includes a revolving period that matures on December 31, 2000. The Company can elect to allocate up to 50% of available borrowings to a short-term tranche due in 364 days. The Company must comply with certain covenants including maintenance of stockholders' equity at a specified level and limitations on additional indebtedness. As of March 31, 1999, and December 31, 1998, \$9.0 million and \$10.5 million, respectively, was outstanding under this credit agreement. These outstanding balances accrue interest at rates determined by the Company's debt to total capitalization ratio. During the revolving period of the loan, loan balances accrue interest at the Company's option of either (a) the higher of the Federal Funds Rate plus 1/2% or the prime rate, or (b) LIBOR plus 1/2% when the Company's debt to total capitalization is less than 30%, up to a maximum of either (a) the higher of the Federal Funds Rate plus 5/8% or the prime rate plus 1/8%, or (b) LIBOR plus 1-1/4% when the Company's debt to total capitalization is equal to or greater than 50%.

Panterra, in which the Company has a 74% general partnership interest, has a separate credit facility with a \$21.0 million borrowing base as of December 31, 1998, and \$12.0 million outstanding as of March 31, 1999 and December 31, 1998. In June 1997, Panterra entered into this credit agreement replacing a previous agreement due March 31, 1999. The new credit agreement includes a revolving period converting to a five-year amortizing loan on June 30, 2000. During the revolving period of the loan, loan balances accrue interest at Panterra's option of either the bank's prime rate or LIBOR plus 3/4% when the Partnership's debt to partners' capital ratio is less than 30%, up to a maximum of either the bank's prime rate or LIBOR plus 1-1/4% when the Partnership's debt to partners' capital ratio is greater than 100%.

Common Stock. In June 1998 the Company's stockholders approved an increase in the number of authorized shares of the Company's common stock from 15,000,000 to 50,000,000 shares.

In August 1998 the Company's Board of Directors authorized a stock repurchase program whereby St. Mary may purchase from time-to-time, in open market transactions or negotiated sales, up to 1,000,000 of its common shares. During 1998 the Company repurchased a total of 147,800 shares of its common stock under the program for \$2.5 million at a weighted-average price of \$16.71 per share. The Company repurchased an additional 35,000 shares for \$15.00 per share during the first quarter of 1999. Management anticipates that additional purchases of shares by the Company may occur as market conditions warrant. Such purchases will be funded with internal cash flow and borrowings under the Company's credit facility.

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Capital and Exploration Expenditures. The Company's expenditures for exploration and development of oil and gas properties and acquisitions are the primary use of its capital resources.

Outlook. The Company believes that its existing capital resources, cash flows from operations and available borrowings are sufficient to meet its anticipated capital and operating requirements for 1999.

The Company generally allocates approximately 85% of its capital budget to low to moderate-risk exploration, development and niche acquisition programs in its core operating areas. The remaining portion of the Company's capital budget is directed to higher-risk, large exploration ideas that have the potential to increase the Company's reserves by 25% or more in any single year.

The Company anticipates spending approximately \$71.0 million for capital and exploration expenditures in 1999 with \$37.0 million allocated for ongoing exploration and development in its core operating areas, \$25.0 million for niche acquisitions of producing properties and \$9.0 million for

large-target, higher-risk exploration and development.

Anticipated ongoing exploration and development expenditures for each of the Company's core areas include \$22.0 million in the Mid-Continent region, \$6.5 million in the ArkLaTex region, \$2.0 million in the Williston Basin and \$6.5 million allocated within the Permian Basin and south Louisiana regions.

The Company has several prospects in its pipeline of large-target exploration ideas. Tests are currently being drilled at the Stallion, West Cameron Block 39 and Edgerly projects, and the Company expects to commence the drilling of four additional significant tests in 1999 at its South Horseshoe Bayou, North Parcperdue and Patterson projects in south Louisiana, and at its Carrier project in east Texas.

The amount and allocation of future capital and exploration expenditures will depend upon a number of factors including the number of available acquisition opportunities, the Company's ability to assimilate such acquisitions, the impact of oil and gas prices on investment opportunities, the availability of capital and borrowing capability and the success of its development and exploratory activity which could lead to funding requirements for further development.

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

The Company, through a subsidiary, owns 9.9 million shares or 37% of Summo. The persistence of depressed commodity prices and increased worldwide inventory levels of copper have caused Summo's stock price to decline. Management believes that this stock price decline is not temporary and that its value is impaired. Consequently, the Company wrote down its net investment in Summo to net realizable value in the fourth quarter of 1998. Management believes the recorded net investment is recoverable.

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The Company has agreed to provide Summo with interim financing of up to \$3.5 million for Summo's Lisbon Valley Copper Project (the "Project") in the form of a loan bearing interest at the prime rate plus 1% due in June 1999. As security for this loan, Summo pledged its interest in the Project. As of December 31, 1998 and March 31, 1999, \$2.9 million and \$3.1 million, respectively, were outstanding under the loan. Additional amounts totaling \$32,000 have been advanced to Summo under this loan since March 31, 1999. At the Company's option, the principal amounts advanced by the Company under the note are convertible into shares of Summo common stock at a defined conversion price.

Future development and financial success of the Project are largely dependent on the market price of copper, which is determined in world markets and is subject to significant fluctuations. Management believes that copper prices will recover and that the Project will have considerable value at that time. The Company has the ability to fund the carrying costs of the property and the intent to retain its interest in the Project until copper prices recover. However, there can be no assurance that the Company will realize a return on its investment in Summo or the Project.

In February 1997 the Company sold its interest in the Russian joint venture to KMOC. The Company received cash consideration of approximately \$5.6 million before transaction costs, KMOC common stock valued at approximately \$1.9 million, and a receivable in a form equivalent to a retained production payment of approximately \$10.1 million plus interest at 10% per annum from the limited liability company formed to hold the Russian joint venture. The Company's receivable is collateralized by the partnership interest sold. The Company has the right, subject to certain conditions, to require KMOC to purchase the Company's receivable from the net proceeds of an initial public offering of KMOC common stock. Alternatively, the Company may elect to convert all or a portion of its receivable into KMOC common stock immediately prior to an initial public offering of KMOC common stock or on or after February 11, 2000, whichever occurs first. Uncertain economic conditions in Russia and lower oil prices have affected the carrying value of the convertible receivable. Consequently, the Company reduced the carrying amount of the receivable to its minimum conversion value during 1998, incurring a pre-tax charge to operations of \$4.6 million.

Impact of the Year 2000 Issue. The following Year 2000 statements constitute a Year 2000 Readiness Disclosure within the meaning of the Year 2000 Information and Readiness Disclosure Act of 1998.

The Year 2000 Issue is the result of computer programs and embedded

computer chips being written or manufactured using two digits rather than four, or other methods, to define the applicable year. Computer programs and embedded chips that are date-sensitive may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, operate equipment or engage in normal business activities. Failure to correct a material Year 2000 compliance problem could result in an interruption in, or inability to conduct normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, cash flow and financial condition.

