

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
December 12, 2002 (December 3, 2002)

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

Delaware	001-31539	41-0518430
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S Employer Identification No.)

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

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

Not applicable
(Former name or former address, if changed since last report.)

Item 2. Acquisition or Disposition of Assets.

On December 3, 2002, St. Mary Land & Exploration Company (the "Company"), through its wholly-owned subsidiary Nance Petroleum Corporation, acquired certain producing and nonproducing oil and gas properties in the Williston Basin of Montana and North Dakota from Burlington Resources Oil & Gas Company LP and The Louisiana Land and Exploration Company for a purchase price of \$69.1 million in cash after normal purchase price adjustments. The Company utilized cash on hand and a portion of its existing credit facility with a bank group consisting of Bank of America, Comerica Bank - Texas, and Wells Fargo Bank West to fund the acquisition. The transaction was consummated pursuant to a Purchase and Sale Agreement dated October 1, 2002, effective as of July 1, 2002 with revenues and expenses from the properties from July 1, 2002 to the date of closing allocated to the Company through a purchase price adjustment.

Item 7. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Financial statements for the acquired properties are not required to be filed with this report.

(b) Pro forma financial information.

Pro forma financial statements, which give effect to the acquisition of the acquired properties, are not required to be filed with this report.

(c) Exhibits.

The following exhibits are furnished as part of this report:

Exhibit 10.1* Purchase and Sale Agreement dated October 1, 2002, effective as of July 1, 2002; between Burlington Resources Oil & Gas Company LP and The Louisiana Land and Exploration Company and Nance Petroleum Corporation

Exhibit 99.1* Press release of St. Mary Land & Exploration Company dated December 10, 2002

* Filed herewith.

SIGNATURES

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

ST. MARY LAND & EXPLORATION COMPANY

Date: December 12, 2002

/s/ RICHARD C. NORRIS

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

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT dated this 1st day of October, 2002, is between Burlington Resources Oil & Gas Company LP, a Delaware limited partnership, and The Louisiana Land and Exploration Company, a Maryland corporation (collectively "Seller"), with offices at 5051 Westheimer, Suite 1400, Houston, Texas 77056-2124, and Nance Petroleum Corporation, a Montana corporation ("Buyer"), with offices at 550 N. 31st St., Suite 500, Billings, Montana 59101.

WHEREAS, Seller desires to sell, and Buyer desires to purchase, upon and subject to the terms and conditions hereinafter set forth, all of Seller's right, title, and interest in and to the following assets:

- i. The oil and gas leases, leasehold interests, royalty interests, overriding royalty interests, rights and interests attributable or allocable to the oil and gas leases or leasehold interests by virtue of pooling, unitization, communitization, and operating agreements, licenses, permits and other agreements, and other properties and interests described on Exhibit "A-1" (limited as to the interests, lands and depths indicated in the Exhibit) attached hereto (collectively, the "Leases"), together with Seller's right, title and interest in and to the property and rights incident thereto, including, but not limited to, as of the Effective Time, rights in, to, and under leases, permits, rights-of-way, easements, licenses, farmouts, farmins, options, orders, and other contracts or agreements of a similar nature in any way relating thereto;
- ii. The undivided interests in and to all of the oil and gas wells, saltwater disposal wells and injection wells (the "Wells") as set forth in Exhibit "A-2" together with all hydrocarbons produced from the Wells and Leases on and after the Effective Time and all of the equipment, materials, fixtures and improvements on the Leases as of the Effective Time, appurtenant thereto or used or obtained in connection with the Leases or with the production, treatment, sale or disposal of hydrocarbons or waste produced therefrom or attributable thereto, and other appurtenances thereunto belonging (the "Equipment"); provided, however, Equipment shall not include leased equipment located on the Leases;
- iii. The unitization, pooling, communitization and operating agreements, and the units created thereby which relate to the Leases or interests described in Exhibit "A-1" or which relate to units or wells located on the Leases, including the units formed under orders, regulations, rules, and other official acts of the governmental authority having jurisdiction, together with any right, title, and interest created thereby in the Leases;
- iv. Gas purchase contracts, product purchase and sale agreements, gas gathering agreements and gas processing agreements related to the Leases (to the extent the same are assignable); and
- v. Equipment leases and rental contracts related to the Leases (to the extent the same are assignable).

Seller's interests in these assets are herein collectively referred to as the "Interests"; provided, however, the Interests shall not include, and there is excepted, reserved and excluded from this Agreement (x) the personal property set forth in Exhibit "A-3" attached hereto, (y) the proprietary geophysical data described in the Data License Agreement attached hereto as Exhibit "G", and (z) all mineral fee interests owned by Seller (collectively the "Excluded Interests").

NOW, THEREFORE, in consideration of the above recitals and of the covenants and agreements herein contained, Seller and Buyer agree as follows:

1. Purchase and Sale. Subject to and upon all of the terms and conditions -----
herein set forth, Seller shall sell, transfer, assign, convey, and deliver the Interests to Buyer, and Buyer shall purchase, receive, pay for, and accept the Interests from Seller, effective July 1, 2002, 7 a.m. local time at the Leases (the "Effective Time").