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The Company's approach to determining and mitigating the impact on the Company of Year 2000 compliance issues is comprised of five phases:

- i) Review and assessment of all internal information technology (IT) systems and significant non-IT systems for Year 2000 compliance;
- ii) Identify and prioritize systems with Year 2000 compliance issues;
- iii) Repair or replace and test non-Year 2000 compliant systems;
- iv) Survey and assess the Year 2000 readiness of the Company's significant vendors, suppliers, purchasers and transporters of oil and natural gas; and,
- v) Design and implement contingency plans for those systems, if any, that cannot be made Year 2000 compliant before December 31, 1999.

The Company completed phases i) and ii) of its plan by August 1998, and identified the systems requiring repair or replacement in order to be Year 2000 compliant. This review and assessment was completed using outside consultants as well as Company personnel. The Company determined that of its major systems, the software it uses for reservoir engineering, its telephone system, a significant number of the personal computers used by Company personnel and the computer system used by Panterra should be updated or replaced.

Phase iii) of the Company's plan of repair and replacement of non-Year 2000 compliant systems is approximately 90% complete. The telephone system and personal computers have been replaced with Year 2000 compliant hardware and software as part of the Company's ongoing upgrade program. The Company purchased a Year 2000 compliant release of the reservoir engineering system and anticipates conversion to and testing of the new system in the second quarter of 1999. In the fourth quarter of 1998 Panterra licensed a Year 2000 compliant system and converted to the new system in January 1999. The systems that have been either upgraded or replaced will be further tested to confirm their Year 2000 compliance. This testing is planned for completion in the second quarter of 1999. The Company presently believes that other less significant IT and non-IT systems can be upgraded to mitigate any Year 2000 issues with modifications to existing software or conversions to new systems. Modifications or conversions to new systems for the less significant systems, if not completed timely, would have neither a material impact on the operations of the Company nor on its results of operations.

Under phase iv) of the plan, the Company initiated formal communications with its significant vendors, suppliers and purchasers and transporters of oil and natural gas to determine the extent to which the Company is vulnerable to those third parties' failures to remediate their own Year 2000 issues. The process of collecting information from these third parties is approximately 45% complete. All of the responses received to date are positive in assuring that the respondents will be Year 2000 compliant on a timely basis. Completion of phase iv) of the plan is anticipated in the third quarter of 1999. Until this phase of the plan is complete, management cannot currently predict if third party compliance issues will materially affect the Company's operations. There can be no assurance that the systems of these third parties will be converted timely, or that a failure to remediate Year 2000 compliance issues by another company would not have a material adverse effect on the Company.

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Phase v) of the Company's Year 2000 plan, the design and implementation of contingency plans for those systems, if any, that cannot be made Year 2000 compliant before December 31, 1999, will be addressed in the last half of 1999.

Through March 31, 1999, the Company has spent approximately \$450,000 on its Year 2000 efforts. This includes the costs of consultants as well as the cost of repair or replacement of non-compliant hardware and software systems. Additional costs to complete the Company's plan are estimated at approximately \$50,000. The Company has not specifically tracked its internal costs of addressing the Year 2000 issue. However, management does not believe these costs to be material.

The Company has not completed a comprehensive analysis of the operational problems and costs that would be reasonably likely to result from the Company or its significant third parties' failure to timely complete efforts to remediate Year 2000 issues. Potential "worst case" impacts could include the inability of the Company to deliver its production to, or receive payment from, third parties purchasing or transporting the Company's production; the inability of third party vendors to provide needed materials or services to the Company for ongoing or future exploration, development or producing operations; and the inability of the Company to execute financial transactions with its banks or third parties whose systems fail or malfunction.

The Company currently has no reason to believe that any of these contingencies will occur or that its principal vendors, customers and business partners will not be Year 2000 compliant. However, there can be no assurance that the Company will be able to identify and correct all Year 2000 problems or implement a satisfactory contingency plan. Therefore, there can be no assurance that the Year 2000 issue will not materially impact the Company's results of operations or adversely affect its relationships with vendors, customers and other business partners.

Accounting Matters

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Statement requires companies to report all derivatives at fair value as either assets or liabilities and bases the accounting treatment of the derivatives on the reasons an entity holds the instrument. The Company is currently reviewing the effects this Statement will have on the financial statements in relation to the Company's hedging activities.

Effects of Inflation and Changing Prices

Within the United States inflation has had a minimal effect on the Company. The Company cannot predict the future extent of any such effect.

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

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Material changes in oil and gas prices affect the current and future value of the Company's estimated proved reserves and the borrowing capability of the Company, which is largely based on the value of such proved reserves. Oil and gas price changes have a corresponding effect on the value of the Company's estimated proved reserves and the available borrowings under the Company's credit facility.

The last half of 1998 and most of the first quarter of 1999 were characterized by historically low oil prices and weakening gas markets. Capital has left the oil and gas industry and has caused a significant decrease in the number of working drilling rigs. Consequently, in early 1999 there is an abundance of available drilling rigs, personnel, supplies and services with a corresponding reduction of costs. Oil and gas prices have begun to increase from December 31, 1998 levels. If prices continue to increase, there could be a return to shortages and corresponding increases in the cost to the Company of exploration, drilling and production of oil and gas.

Financial Instrument Market Risk

Directly, and through its 74% investment in Panterra, the Company holds derivative contracts and financial instruments that have cash flow and net income exposure to changes in commodity prices or interest rates. Financial and commodity-based derivative contracts are used to limit the risks inherent in some crude oil and natural gas price changes that have an effect on the Company. In prior years the Company has occasionally hedged interest rates, and may do so in the future should circumstances warrant.

The Company's Board of Directors has adopted a policy regarding the use of derivative instruments. This policy requires every derivative used by the Company to relate to underlying offsetting positions, anticipated transactions or firm commitments. It prohibits the use of speculative, highly complex or

leveraged derivatives. Under the policy, the Chief Executive Officer and Vice President of Finance must review and approve all risk management programs that use derivatives. The Audit Committee of the Company's Board of Directors also periodically reviews these programs.

Commodity Price Risk. The Company uses various hedging arrangements to manage the Company's exposure to price risk from its natural gas and crude oil production. These hedging arrangements have the effect of locking in for specified periods, at predetermined prices or ranges of prices, the prices the Company will receive for the volumes to which the hedge relates. Consequently, while these hedging arrangements are structured to reduce the Company's exposure to decreases in prices associated with the hedged commodity, they also limit the benefit the Company might otherwise receive from any price increases associated with the hedged commodity. A hypothetical 10% change in the quarter-end market prices of commodity-based swaps and futures contracts on a notional amount of 13.0 million MMBtu would have caused a potential \$1.4 million change in net income before income taxes for the Company for gas contracts in place on March 31, 1999. A 10% change in the quarter-end market prices of commodity-based swaps and future contracts on a notional amount of 505 MBbls would have caused a potential \$615,000 change in net income before income taxes for the Company for oil contracts in place on March 31, 1999. Results of operations for Panterra (a non-taxable entity) would have changed by \$337,000 on a notional amount of 216 MBbls. These changes were discounted to present value using a 7.5% discount rate since the latest expected maturity date of some of the swaps and futures contracts is greater than one year from the reporting date. The derivative gain or loss effectively offsets the loss or gain on the underlying commodity exposures that have been hedged. The fair values of the swaps are estimated based on quoted market prices of comparable contracts and approximate the net gains or losses that would have been realized if the contracts had been closed out at quarter end. The fair values of the futures are based on quoted market prices obtained from the New York Mercantile Exchange.