2

2. Purchase Price and Performance Deposit.

- (a) The purchase price for the Interests shall be SEVENTY-SIX MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS (\$76,350,000) (the "Base Purchase Price"), subject to any applicable purchase price adjustment as provided for herein.
- (b) Buyer shall, upon execution of this Agreement, deliver to Seller a performance deposit of SEVEN MILLION SIX HUNDRED THIRTY-FIVE THOUSAND DOLLARS (\$7,635,000) (the "Performance Deposit") to assure Buyer's performance hereunder. At Closing, the Performance Deposit shall be a

Buyer's credit against the Base Purchase Price. If this Agreement is terminated without a Closing, then the Performance Deposit shall be governed by the provisions of Section 26 hereof.

- (c) Seller and Buyer agree that the Base Purchase Price shall be allocated among the Interests (including the specifically described non-producing intervals and undeveloped locations) as set forth on Exhibit "B" for the purpose of (i) establishing a basis for certain taxes, (ii) giving notices of value to the owners of any preferential rights to purchase the Interests, and (iii) determining the value of a Title Defect or an Environmental Defect (in accordance with Section 13 (c) below) and handling those instances in which the Base Purchase Price is to be adjusted.

3. Title Defects. As used herein, the term:

- (a) "Defensible Title" shall mean, as to the Interests (including the specific non-producing intervals and undeveloped locations identified in Exhibit "B"), such title held by Seller, that, subject to and except for Permitted Encumbrances (as hereinafter defined):

3

- (i) Entitles Seller to receive not less than the "Net Revenue Interest" as set forth in Exhibit "B" of all oil, gas, and associated liquid and gaseous hydrocarbons produced, saved, and marketed from the Interests (including the non-producing intervals and undeveloped locations specifically identified in Exhibit "B");
- (ii) Obligates Seller to bear costs and expenses relating to the maintenance, development, and operation of all wells located on the Interests (including the non-producing intervals and undeveloped locations specifically identified in Exhibit "B") in an amount not greater than the "Working Interest" set forth in Exhibit "B"; and
- (iii) Is free and clear of any and all encumbrances, charges and liens.

- (b) "Permitted Encumbrances" shall mean:

- (i) Lessor's royalties, overriding royalties, production payments, and reversionary interests if the net cumulative effect of such burdens does not operate to reduce the Net Revenue Interest of any Interest (including non-producing interval or undeveloped locations specifically identified in Exhibit "B") to less than the Net Revenue Interest set forth in Exhibit "B";
- (ii) Sales contracts covering oil, gas or associated liquid or gaseous hydrocarbons provided such do not violate the representations of Seller;
- (iii) Preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which (i) waivers or consents are obtained from the appropriate parties, or (ii) required notices have been given to the holders of such rights and the appropriate time period for asserting such rights

4

has expired without an exercise of such rights;

- (iv) Liens for taxes or assessments not due or not delinquent on the Closing Date;
- (v) All rights to consent by, required notices to, filings with, or other actions by governmental agencies in connection with the sale or conveyance of oil and gas leases or interests therein or sale of production therefrom if the same are customarily obtained subsequent to such sale or conveyance;
- (vi) Easements, rights-of-way, servitudes, permits, surface leases, and other rights in respect of surface operations on or over any of the Interests which do not operate to interfere with current operations on the Interests;
- (vii) Liens of operators relating to obligations not yet due or pursuant to which Seller is not in default, and materialmen's, mechanics', repairmen's, or other similar liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the Interests that are not such as to interfere with the operation, value or use of the Interests; and

(viii) Any Title Defects waived by Buyer pursuant to the terms of this Agreement.

- (c) The Interests shall be deemed to have a "Title Defect" if Seller has less than Defensible Title to the Interests (including the non-producing intervals or undeveloped locations specifically identified in Exhibit "B").

5

4. Purchase Price Adjustments for Title Defects. For purposes of this Section

4, the term Interests or Interest shall also include any non-producing interval or undeveloped location specifically identified in Exhibit "B".

- (a) Buyer may, by delivery of written notice to Seller of the existence of an alleged Title Defect, request reduction of the purchase price for the Interest affected. The Title Defect notice shall clearly indicate the nature of the Title Defect, the Interest to which it relates, an explanation of the Title Defect including the supporting legal theories, the allocated value of the Interest as to which all or some portion of which is affected by the Title Defect, and the amount by which Buyer believes the value of the affected Interest has been reduced because of the Title Defect, with the computation and information upon which Buyer's belief is based. In determining whether a portion of an Interest contains a Title Defect, it is the intent of the parties to include, when possible, only that portion of such Interest materially and adversely affected. If the value properly allocated to a Title Defect cannot be determined directly from Exhibit "B" because the Title Defect is included within, but does not totally comprise, the Interest to which the allocated value relates, Buyer and Seller shall attempt, where feasible, to proportionately reduce the allocated value in Exhibit "B".
- (b) The Title Defect notice by Buyer shall be delivered to Seller on or before November 18, 2002. In the event any such notice is not timely delivered, all Title Defects shall be deemed waived for all purposes and Buyer shall thereafter have no right to claim Title Defects; and in the event the Title Defect notice is timely delivered, all Title Defects not claimed in such notice shall be deemed waived for all purposes. Seller shall have the right, but not the obligation, to attempt to cure any alleged Title Defect prior to Closing. In the event Seller is unable or unwilling to cure an alleged Title Defect, Buyer and Seller shall meet and use their reasonable efforts to agree on the validity of the claim of Title Defect and the amount of any required purchase price adjustment. In evaluating the significance of a fact, circumstance or condition for purposes of determining an

6

alleged Title Defect, due consideration shall be given to the length of time that the particular Lease has been producing hydrocarbon substances and whether such fact, circumstance or condition is of the type expected to be encountered in the area involved, and is usual and customarily acceptable to reasonable and prudent persons engaged in the business of the ownership, development, and operation of oil and gas properties with knowledge of all of the facts and appreciation of their legal significance.

- (c) In the event the parties cannot mutually agree on a purchase price adjustment for an alleged Title Defect, Buyer shall have the right to (i) proceed to Closing and accept the Interest with the alleged Title Defect with no purchase price adjustment, or (ii) terminate this Agreement as to the Interest affected by the alleged Title Defect and receive a purchase price adjustment for such Interest as set forth in Exhibit "B", or, where feasible, the proportionate allocated value.
- (d) There shall be no purchase price adjustment for Title Defects unless the aggregate total of all purchase price adjustments for Title Defects exceeds THREE HUNDRED EIGHTY THOUSAND DOLLARS (\$380,000) (which amount is a threshold, not a deductible).
- (e) In the event that Buyer shall determine that Seller's net revenue interests in the Interests are greater than the Net Revenue Interests set forth on Exhibit "B", Buyer shall notify Seller and Seller shall be entitled to a mutually agreeable purchase price adjustment; provided however, there shall be no purchase price adjustment related to such increase unless the aggregate total of all purchase price adjustments for the increases to Seller's increased Net Revenue Interests in the Interests exceeds THREE HUNDRED EIGHTY THOUSAND DOLLARS (\$380,000) (which amount is a threshold, not a deductible). Any increase to the Base Purchase Price provided for by this Section 4(e) shall be determined independently of any decrease to the Base Purchase Price due to any Title Defect, and such amounts shall not be netted one against the other.

5. Conditions of Closing by Seller. The obligation of Seller to close is

 subject to the satisfaction of the following conditions:

- (a) The representations of Buyer contained in Section 8 hereof are true in all material respects on and as of the Closing Date;
- (b) Buyer shall have delivered to Seller a legal opinion rendered by Buyer's counsel to the effect that (i) Buyer is a corporation validly existing and in good standing under the laws of the State of Montana and has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; (ii) the execution and delivery of, and consummation of the transactions contemplated by, this Agreement by Buyer have been duly authorized by all necessary action on the part of the Buyer; and (iii) this Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer and is enforceable against Buyer in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights; and
- (c) Adjustments to the purchase price in accordance with the provisions of Sections 4, 13 and 15(b) or (d) hereof shall not have exceeded ELEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$11,500,000).

6. Conditions of Closing by Buyer. The obligation of Buyer to close is subject

 to the satisfaction of the following conditions:

- (a) The representations of Seller contained in Section 7 shall be true in all material respects on and as of the Closing Date;
- (b) Buyer and Seller shall have adjusted the Base Purchase Price in accordance with the provisions of Sections 4, 13 and 15 hereof and

such adjustments shall not have exceeded ELEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$11,500,000); and

- (c) Seller shall have delivered to Buyer a legal opinion rendered by Seller's corporate counsel to the effect that (i) Burlington Resources Oil & Gas Company LP is a limited partnership validly existing and in good standing under the laws of the State of Delaware and The Louisiana Land and Exploration Company is a corporation validly existing and in good standing under the laws of the State of Maryland, and each has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; (ii) the execution and delivery of, and consummation of the transactions contemplated by, this Agreement by Seller have been duly authorized by all necessary action on the part of Seller; and (iii) this Agreement has been duly executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller and is enforceable against Seller in accordance with its terms, except that such enforcement may be subject to bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights.

7. Representations of Seller. Seller represents to Buyer that:

- (a) Burlington Resources Oil & Gas Company LP is a limited partnership validly existing and in good standing under the laws of the State of Delaware and The Louisiana Land and Exploration Company is a corporation validly existing and in good standing under the laws of the State of Maryland, and each is duly qualified to own its properties and assets and to carry on its business as now being conducted;
- (b) Seller has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, and the execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated hereby have been duly authorized;

- (c) This Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against it in accordance with the terms hereof, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights, and no other act, approval or proceeding on the part of Seller or any other party is required to

authorize the execution and delivery of this Agreement by Seller or the consummation of the transactions contemplated hereby;