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Interest Rate Risk. Market risk is estimated as the potential change in fair value resulting from an immediate hypothetical one percentage point parallel shift in the yield curve. A sensitivity analysis presents the hypothetical change in fair value of those financial instruments held by the Company at March 31, 1999, which are sensitive to changes in interest rates. For fixed-rate debt, interest rate changes affect the fair market value but do not impact results of operations or cash flows. Conversely for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future results of operations and cash flows, assuming other factors are held constant. The carrying amount of the Company's floating rate debt approximates its fair value. At March 31, 1999, the Company had floating rate debt of \$17.9 million and had no fixed rate debt. Assuming constant debt levels, the results of operations and cash flows impact for the remainder of the year resulting from a one percentage point change in interest rates would be approximately \$134,000 before taxes.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit	Description
10.1	St. Mary Land & Exploration Company Incentive Stock Option Plan, As Amended on March 25, 1999
10.2	St. Mary Land & Exploration Company Stock Option Plan, As Amended on March 25, 1999
10.3	Net Profits Interest Bonus Plan, As Amended on September 19, 1996 and July 24, 1997 and January 28, 1999
27.1	Financial Data Schedule

(b) There were no reports on Form 8-K filed during the quarter ended March 31, 1999.

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SIGNATURES

Pursuant to the requirements of the Securities and 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

May 14, 1999

By /s/ MARK A. HELLERSTEIN

Mark A. Hellerstein
President and Chief Executive Officer

May 14, 1999

By /s/ RICHARD C. NORRIS

Richard C. Norris
Vice President - Finance, Secretary
and Treasurer

May 14, 1999

By /s/ GARRY A. WILKENING

Garry A. Wilkening
Vice President - Administration and
Controller

As Amended on March 25, 1999

ST. MARY LAND & EXPLORATION COMPANY

INCENTIVE STOCK OPTION PLAN

ARTICLE I
ESTABLISHMENT AND PURPOSE

1.1 Establishment. St. Mary Land & Exploration Company, a Delaware corporation (the "Company"), hereby establishes a stock option plan for key employees providing material services to the Company or any subsidiary of the Company as described herein, which shall be known as the "ST. MARY LAND & EXPLORATION COMPANY INCENTIVE STOCK OPTION PLAN" (the "Plan"). It is intended that the options issued to employees pursuant to the Plan constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code. The Company shall enter into stock option agreements with recipients of options pursuant to the Plan.

1.2 Purpose. The purpose of the Plan is to enhance shareholder value by attracting, retaining and motivating key employees of the Company and of any subsidiary of the Company by providing them with a means to acquire a proprietary interest in the Company's success.

ARTICLE II
DEFINITIONS

2.1 Definitions. Whenever used herein, the following terms shall have the respective meanings set forth below, unless the context clearly requires otherwise, and when such meaning is intended, the term shall be capitalized.

- (a) "Board" means the Board of Directors of the Company.
- (b) "Code" means the Internal Revenue Code of 1986, as amended.
- (c) "Committee" shall mean the Committee provided for by Article IV hereof, which may be created at the discretion of the Board.
- (d) "Company" means St. Mary Land & Exploration Company, a Delaware corporation.
- (e) "Date of Exercise" means the date the Company receives notice, by an Optionee, of the exercise of an Option pursuant to Section 8.1 of the Plan. Such notice shall indicate the number of shares of Stock the Optionee intends to acquire pursuant to exercise of the Option.
- (f) "Employee" means any person, including an officer or director of the Company or a Subsidiary Corporation, who is employed by the Company or a Subsidiary Corporation.
- (g) "Fair Market Value" means the fair market value of Stock upon which an option is granted under the Plan, determined as follows:
 - (i) If the Stock is listed on a national securities exchange or admitted to unlisted trading privileges on such exchange, the Fair Market Value shall be the last reported sale price of the Stock on the composite tape of such exchange on the date of issuance of this option, or if such day is not a normal trading day, the last trading day prior to the date of issuance of this option, and if no such sale is made on such day, the Fair Market Value shall be the average closing bid and asked prices for such day on the composite tape of such exchange; or

- (ii) If the Stock is not so listed or admitted to unlisted trading privileges, the Fair Market Value shall be the mean of the last reported bid and asked prices reported by the National Association of Securities Dealers Quotation System (or, if not so quoted on NASDAQ, by the National Quotation Bureau, Inc.) on the last trading day prior to the

date of issuance of the option.

(h) "Incentive Stock Option" means an Option granted under the Plan which is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

(i) "Option" means the right, granted under the Plan, to purchase Stock of the Company at the option price for a specified period of time.

(j) "Optionee" means an Employee holding an Option under the Plan.

(k) "Parent Corporation" shall have the meaning set forth in Section 424(e) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(l) "Subsidiary Corporation" shall have the meaning set forth in Section 424(f) of the Code with the Company being treated as the employer corporation for purposes of this definition.

(m) "Significant Shareholder" means an individual who, within the meaning of Section 422(b)(6) of the Code, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of any Parent Corporation or Subsidiary Corporation of the Company. In determining whether an individual is a Significant Shareholder, an individual shall be treated as owning stock owned by certain relatives of the individual and certain stock owned by corporations in which the individual is a shareholder, partnerships in which the individual is a partner, and estates or trusts of which the individual is a beneficiary, all as provided in Section 424(d) of the Code.

(n) "Stock" means the \$.01 par value common stock of the Company.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine terminology when used in the Plan also shall include the feminine gender, and the definition of any term herein in the singular also shall include the plural.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

All Employees are eligible to participate in the Plan and receive Incentive Stock Options under the Plan. Optionees in the Plan shall be selected by the Board, in its sole discretion, from among those Employees who, in the opinion of the Board, are in a position to contribute materially to the Company's continued growth and development and to its long-term financial success.

ARTICLE IV
ADMINISTRATION

The Board shall be responsible for administering the Plan.

(a) The Board is authorized to interpret the Plan; to prescribe, amend, and rescind rules and regulations relating to the Plan; to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company; and to make all other determinations necessary or advisable for the administration of the Plan. Determinations, interpretations, or other actions made or taken by the Board with respect to the Plan and Options granted under the Plan shall be final and binding and conclusive for all purposes and upon all persons.