- (d) This Agreement, and the execution and delivery hereof by Seller, does not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Seller or any other governing documents of Seller, (ii) violate, or conflict with, or constitute a default under, or result in the creation or imposition of any security interest, lien or encumbrance upon any property or assets of Seller under any mortgage, indenture or agreement to which it is a party or by which the Interests are bound, which violation, conflict or default might adversely affect the ability of Seller to perform its obligation under this Agreement, or (iii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Seller to perform its obligations under this Agreement;
- (e) Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer shall have any responsibility whatsoever;
- (f) Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986 and in any regulations promulgated thereunder;
- (g) Except as set forth on Exhibit "E" attached hereto, to the best of Seller's knowledge, there are no claims, actions, suits or proceedings

10

(including condemnation or similar proceedings) filed or threatened against the Interests or any portion thereof that would have a material adverse affect on the value or operation of the Interests;

- (h) None of the Interests are encumbered by take-or-pay or other similar arrangements with purchasers of oil or gas whereby Seller is obligated (i) to deliver production without receiving payment therefor, or (ii) to repay monies received for production paid for but not taken, and except as set forth in Exhibit "F" and except those that would not have a material effect on the value of the Interests, there are no production sales agreements currently in effect that cannot be terminated with sixty days prior written notice and there are no calls on production affecting the Interests;
- (i) To the best of Seller's knowledge, neither Seller, nor the Operator of those Interests operated by third parties, have violated any laws, statutes, regulations or orders applicable to any of the Interests or the operation thereof which violation (i) would have a material adverse affect on the value or operation of the affected Interests or (ii) has not been remedied;
- (j) To the best of Seller's knowledge, Seller has all material governmental licenses and permits and has properly made all material filings, necessary or appropriate to obtain those licenses and permits to own and operate the Interests, and such licenses, permits and filings are in full force and effect, and no material violations exist in respect of any such licenses, permits or filings, no proceeding is pending or to the best of Seller's knowledge is threatened looking toward the challenging, revocation or limitation of any such licenses, permits or filings;
- (k) To the best of Seller's knowledge, (i) the material terms of all Leases, operating agreements, production sales contracts, farmout agreements and other material contracts or agreements respecting the Interests can be found either of record in the counties in which the Interests are located or are reflected or referenced in Seller's

11

files, and (ii) these agreements are currently in full force and effect in accordance with their applicable terms;

- (l) To the best of Seller's knowledge, Seller has received no notice of termination of any of the Leases;
- (m) To the best of Seller's knowledge, information, and belief, there are no surface use or access agreements currently in force and effect that would materially and adversely alter the existing oil and gas operations of Seller on the Leases;
- (n) To best of Seller's knowledge, there are no pending AFE's or written proposals for plugging and abandoning any of the Wells; and

- (o) All ad valorem, property, production, severance and similar taxes and assessments based on or measured by the ownership of property or the production of hydrocarbons or the receipt of proceeds therefrom with respect to the Interests for all periods prior to the Effective Time have been properly paid.

In those instances where Seller's representations are made on the basis of "the best of Seller's knowledge", such representations are made by Seller on the basis of the actual knowledge of Seller's personnel at or above the supervisory level, without any investigation.

8. Representations of Buyer. Buyer represents to Seller that:

- (a) Buyer is a corporation validly existing and in good standing under the laws of the State of Montana and is duly qualified to own its properties and assets and to carry on its business as now being conducted;
- (b) Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Buyer and the

12

consummation of the transactions contemplated hereby have been duly authorized;

- (c) This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with the terms hereof, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting creditors' rights. No other act, approval or proceeding on the part of Buyer or any other party is required to authorize the execution and delivery of this Agreement by Buyer or the consummation of the transactions contemplated hereby;
- (d) This Agreement, and the execution and delivery hereof by Buyer, does not and the consummation of the transactions contemplated hereby will not (i) conflict with or result in a breach of the charter or bylaws of Buyer or any other governing documents of Buyer, or (ii) violate any statute or law or any judgment, decree, order, writ, injunction, regulation or rule of any court or governmental authority, which violation might adversely affect the ability of Buyer to perform its obligations under this Agreement;
- (e) Buyer possesses all required governmental licenses, permits, bonds, certificates, orders, and authorizations necessary to own or operate the Interests;
- (f) Buyer has, and will have on the Closing Date and thereafter, sufficient cash to enable it to make payment in immediately available funds of the purchase price when due and any other amounts to be paid by it hereunder;
- (g) Buyer is an experienced and knowledgeable investor in the oil and gas business. Buyer is not acquiring the Interests in connection with a distribution or resale thereof in violation of federal or state securities laws and the rules and regulations thereunder; and

13

- (h) Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Seller shall have any responsibility whatsoever.

9. Claims.

- (a) "Claims" shall mean any and all breaches of the representation in Section 7 (i), claims, losses, damages, costs, expenses, diminutions in value, suits, causes of action or judgments of any kind or character and whether asserted or unasserted by a third party with respect to any and all liabilities and obligations or alleged or threatened liabilities and obligations, including, but not limited to, any interest, penalty, and any attorneys' fees and other costs (including costs of remediation) and expenses incurred in connection with investigating or defending any claims or actions, whether or not resulting in any liability.
- (b) "Environmental Law" shall mean any statute, rule, regulation or order of any governmental agency having jurisdiction over the Interests or Seller pertaining to health, safety or the environment in effect on the Effective Time.