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(b) At the discretion of the Board the Plan may be administered by a Committee of two or more non-employee Directors appointed by the Board (the "Committee"). The Committee shall have full power and authority, subject to the limitations of the Plan and any limitations imposed by the Board, to construe, interpret and administer the Plan and to make determinations which shall be final, conclusive and binding upon all persons, including any persons having any interests in any Options which may be granted under the Plan, and, by resolution or resolutions to provide for the creation and issuance of any Option, to fix the terms upon which, the time or times at or within which, and the price or prices at which any shares of Stock may be purchased from the Company upon the exercise of an Option. Such terms, time or times and price or prices shall, in every case, be set forth or incorporated by reference in the instrument or instruments evidencing an Option, and shall be consistent with the provisions of the Plan.

(c) Where a Committee has been created by the Board pursuant to this Article IV, references in the Plan to actions to be taken by the Board shall be deemed to refer to the Committee as well, except where limited by the Plan or by the Board.

(d) No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it.

ARTICLE V
STOCK SUBJECT TO THE PLAN

5.1 Number. The total number of shares of Stock hereby made available and reserved for issuance under the Plan upon exercise of Options shall be 1,650,000 shares. Notwithstanding anything to the contrary contained in the foregoing, to the extent that options are issued under any other current Stock Option Plan adopted by the Company, the shares of Stock reserved for issuance pursuant to Options granted under the Plan shall be reduced. The aggregate number of shares of Stock available under the Plan shall be subject to adjustment as provided in Section 5.3.

5.2 Unused Stock. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

5.3 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock by reason of a stock dividend or split, recapitalization, reclassification, or other similar capital change, the aggregate number of shares of Stock set forth in Section 5.1 shall be appropriately adjusted by the Board, whose determination shall be conclusive. In any such case, the number and kind of shares of Stock that are subject to any Option and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

ARTICLE VI
DURATION OF THE PLAN

Subject to approval of shareholders, the Plan shall be in effect for ten years from the date of its adoption by the Board. Any Options outstanding at the end of such period shall remain in effect in accordance with their terms. The Plan shall terminate before the end of such period if all Stock subject to it has been purchased pursuant to the exercise of Options granted under the Plan.

ARTICLE VII
TERMS OF STOCK OPTIONS

7.1 Grant of Options. Subject to Section 5.1, Options may be granted to Employees at any time and from time to time as determined by the Board. The Board shall have complete discretion in determining the terms and conditions and number of Options granted to each Optionee. In making such determinations, the Board may take into account the nature of services rendered by such Employees, their present and potential contributions to the Company and its Subsidiary Corporations, and such other factors as the Board in its discretion shall deem relevant.

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(a) The total Fair Market Value (determined at the date of grant) of shares of Stock with respect to which incentive stock options granted are exercisable for the first time by the Optionee during any calendar year under all plans of the Company under which incentive stock options may be granted (and all such plans of any Parent Corporations and any Subsidiary Corporations of the Company) shall not exceed \$100,000. Hereinafter, this requirement is sometimes referred to as the "\$100,000 Limitation".

(b) The Board is expressly given the authority to issue amended or replacement Options with respect to shares of Stock subject to an Option previously granted hereunder. An amended Option amends the terms of an Option previously granted and thereby supersedes the previous Option. A replacement Option is similar to a new Option granted hereunder except that it provides that it shall be forfeited to the extent that a previously granted Option is exercised, or except that its issuance is conditioned upon the termination of a previously granted Option.

7.2 No Tandem Options. Where an Option granted under the Plan is

intended to be an Incentive Stock Option, the Option shall not contain terms pursuant to which the exercise of the Option would affect the Optionee's right to exercise another Option, or vice versa, such that the Option intended to be an Incentive Stock Option would be deemed a tandem stock option within the meaning of the regulations under Section 422 of the Code.

7.3 Option Agreement; Terms and Conditions to Apply Unless Otherwise Specified. As determined by the Board on the date of grant, each Option shall be evidenced by an Option agreement (the "Option Agreement") that includes the non-transferability provisions required by Section 10.2 hereof and that specifies: the Option price; the duration of the Option; the number of shares of Stock to which the Option applies; such vesting or exercisability restrictions which the Board may impose; a provision implementing the \$100,000 Limitation; and any other terms or conditions which the Board may impose. All such terms and conditions shall be determined by the Board at the time of grant of the Option.

(a) If not otherwise specified by the Board, the following terms and conditions shall apply to Options granted under the Plan:

(i) Term. The duration of the Option shall be for ten years from the date of grant.

(ii) Exercise of Option. Unless an Option is terminated as provided hereunder, an Optionee may exercise an Option pursuant to a vesting and exercisability schedule as determined by the Board, which vesting and exercisability schedule shall provide that an Option held by an Optionee who terminates his employment with the Company for reasons other than death, permanent and total disability, or termination of employment by the Company for cause shall upon such termination become exercisable to the extent vested immediately prior to such termination.

(iii) Termination. Each Option granted pursuant to the Plan shall expire upon the earliest to occur of:

(A) The date set forth in such Option, not to exceed ten years from the date of grant (five years in the case of a Significant Shareholder);

(B) The completion of the merger or sale of substantially all of the Stock or assets of the Company with or to another company in a transaction in which the Company is not the survivor, except for the merger of the Company into a wholly-owned subsidiary and, provided that the Company shall have given the Optionee at least thirty days' prior written notice of its intent to enter into such merger or sale (and the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger);

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(C) Ninety days following the termination of the employment of an Optionee, except for termination for cause by the Company or termination because of the Optionee's death or disability (in which event of termination of employment due to the Optionee's death or disability, the Option shall expire one year following the termination of employment of an Optionee); or

(D) Immediately upon the termination of the employment of an Optionee by the Company for cause.

(iv) Acceleration. An Option shall become fully vested and exercisable irrespective of its other provisions (A) immediately prior to the completion of the merger or sale of substantially all of the stock or assets of Company in a transaction in which the Company is not the survivor, except for the merger of the Company into a wholly-owned subsidiary (and the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger); or (B) upon termination of the Optionee's employment with the Company or a Subsidiary Corporation because of death, disability or normal retirement upon reaching the age of sixty-five.

(v) Nontransferability. All Options granted under the Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be

exercisable during the Optionee's lifetime only by the Optionee.

(b) The Board shall be free to specify terms and conditions other than and in addition to those set forth above, in its discretion.

(c) All Option Agreements shall incorporate the provisions of the Plan by reference.

7.4 Option Price. No Option granted pursuant to the Plan shall have an Option price that is less than the Fair Market Value of Stock on the date the Option is granted. Incentive Stock Options granted to Significant Shareholders shall have an Option price of not less than 110% of the Fair Market Value of Stock on the date of grant. The Option exercise price shall be subject to adjustment as provided in Section 5.3 above.

7.5 Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made (i) in cash, or

ARTICLE VIII
WRITTEN NOTICE, ISSUANCE OF STOCK

CERTIFICATES, SHAREHOLDER PRIVILEGES

8.1 Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Company, in the form and manner prescribed by the Board. Full payment for the shares of Stock to be acquired pursuant to the exercise of the Option must accompany the written notice.

8.2 Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee a certificate or certificates for the requisite number of shares of Stock.

8.3 Privileges of a Shareholder. An Optionee or any other person entitled to exercise an Option under the Option Agreement shall not have shareholder privileges with respect to any Stock covered by the Option until the date of issuance of a stock certificate for such Stock.

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ARTICLE IX
TERMINATION OF EMPLOYMENT OR SERVICES

9.1 Death or Disability. Subject to any prior partial exercise of the Option, if an Optionee's employment terminates by reason of Optionee's death or permanent and total disability, the Option may be exercised up to one hundred percent of the shares originally subject to the Option at any time prior to the expiration date of the Option or within 12 months after the date of such death or disability, whichever period is the shorter, by the person or persons entitled to do so under the Optionee's will or, if the Optionee shall fail to make a testamentary disposition of an Option or shall die intestate, the Optionee's legal representative or representatives.

9.2 Termination other than for Cause or Due to Death. In the event of an Optionee's termination of employment other than by reason of death or permanent and total disability, the Optionee may exercise such portion of his Option as was vested and exercisable by him at the date of such termination (the "Termination Date") at any time within ninety days of the Termination Date. In any event, the Option cannot be exercised after the expiration of the term of the Option. Options not exercised within the applicable period specified above shall terminate.

(a) In the case of an Employee, a change of duties or position within the Company or an assignment of employment in a Subsidiary Corporation or Parent Corporation of the Company, if any, or from such a Corporation to the Company, shall not be considered a termination of employment for purposes of the Plan.

(b) The Option Agreements may contain such provisions as the Board shall approve with reference to the effect of approved leaves of absence upon termination of employment.

9.3 Termination for Cause. In the event of an Optionee's termination of employment, which termination is by the Company or a Subsidiary Corporation for cause, any Option or Options held by him under the Plan, to the extent not exercised before such termination, shall terminate upon notice of termination for cause.

ARTICLE X
RIGHTS OF OPTIONEES

10.1 Service. Nothing in the Plan shall interfere with or limit in any way the right of the Company or a Subsidiary Corporation to terminate any Employee's employment at any time, nor confer upon any Employee any right to continue in the employ of the Company or a Subsidiary Corporation.

10.2 Non-transferability. All Options granted under the Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee.

ARTICLE XI
OPTIONEE-EMPLOYEE'S TRANSFER

OR LEAVE OF ABSENCE

For purposes of the Plan:

(a) A transfer of an Optionee who is an Employee from the Company to a Subsidiary Corporation or Parent Corporation, or from one such Corporation to another, or

(b) A leave of absence for such an Optionee (i) which is duly authorized in writing by the Company or a Subsidiary Corporation, and (ii) if the Optionee holds an Incentive Stock Option, which qualifies under the applicable regulations under the Code which apply in the case of incentive stock options,

shall not be deemed a termination of employment. However, under no circumstances may an Optionee exercise an Option during any leave of absence, unless authorized by the Board.

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ARTICLE XII
AMENDMENT, MODIFICATION, AND

TERMINATION OF THE PLAN

(a) The Board may at any time terminate and from time to time may amend or modify the Plan, provided, however, that no such action of the Board, without approval of the shareholders, may:

(i) increase the total amount of Stock which may be purchased through Options granted under the Plan, except as provided in Article V;

(ii) change the class of Employees eligible to receive Options; or

(iii) otherwise amend or modify the Plan where approval of the shareholders is required by any law or regulation governing the Company.

(b) No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Optionee holding the Option.

ARTICLE XIII
ACQUISITION, MERGER OR LIQUIDATION

13.1 Acquisition.

(a) In the event that an acquisition occurs with respect to the Company, the Company shall have the option, but not the obligation, to cancel Options outstanding as of the effective date of such acquisition, whether or not such Options are then exercisable, in return for payment to the Optionees of an amount equal to a reasonable estimate of an amount (hereinafter the "Spread"), determined by the Board, equal to the difference between the net amount per share payable in the acquisition or as a result of the acquisition, less the exercise price of the Option. In estimating the Spread, appropriate adjustments to give effect to the existence of the Options shall be made, such as deeming the Options to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the shares receivable upon exercise of the Options as being outstanding in determining the net amount per share.

(b) For purposes of this section, an "acquisition" shall mean any transaction in which substantially all of the Company's assets are acquired or in which a controlling amount of the Company's outstanding shares are acquired, in each case by a single person or entity or an

affiliated group of persons and entities. For purposes of this section, a controlling amount shall mean more than 50% of the issued and outstanding shares of Stock of the Company. The Company shall have the above option to cancel Options regardless of how the acquisition is effectuated, whether by direct purchase, through a merger or similar corporate transaction, or otherwise. In cases where the acquisition consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before the liquidation can be completed.

(c) Where the Company does not exercise its option under this Section 13.1 the remaining provisions of this Article XIII shall apply, to the extent applicable.

13.2 Merger or Consolidation. If the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation, provided that the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger.

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13.3 Other Transactions. A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation (the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger) shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, the Optionee either (i) shall be offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the "Substitute Option") to purchase its shares on terms and conditions both as to number of shares and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, or (ii) shall have the right immediately prior to such dissolution, liquidation, merger, or consolidation to exercise any unexercised Options whether or not then vested, subject to the provisions of the Plan. The Board shall have absolute and uncontrolled discretion to determine whether the Optionee has been offered a firm commitment and whether the tendered Substitute Option will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder. In any event, any Substitute Option for an Incentive Stock Option shall comply with the requirements of Code Section 424(a).

ARTICLE XIV
SECURITIES REGISTRATION

14.1 Securities Registration. In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

14.2 Representations. Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares pursuant to exercise of the Option, to make a representation in writing (i) that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof within the meaning of the Securities Act of 1933, (ii) that before any transfer in connection with the resale of such shares, he will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred without registration thereof. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing. To the extent permitted by law, including the Securities Act of 1933, nothing herein shall restrict the right of a person exercising an Option to sell the shares received in an open market transaction.

ARTICLE XV
TAX WITHHOLDING

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

ARTICLE XVI
INDEMNIFICATION

To the extent permitted by law, each person who is or shall have been a member of the Board or the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company or any Subsidiary Corporation may have to indemnify them or hold them harmless.

ARTICLE XVII
REQUIREMENTS OF LAW

17.1 Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

17.2 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Colorado.

ARTICLE XVIII
EFFECTIVE DATE OF PLAN

The Plan shall be effective on March 27, 1997.

ARTICLE XIX
COMPLIANCE WITH CODE

Incentive Stock Options granted hereunder are intended to qualify as "incentive stock options" under Code ss. 422. If any provision of the Plan is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with Incentive Stock Options granted under the Plan being treated as incentive stock options under the Code.

ARTICLE XX
NO OBLIGATION TO EXERCISE OPTION

The granting of an Option shall impose no obligation upon the holder thereof to exercise such Option.