- (c) An "Environmental Defect" shall mean a Claim (i) attributable to or arising out of a violation of (i) any Environmental Law applicable to conditions existing prior to November 18, 2002 (ii) that is known by or made known to Buyer prior to November 18, 2002, and (iii) to which prompt remedial or corrective action reasonably estimated to entail expenditures in excess of TWENTY-FIVE THOUSAND DOLLARS (\$25,000) either is required or would be undertaken by a prudent operator of oil and gas properties. For the sole purpose of determining if an Environmental Defect exceeds TWENTY-FIVE THOUSAND DOLLARS (\$25,000), all Claims (whether single or multiple) relating to the violation of any Environmental Laws with respect to the same individual site or facility shall be considered a single Environmental Defect.

14

- (d) An "Environmental Claim" shall mean a Claim applicable to conditions existing prior to the Closing Date and attributable to or arising out of a violation of any Environmental Law that is (x) made known to Buyer after November 18, 2002 and (y) to which prompt remedial or corrective action reasonably estimated to entail expenditures in excess of TWENTY-FIVE THOUSAND DOLLARS (\$25,000) either is required or would be undertaken by a prudent operator of oil and gas properties. For the sole purpose of determining if an Environmental Claim exceeds TWENTY-FIVE THOUSAND DOLLARS (\$25,000), all Claims (whether single or multiple) relating to the violation of any Environmental Laws with respect to the same individual site or facility shall be considered a single Environmental Claim.

10. Indemnities of Seller.

-
- (a) Seller shall, to the fullest extent permitted by law, protect, defend, indemnify, and hold Buyer and its affiliates, including its directors, officers, employees, agents, and representatives of each of them, harmless from and against any and all Claims attributable to or arising out of (i) any act or omission by Seller involving or related to the Interests occurring before the Effective Time, except as limited in (x), (y) and (z) below, (ii) the matters set forth on Exhibit "E" hereto, and (iii) the breach by Seller of the representations contained in Section 7 hereof; provided, however, this indemnity is limited and shall not cover or include (x) matters pertaining to title to the Interests, all of which will be governed by Section 4 hereof, (y) any Claims with respect to any and all gas balancing liabilities and obligations or alleged or threatened liabilities and obligations, all of which will be governed by Section 14 hereof, or (z) any Claims with respect to any violation of Environmental Laws (regardless of the dollar amount in issue) waived pursuant to Section 13 hereof or by agreement.
- (b) After Closing, any assertion by Buyer that Seller is liable under the terms of the indemnities provided by Section 10(a)(i) or 10(a)(iii) must be made by Buyer in writing and must be given to Seller on or

15

prior to May 31, 2003, except that such time limitation shall not be applicable to any financial obligation of Seller created by operation of either the Leases or any contract or other agreement relating to the Interests and accruing prior to the Effective Time, which obligation shall remain the responsibility of Seller. Any notice to Seller shall state the facts known to Buyer that give rise to such notice in sufficient detail to allow Seller to evaluate the assertion. All claims by Buyer for a breach of any of Seller's representations in Section 7 shall be asserted by Buyer under Section 10(a)(iii).

- (c) If a Claim arises for which Buyer intends to seek indemnity with respect thereto under Section 10(a)(i) or 10(a)(iii), Buyer shall notify Seller of such Claim within thirty (30) days after the date on which Buyer becomes aware of such Claim. Seller shall have thirty (30) days after receipt of such notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and Buyer shall cooperate with Seller in connection therewith. So long as Seller has undertaken the defense of, and responsibility for, any such Claim and is reasonably contesting any such Claim in good faith, by appropriate proceedings (including the filing or posting of appeal bonds, supersedeas bonds and similar bonds), Buyer shall not pay or settle any such Claim. Buyer shall have the right to pay or settle any such Claim, provided that in such event it shall waive any right to indemnity by Seller for such Claim. If Seller does not notify Buyer within thirty (30) days after the receipt of Buyer's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, then Buyer shall have the right to contest, settle or compromise the Claim, but shall not thereby waive any right to indemnity therefor pursuant to this Section 10.

- (d) In the event of any notice of a Claim which is an Environmental Claim given by Buyer to Seller pursuant to this Section 10, Seller's total liability hereunder for any and all such Environmental Claims shall be limited to SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$7,500,000).