ARTICLE XXI
SHAREHOLDER APPROVAL

The Plan was approved by a vote of the majority of the shares of common stock of the Company on May 21, 1997.

THIS INCENTIVE STOCK OPTION PLAN was adopted by the Board of Directors of St. Mary Land & Exploration Company on March 27, 1997, to be effective upon adoption, and was amended by the Board of Directors on July 24, 1997 and on March 25, 1999 to increase the number of shares available for issuance under Article V to 1,650,000.

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Title: Vice President-Finance, Secretary and Treasurer

As Amended on March 25, 1999

ST. MARY LAND & EXPLORATION COMPANY

STOCK OPTION PLAN

ARTICLE I
ESTABLISHMENT AND PURPOSE

1.1 Establishment. St. Mary Land & Exploration Company, a Delaware corporation (the "Company"), hereby establishes a stock option plan for key employees, consultants and members of the Board of Directors of the Company or of a subsidiary of the Company, providing material services to the Company, which shall be known as the ST. MARY LAND & EXPLORATION COMPANY STOCK OPTION PLAN (the "Plan"). The Company shall enter into Option agreements with Optionees pursuant to the Plan.

1.2 Purpose. The purpose of the Plan is to enhance shareholder value by attracting, retaining and motivating key employees, consultants and members of the Board of Directors of the Company and of a subsidiary of the Company by providing them with a means to acquire a proprietary interest in the Company's success.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

All current and former employees, consultants and members of the Board of Directors of the Company (the "Board"), and of any subsidiary of the Company, are eligible to participate in the Plan and receive Options under the Plan. Optionees under the Plan shall be selected by the Board, in its sole discretion, from among those current and former employees, consultants and members of the Board of the Company, and of any subsidiary of the Company, who, in the opinion of the Board, are or were in a position to contribute materially to the Company's continued growth and development and to its long-term success.

ARTICLE III
ADMINISTRATION

Administration. The Board shall be responsible for administering the Plan.

(a) The Board is authorized to interpret the Plan; to prescribe, amend, and rescind rules and regulations relating to the Plan; to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company with respect to the Plan; and to make all other determinations necessary or advisable for the administration of the Plan. Determinations, interpretations, or other actions made or taken by the Board with respect to the Plan and Options granted under the Plan shall be final and binding and conclusive for all purposes and upon all persons.

(b) At the discretion of the Board the Plan may be administered by a Committee of two or more non-employee Directors appointed by the Board (the "Committee"). The members of the Committee may be Directors who are eligible to receive Options under the Plan, but Options may be granted to such persons only by action of the full Board and not by action of the Committee. The Committee shall have full power and authority, subject to the limitations of the Plan and any limitations imposed by the Board, to construe, interpret and administer the Plan and to make determinations which shall be final, conclusive and binding upon all persons, including any persons having any interests in any Options which may be granted under the Plan, and, by resolution or resolutions to provide for the creation and issuance of any Option, to fix the terms upon which and the time or times at or within which, and the price or prices at which any shares may be purchased from the Company upon the exercise of an Option. Such terms, time or times and price or prices shall, in every case, be set forth or incorporated by reference in the instrument or instruments evidencing an Option, and shall be consistent with the provisions of the Plan.

(c) Where a Committee has been created by the Board pursuant to this Article III, references in the Plan to actions to be taken by the Board shall be deemed to refer to the Committee as well, except

where limited by the Plan or by the Board.

(d) No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it.

ARTICLE IV
STOCK SUBJECT TO THE PLAN

4.1 Number. The total number of shares of common stock of the Company (the "Stock") hereby made available and reserved for issuance under the Plan upon exercise of Options shall be 1,650,000 shares. Notwithstanding anything to the contrary contained in the foregoing, to the extent that options are issued under any Incentive Stock Option Plan adopted by the Company, the shares of common stock reserved for issuance pursuant to Options granted under this Plan shall be reduced. The aggregate number of shares of Stock available under the Plan shall be subject to adjustment as provided in Section 4.3.

4.2 Unused Stock. If an Option shall expire or terminate for any reason without having been exercised in full, or if an "immaculate cashless exercise" (as described in Section 5.4) results in the issuance of a reduced number of shares in satisfaction of an option grant, the unpurchased shares of Stock subject thereto shall (unless the Plan shall have terminated) become available for other Options under the Plan.

4.3 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock of the Company by reason of a stock dividend or split, recapitalization, reclassification, or other similar capital change, the aggregate number of shares of Stock set forth in Section 4.1 shall be appropriately adjusted by the Board, whose determination shall be conclusive. In any such case, the number and kind of shares of Stock that are subject to any Option and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

ARTICLE V
TERMS OF STOCK OPTIONS

5.1 Grant of Options. Subject to Section 4.1, Options may be granted to current and former employees, consultants and members of the Board of the Company and of any subsidiary of the Company at any time and from time to time as determined by the Board. The Board shall have complete discretion in determining the terms and conditions and number of Options granted to each Optionee. In making such determinations, the Board may take into account the nature of services rendered by such current and former employees, consultants and members of the Board, their present and potential contributions to the Company and such other factors as the Board in its discretion shall deem relevant.

5.2 Option Agreement; Terms and Conditions to Apply Unless Otherwise Specified. As determined by the Board on the date of grant, each Option shall be evidenced by an option agreement (the "Option Agreement") that specifies: the Option price; the duration of the Option; the number of shares of Stock to which the Option applies; such vesting or exercisability restrictions which the Board may impose; and any other terms or conditions which the Board may impose. All such terms and conditions shall be determined by the Board at the time of grant of the Option.

(a) If not otherwise specified by the Board, the following terms and conditions shall apply to Options granted under the Plan:

(i) Term. The duration of the Option shall be for ten years from the date of grant.

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(ii) Exercise of Option. Unless an Option is terminated as provided hereunder, an Optionee may exercise an Option pursuant to a vesting and exercisability schedule as determined by the Board, which vesting and exercisability schedule shall provide that (A) an Option held by an Optionee who retires from employment with the Company after having both reached the age of sixty and completed twelve years of service with the Company shall continue to vest in accordance with the vesting schedule set forth in the applicable Option Agreement notwithstanding the termination of the Optionee's employment with the Company, provided that prior to the exercise of the Option such Optionee does not after such retirement become employed on a full-time basis by a competitor of the Company prior to reaching age sixty-five, and (B) an Option held by a non-employee Director of the Company who retires from the Board after completing at least five years of service to the Company shall become fully vested. An Option may however not

be exercised prior to five years following the date of its grant.

(iii) Termination. Each Option granted pursuant to the Plan shall expire upon the earliest to occur of:

(A) The date set forth in such Option, not to exceed ten years from the date of grant;

(B) The completion of the merger or sale of substantially all of the Stock or assets of the Company with or to another company in a transaction in which the Company is not the survivor, except for the merger of the Company into a wholly-owned subsidiary (and the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger), provided that the Company shall have given the Optionee at least thirty days' prior written notice of its intent to enter into such merger or sale; or

(C) The termination of the employment of an Optionee for cause by the Company.