16

11. Assumption of Obligations and Indemnities of Buyer.

-
- (a) At Closing and subject to Seller's indemnity obligations contained in Section 10 hereof, Buyer agrees to assume and perform any and all of the liabilities and obligations or alleged or threatened liabilities and obligations of Seller that arise under the Interests and all assignments, operating agreements, leases, permits, deeds, rights-of-way, licenses, easements, options, orders, gas purchase contracts, product purchase and sale agreements, gas gathering agreements, gas processing agreements, or any other agreements or contracts attributable to, affecting, or otherwise relating to the Interests, including, but not limited to, any and all liabilities and obligations (i) to pay and deliver royalties, overriding royalties, non-participating royalties, and other burdens on production, (ii) in connection with or arising out of balancing of overproduction or underproduction from the Interests, (iii) necessary to comply with all laws and governmental regulations with respect to the Interests, including, but not limited to, the lawful plugging and abandonment of the Wells and the restoration of the surface of the land, or any governmental request or other requirement to abandon any pipeline or facility or take any clean-up, remedial or other action with respect to the Interests, regardless of when the events occurred that caused such condition to exist or the obligation to arise, and (iv) that arise under the agreements relating to the Interests. Without limitation of the foregoing, but however, subject to the provisions of Section 10 hereof, Buyer agrees to assume and perform any and all of the obligations and liabilities or alleged or threatened liabilities and obligations of Seller for any violation of Environmental Laws with respect to the Interests, regardless of when the events occurred that caused such condition to exist or the obligation to arise. Despite anything to the contrary in this Agreement, Buyer and Seller agree that Buyer is not assuming or agreeing to perform any and all liabilities and obligations or alleged or threatened liabilities and obligations of Seller that relate to or arise out of (x) payment and delivery of royalties, overriding royalties, non-participating royalties, and other burdens on production attributable to production

17

prior to the Effective Time, (y) taxes due on production prior to the Effective Time, or (z) audit claims from joint interest partners attributable to production prior to the Effective Time; provided, however, subsection (x) of this provision shall survive the Closing only until November 30, 2007, at which time Buyer shall assume and agree to perform all such liabilities and obligations of Seller whether or not such liabilities and obligations are attributable to periods prior to the Effective Time, and subsections (y) and (z) of this provision shall survive the Closing only until February 1, 2005, at which time Buyer shall assume and agree to perform all such liabilities and obligations of Seller whether or not such liabilities and obligations are attributable to periods prior to the Effective Time.

- (b) Buyer shall, to the fullest extent permitted by law, protect, defend, indemnify, and hold Seller and its directors, officers, employees, agents, and representatives of each of them (the "Seller Parties"), harmless from and against any and all Claims attributable to or arising out of the following (but only to the extent Seller has not agreed to provide Buyer with indemnity pursuant to Section 10 hereof): (i) Buyer's ownership or operation of the Interests subsequent to the Effective Time, (ii) Buyer's assumption of any obligation or liability contained in this Section 11, (iii) the breach by Buyer of the representations contained in Section 8 hereof, and (iv) the breach by Buyer of any of the agreements and covenants contained in this Agreement.
- (c) THE INDEMNIFICATION, RELEASE AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE SELLER PARTIES.
- (d) BUYER ACKNOWLEDGES THAT ITS OBLIGATIONS TO THE SELLER PARTIES HEREUNDER SHALL INCLUDE LIABILITIES/CLAIMS THAT ARISE FROM OR RELATE

18

TO COMMON LAW PRINCIPLES AND/OR LEGAL REQUIREMENTS AND ORDERS OR OTHER SIMILAR REQUIREMENTS (INCLUDING, BUT NOT LIMITED TO, THOSE WITH RESPECT TO ENVIRONMENTAL CONTAMINATION AND ENVIRONMENTAL MATTERS OF ANY KIND, INCLUDING THE ENVIRONMENTAL LAWS).

12. Due Diligence Review.

- (a) Prior to Closing, Seller, in Seller's offices, will make available to Buyer and Buyer's authorized representatives for examination as Buyer may reasonably request, all physical land files, well files, regulatory files, engineering well bore schematic books, facility drawings, logs, product purchase and sale contracts, division order files, abstracts and drilling and division order title opinions and revenue and expense records contained in Seller's files relating to the Interests, and core samples (Buyer shall pay all costs for obtaining such data or samples from any offsite storage facility or otherwise) (collectively the "Records"); provided, however, the Records shall not include (i) any geophysical data or (ii), any records not specifically related to the Interests, including but not limited to, prospect files, paleontology, velocity surveys and, except as stated above, files stored at offsite storage facilities, or (iii) any information subject to third party confidentiality agreements for which a consent or waiver cannot be secured by Seller after reasonable efforts. Prior to Closing, Buyer, at Buyer's sole cost, may copy any portion of the Records as Buyer may reasonably request. Seller makes no representation whatsoever that any of the Records noted above exist.
- (b) Seller shall permit Buyer and Buyer's authorized representatives to consult with Seller's employees during reasonable business hours and to conduct, at Buyer's sole risk and expense, wellsite inspections and inventories of the Interests that are Seller-operated. During such inspections, Buyer shall have the right to review the Interests to determine the environmental condition of the Equipment and Lease

19

premises. To the extent Buyer desires similar access to Seller's non-operated Interests, Seller shall assist Buyer in obtaining such access; provided, however, Buyer shall not contact the Operator of the non-operated Interests directly. In the event Buyer desires physical access to any of the Interests, Buyer agrees to protect, defend, indemnify and hold the Seller Parties harmless from and against any and all Claims occurring on or to the Interests as a result of Buyer's actions arising from its entry onto the Interests and its inspection thereof. Buyer agrees to comply fully with all rules, regulations and instructions issued by Seller regarding Buyer's actions while upon, entering or leaving the Interests.

13. Purchase Price Adjustments for Environmental Defects.

- (a) Buyer may, by delivery of written notice to Seller of the existence of an alleged Environmental Defect, request reduction of the purchase price for the Interest affected. The Environmental Defect notice shall clearly indicate the Interest to which the Environmental Defect relates, the condition which exists on the Interest, a detailed description of the Environmental Defect, the Environmental Law allegedly violated, and the dollar amount which Buyer believes it would take to rectify or remediate the Environmental Defect.
- (b) The Environmental Defect notice by Buyer shall be delivered to Seller on or before November 18, 2002. Seller shall have the right, but not the obligation, to attempt to cure any alleged Environmental Defect prior to Closing. In the event Seller is unable or unwilling to cure an alleged Environmental Defect, Buyer and Seller shall meet and use their reasonable efforts to agree on the validity of the claim of the Environmental Defect and the amount of any required purchase price adjustment. Any violation of an Environmental Law existing with respect to the Interests as of November 18, 2002, and known to Buyer on such date, or any conditions with respect to the Interests that might reasonably constitute a violation of an Environmental Law existing as of November 18, 2002, and known to Buyer on such date, but not included in an Environmental Defect notice delivered by Buyer to

20

Seller on or before such date shall be deemed waived for all purposes, and no such violation or condition shall be considered an Environmental Defect or an Environmental Claim.

- (c) In the event the parties cannot mutually agree on the purchase price adjustment for an alleged Environmental Defect, Buyer shall have the

right to (i) proceed to Closing and accept the Interest with the alleged Environmental Defect with no purchase price adjustment, or (ii) terminate this Agreement as to the Interest affected by the alleged Environmental Defect and receive a purchase price adjustment for such Interest as set forth in Exhibit "B", or, where feasible, the proportionate allocated value.

- (d) There shall be no purchase price adjustment for Environmental Defects unless the aggregate total of all Environmental Defects exceeds THREE HUNDRED EIGHTY THOUSAND DOLLARS (\$380,000).

14. Gas Imbalances. Seller estimates that there are no existing gas imbalances

affecting the Interests as of the Effective Time. On or before November 18, 2002, Seller shall provide Buyer with a revised gas imbalance schedule for all the Interests as of the Effective Time. There shall be a purchase price adjustment at Closing for the volumetric difference in the estimated and revised imbalance calculated on Seller's net revenue interest at a price of \$1.00 per MCF. To the extent that there is any difference between Seller's actual aggregate gas imbalance as of the Effective Time and the imbalance position settled at Closing, then an adjustment shall be made at the \$1.00 per net MCF rate in the Final Closing Statement. There shall be no further gas imbalance adjustments after the Post-Closing adjustment. In the event of a Title Defect affecting all or a portion of the Interests, the aggregate gas imbalance shown above shall be adjusted to take into account the affected Interest. Any purchase price adjustments for gas imbalances shall be made only on those Interests purchased by Buyer.

21

15. Other Purchase Price Adjustments.

- (a) As used herein, the term:

"Casualty Loss" shall mean, with respect to all or any portion of the Interests, any destruction by fire, blowout, storm or other casualty of all or any portion of the Interests between the Effective Time and Closing. Seller shall promptly notify Buyer of any Casualty Loss of which Seller becomes aware.

"Preferential Purchase Right" shall mean any option, right of first refusal or similar preferential purchase right burdening a Lease.

"Required Consent" shall mean any rights to consent to an assignment or transfer of a Lease, other than filings with governmental entities or notices to third parties customarily obtained subsequent to a sale or transfer, where the failure to receive such consent could reasonably render the transfer of such Lease to Buyer void or voidable.

- (b) If any Casualty Loss occurs prior to Closing to any of the Interests and such Casualty Loss may be repaired prior to Closing and, when repaired, the value of such Interests shall not be materially diminished, then Seller may repair such Casualty Loss prior to Closing at Seller's cost and shall notify Buyer of such election. In the event Seller (i) elects to repair such Casualty Loss and such repair is not completed prior to Closing or the repair completed by Seller does not cause the value of such Interests to be substantially the same as such value prior to the Casualty Loss, or (ii) is unable or unwilling to repair the Casualty Loss, then Buyer shall have the right to (x) proceed to Closing and accept the Interest with the Casualty Loss with no purchase price adjustment, or (y) terminate this Agreement as to the Interest affected by the Casualty Loss and receive a purchase price adjustment for such Interest as set forth in Exhibit "B", or where feasible, the proportionate allocated value.

22

- (c) Seller shall promptly give notices to third parties holding any Preferential Purchase Right known to Seller or identified to Seller by Buyer prior to Closing. Seller shall use all reasonable efforts, but without obligation to incur any unreasonable cost or expense, to obtain waivers of, or to comply with, any such Preferential Purchase Right prior to Closing. If a Preferential Purchase Right is exercised prior to Closing, the purchase price shall be reduced by the amount set forth in Exhibit "B" for the affected Interest, or where applicable and possible, the proportionate allocated value, and Seller shall convey the affected Interest to the holder of such right and be entitled to all amounts paid by such holder. If a Preferential Purchase Right is exercised after Closing, Buyer shall convey the affected Interest to the holder of such right and be entitled all amounts paid by such holder.