(iv) Acceleration. An Option shall become fully vested and exercisable irrespective of its other provisions (A) immediately prior to the completion of the merger or sale of substantially all of the stock or assets of the Company in a transaction in which the Company is not the survivor, except for the merger of the Company into a wholly-owned subsidiary (and the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger); (B) upon termination of the Optionee's employment with the Company or a subsidiary thereof because of death, disability or normal retirement upon reaching the age of sixty-five; or (C) in the event that the Optionee is a non-employee member of the Company's Board of Directors, upon retirement from the Company's Board of Directors after reaching the age of seventy.

(v) Transferability. In addition to the Optionee, the Option may be exercised, to the extent exercisable by the Optionee, by the person or persons to whom the Optionee's rights under the Option pass by will or the laws of descent and distribution, by the spouse or the descendants of the Optionee or by trusts for such persons, to whom or which the Optionee may have transferred the Option, or by legal representative of any of the foregoing. Any such transfer shall be made only in compliance with the Securities Act of 1933, as amended, and the requirements therefor as set forth by the Company.

(b) The Board shall be free to specify terms and conditions other than and in addition to those set forth above, in its discretion.

(c) All Option Agreements shall incorporate the provisions of the Plan by reference.

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5.3 Option Price. No Option granted pursuant to the Plan shall have an Option price that is less than the fair market value of Stock on the date the Option is granted, as determined by the Board. The Option exercise price shall be subject to adjustment as provided in Section 4.3 above.

5.4 Payment. Payment for all shares of Stock shall be made at the time that an Option, or any part thereof, is exercised, and no shares shall be issued until full payment therefor has been made. Payment shall be made (i) in cash, or (ii) if acceptable to the Board, in Stock, by the surrender of Option rights hereunder valued at the difference between the Option exercise price plus income taxes to be withheld, if any, and the fair market value of the common stock (referred to as "immaculate cashless exercise"), or in some other form.

ARTICLE VI
WRITTEN NOTICE, ISSUANCE OF STOCK

CERTIFICATES, SHAREHOLDER PRIVILEGES

6.1 Written Notice. An Optionee wishing to exercise an Option shall give written notice to the Company, in the form and manner prescribed by the Board. Full payment for the shares of Stock acquired pursuant to the Option must accompany the written notice.

6.2 Issuance of Stock Certificates. As soon as practicable after the receipt of written notice and payment, the Company shall deliver to the Optionee a certificate or certificates for the requisite number of shares of Stock.

6.3 Privileges of a Shareholder. An Optionee or any other person entitled to exercise an Option under the Option Agreement shall not have shareholder privileges with respect to any Stock covered by the Option until the date of issuance of a stock certificate for such Stock.

ARTICLE VII
RIGHTS OF OPTIONEES

Nothing in the Plan shall interfere with or limit in any way the right of the Company or a subsidiary corporation to terminate any employee's or consultant's employment at any time, nor confer upon any employee or consultant any right to continue in the employ of the Company or a subsidiary corporation.

ARTICLE VIII
AMENDMENT, MODIFICATION, AND

TERMINATION OF THE PLAN

The Board may at any time terminate and from time to time may amend or modify the Plan. Any amendment or modification of the Plan by the Board may be accomplished without approval of the shareholders of the Company, except in the event that shareholder approval of such amendment or modification is required by any law or regulation governing the Company.

No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Optionee holding the Option.

ARTICLE IX
ACQUISITION, MERGER OR LIQUIDATION

9.1 Acquisition.

(a) In the event that an acquisition occurs with respect to the Company, the Company shall have the option, but not the obligation, to cancel Options outstanding as of the effective date of such acquisition, whether or not such Options are then exercisable, in return for payment to the Optionees of an amount equal to a reasonable estimate of an amount (hereinafter the "Spread"), determined by the Board, equal to the difference between the net amount per share payable in the acquisition or as a result of the acquisition, less the exercise price of the Option. In estimating the Spread, appropriate adjustments to give effect to the existence of the Options shall be made, such as deeming the Options to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the Stock receivable upon exercise of the Options as being outstanding in determining the net amount per share.

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(b) For purposes of this section, an "acquisition" shall mean any transaction in which substantially all of the Company's assets are acquired or in which a controlling amount of the Company's outstanding shares are acquired, in each case by a single person or entity or an affiliated group of persons and entities. For purposes of this section, a controlling amount shall mean more than fifty percent of the issued and outstanding shares of Stock of the Company. The Company shall have the above option to cancel Options regardless of how the acquisition is effectuated, whether by direct purchase, through a merger or similar corporate transaction, or otherwise. In cases where the acquisition consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before the liquidation can be completed.

(c) Where the Company does not exercise its option under this Section 9.1 the remaining provisions of this Article IX shall apply, to the extent applicable.

9.2 Merger or Consolidation. If the Company shall be the surviving corporation in any merger or consolidation, any Option granted hereunder shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation, provided that the Company shall not be considered the surviving

corporation for purposes hereof if the Company is the survivor of a reverse triangular merger.

9.3 Other Transactions. A dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation (the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger) shall cause every Option outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. However, the Optionee either (i) shall be offered a firm commitment whereby the resulting or surviving corporation in a merger or consolidation will tender to the Optionee an option (the "Substitute Option") to purchase its shares on terms and conditions both as to number of shares and otherwise, which will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder granted by the Company, or (ii) shall have the right immediately prior to such dissolution, liquidation, merger, or consolidation to exercise any unexercised Options whether or not then vested, subject to the other provisions of the Plan. The Board shall have absolute and uncontrolled discretion to determine whether the Optionee has been offered a firm commitment and whether the tendered Substitute Option will substantially preserve to the Optionee the rights and benefits of the Option outstanding hereunder.

ARTICLE X
SECURITIES REGISTRATION

10.1 Securities Registration. In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock under the Securities Act of 1933, as amended, or any other statute, then the Optionee shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

10.2 Representations. Unless the Company has determined that the following representation is unnecessary, each person exercising an Option under the Plan may be required by the Company, as a condition to the issuance of the shares of Stock pursuant to exercise of the Option, to make a representation in writing (i) that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof within the meaning of the Securities Act of 1933, and (ii) that before any transfer in connection with the resale of such shares, he will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred without registration thereof. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing. To the extent permitted by law, including the Securities Act of 1933, nothing herein shall restrict the right of a person exercising an Option to sell the shares received in an open market transaction.

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ARTICLE XI
TAX WITHHOLDING

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

ARTICLE XII
INDEMNIFICATION

To the extent permitted by law, each person who is or shall have been a member of the Board or the Committee shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company or a Subsidiary Corporation may have to indemnify them or hold them harmless.

ARTICLE XIII

REQUIREMENTS OF LAW

13.1 Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

13.2 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Colorado.

ARTICLE XIV
EFFECTIVE DATE OF PLAN

The Plan shall be effective on November 21, 1996.

ARTICLE XV
NO OBLIGATION TO EXERCISE OPTION

The granting of an Option shall impose no obligation upon the holder thereof to exercise such Option.

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THIS STOCK OPTION PLAN was adopted by the Board of Directors of St. Mary Land & Exploration Company on November 21, 1996, to be effective upon adoption, and was amended by the Board of Directors on January 31, 1997 and on March 25, 1999 to increase the number of shares available for issuance under Article IV to 1,650,000.

ST. MARY LAND & EXPLORATION COMPANY

By: /s/ RICHARD C. NORRIS

Richard C. Norris
Title: Vice President-Finance, Secretary and Treasurer

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NET PROFITS INTEREST BONUS PLAN

As Amended on
9/19/96, 7/24/97
and 1/28/99

The Net Profits Interest Bonus Plan of St. Mary Parish Land Company shall function as follows:

1. Each year the Board of Directors of the Company shall designate the key employees of the Company eligible to participate in the Net Profits Interest Bonus Plan with respect to that calendar year. It is anticipated that such participants shall be more senior employees and fewer in number than the designated participants in the Company's Cash Bonus Plan.

2. Participants in the Net Profits Interest Bonus Plan shall receive a net profits interest in the Company's interest in oil and gas wells completed, plugged or abandoned or acquired by the Company during the calendar year (the "Plan Year"). The aggregate amount of such net profits interest of all participants for such Plan Year shall be ten percent which interest shall apply after recovery by the Company from such wells of one hundred percent of all costs incurred by it with respect thereto, including but not limited to land, geological and geophysical costs but excluding (except as described in paragraph 4 below) interest, and such net profits interest shall increase to an aggregate of twenty percent from and after such time as the Company has recovered two hundred percent of all such costs. For purposes of the foregoing calculations, such wells shall be accounted for as a single pool (effective January 1, 1999 except as described in paragraph 4 below). In determining net profits, any recompletion, workover or similar expenditures for wells shall be charged against the revenues of such wells, as well as direct lease operating expenses, production taxes and overhead as determined solely by COPAS charges in the relative areas.

3. Each key employee participating in the Net Profits Interest Bonus Plan with respect to a Plan Year shall be allocated a portion of the net profits interest for such Plan Year in proportion to his or her weighted base salary received during such Year relative to the weighted base salary received by all participants during such Plan Year. The weighted base salary of the President and of the Executive Vice-Presidents of the Company shall be one hundred percent of their base salaries received during such Plan Year and of all other participants shall be two-thirds thereof; provided, however, that a reduced participation rate may be established by the Board of Directors for certain key employees whose duties involve them in only a portion of the Company's activities.

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4. The Board of Directors, in its discretion, may consider a significant acquisition or a multi-year project to be accounted for as a separate pool with respect to the Net Profits Interest Bonus Plan as follows:

(a) If the total costs incurred is greater than 75% of the average annual aggregate cost during the current year and the preceding two calendar years, the net profits interest of the participants with respect to such large acquisition or multi-year project shall be a portion of the ten percent and twenty percent amounts set forth in paragraph 2 above equal to such percentages multiplied by a fraction of which the numerator is 75 percent and the denominator is the percentage which the cost of such acquisition or multi-year project is of the average annual aggregate costs expended by the Company for all other oil and gas wells during such year and during the preceding two calendar years (but exclusive of the foregoing and any other projects designated as separate pools); and

(b) Recovery of the Company's costs of such large acquisition or multi-year project shall include interest thereon calculated at the prime rate in effect from time to time;

(c) Notwithstanding the provisions of paragraph 3 above, participants in the Net Profits Interest Bonus Plan with respect to such large acquisition shall be allocated a portion of the net profits interest with respect thereto based upon their weighted base salaries for the calendar year such large acquisition closed. The net profits interest in a multi-year project shall be allocated among the participants in the Net Profits Interest Bonus Plan for the calendar years in which the costs for such project are incurred until the project is deemed to be substantially complete on the basis of their weighted base salaries during such years;

(d) A transaction in which the Company acquires another company, or is acquired or merges, or otherwise acquires what is considered by the Compensation Committee of the Board of Directors of the Company another oil and gas business (in which event the Compensation Committee shall determine what other incentive compensation is appropriate, if any), as contrasted with what is considered a more customary acquisition of oil and gas properties, shall not constitute the acquisition of an oil and gas well project subject to the Net Profits Interest Bonus Plan.

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5. Subject to the Plan Year buyout provision of paragraph 9, the right to a portion of a net profits interest of a designated participant in the Net Profits Interest Bonus Plan shall vest in full in such participant on December 31 of the calendar year for which his or her participation is designated, provided that the participant's employment by the Company did not terminate prior to that date for reasons other than retirement or death. Termination of a participant's employment by the Company subsequent to that time shall not affect his or her right to a portion of such net profits interest.

6. Mining projects of the Company shall be accounted for as a separate pool for purposes of the Net Profits Interest Bonus Plan and the net profits interests with respect thereto. The Board of Directors of the Company may determine that employees of the Company whose time is primarily devoted to mining projects shall not participate under the Net Profits Interest Bonus Plan in net profits interests in oil and gas project pools and conversely with respect to employees whose time is primarily devoted to oil and gas projects and net profits interests in mining projects.

7. Allocations or payments to participants under the Net Profits Interest Bonus Plan shall not be deemed to constitute compensation of any nature for purposes of any other compensation, retirement or other benefit plan of the Company. To the extent that any such other plan contains provisions contrary to the foregoing sentence, such other plan shall be deemed to be amended to conform to the foregoing sentence.

8. Net profits interests allocated under the Net Profits Interest Bonus Plan shall not constitute for the participants therein the ownership of real property interests in the mineral properties of the Company. Rather such net profits interests shall constitute solely a right to receive payments from the Company, or from a fund or trust established by the Company for that purpose, the amount of which shall be determined by such net profits interests and the Net Profits Interest Bonus Plan.

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9. Payments to participants under the Net Profits Interest Bonus Plan shall be made annually, or more frequently as determined by the Company. The right to payments under the Net Profits Interest Bonus Plan shall not be subject to voluntary or involuntary assignment by any participant thereunder other than upon death pursuant to the laws of descent and distribution. The Company shall have the right at any time or from time to time to acquire the rights of all participants in any Plan Year if the participants holding no less than two-thirds of that Plan Year's interests have agreed in writing to the terms and conditions of a buy-out of that Plan Year.

10. All matters with respect to the interpretation and application of the Net Profits Interest Bonus Plan shall be conclusively determined by the Compensation Committee of the Board of Directors of the Company.

11. The Net Profits Interest Bonus Plan may be terminated or modified prospectively at any time by the Board of Directors. Nothing contained in the Net Profits Interest Bonus Plan shall constitute a contract, express or implied, or any other type of obligation with respect to the employment or the continued employment by the Company of any person.

-4C-

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