- (d) Seller shall promptly give notices to all third parties holding any

Required Consents known to Seller or identified to Seller by Buyer prior to Closing. Seller shall use all reasonable efforts, but without obligation to incur any unreasonable cost or expense, to obtain such Required Consents. Unless waived by Buyer, if a Required Consent is not obtained prior to Closing, the purchase price shall be reduced by the amount set forth in Exhibit "B" for the affected Interest, or where applicable and possible, the proportionate allocated value, and such Interest shall be excluded from the purchase and sale under this Agreement. Any Required Consent waived by Buyer shall be deemed a Permitted Encumbrance.

16. Confidentiality. All Records, and all other confidential data provided to

Buyer, whether before or after the date of this Agreement, and all title matters and environmental reports prepared by Buyer or Buyer's representatives relating to the Interests, shall be treated by Buyer as strictly confidential, and shall not be disclosed to any person, firm or corporation without the prior written consent of Seller. In the event this purchase and sale does not close, this covenant shall survive termination of this Agreement and Buyer shall promptly return all copies of the Records

23

in its possession; and in the event the sale closes, this covenant shall terminate at Closing.

17. DISCLAIMERS. THE INSTRUMENTS OF CONVEYANCE EXECUTED PURSUANT HERETO SHALL

BE EXECUTED WITHOUT ANY REPRESENTATION, WARRANTY OR COVENANT OF TITLE OF ANY KIND OR NATURE, EITHER EXPRESS, IMPLIED OR STATUTORY; PROVIDED, HOWEVER, SELLER SHALL SPECIALLY WARRANT AND AGREE TO DEFEND THE TITLE TO THE INTERESTS AGAINST THE LAWFUL CLAIMS AND DEMANDS OF ALL PERSONS OR ENTITIES CLAIMING THE SAME OR ANY PART THEREOF BY, THROUGH OR UNDER SELLER, BUT NOT OTHERWISE. THE INTERESTS ARE BEING CONVEYED AND ASSIGNED TO AND ACCEPTED BY BUYER IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, AND EXCEPT AS SPECIFICALLY PROVIDED HEREIN, WITHOUT ANY REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR NATURE, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MARKETABILITY, QUALITY, CONDITION, CONFORMITY TO SAMPLES, MERCHANTABILITY, AND/OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY SELLER AND WAIVED BY BUYER. THE INTERESTS HAVE BEEN USED FOR OIL AND GAS DRILLING, PRODUCTION, PIPELINE, TRANSPORTATION, STORAGE AND RELATED OPERATIONS. PHYSICAL CHANGES IN THE INTERESTS AND IN THE LANDS BURDENED THEREBY MAY HAVE OCCURRED AS A RESULT OF SUCH USES. THE INTERESTS MAY ALSO INCLUDE BURIED PIPELINES AND OTHER EQUIPMENT, THE LOCATIONS OF WHICH MAY NOT BE KNOWN BY SELLER OR READILY APPARENT BY A PHYSICAL INSPECTION OF THE INTERESTS. IT IS UNDERSTOOD AND AGREED THAT BUYER SHALL HAVE INSPECTED PRIOR TO CLOSING (OR SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT) THE LEASES, THE EQUIPMENT AND THE ASSOCIATED PREMISES AND SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL

24

CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT BUYER, EXCEPT AS SPECIFICALLY PROVIDED HEREIN, SHALL ACCEPT ALL OF THE SAME IN THEIR "AS IS, WHERE IS" CONDITION AND STATE OF REPAIR, AND WITH ALL FAULTS AND DEFECTS, INCLUDING, BUT NOT LIMITED TO, THE PRESENCE OF NATURALLY OCCURRING RADIOACTIVE MATERIAL (NORM) AND MAN-MADE MATERIAL FIBERS (MMMF). IN ADDITION, SELLER MAKES NO REPRESENTATION, COVENANT OR WARRANTY, EXPRESS, IMPLIED OR STATUTORY, AS TO THE ACCURACY OR COMPLETENESS OF ANY DATA OR RECORDS DELIVERED TO BUYER WITH RESPECT TO THE INTERESTS, OR CONCERNING THE QUALITY OR QUANTITY OF HYDROCARBON RESERVES, IF ANY, ATTRIBUTABLE TO THE INTERESTS, OR THE ABILITY OF THE INTERESTS TO PRODUCE HYDROCARBONS, OR THE PRICES WHICH BUYER IS OR WILL BE ENTITLED TO RECEIVE FOR ANY SUCH HYDROCARBONS.

18. DTPA Waiver. TO THE EXTENT APPLICABLE TO THE TRANSACTIONS CONTEMPLATE THIS

AGREEMENT, BUYER HEREBY WAIVES ITS RIGHTS UNDER THE PROVISIONS OF THE TEXAS DECEPTIVE TRADE PRACTICES ACT, CHAPTER 17, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), OF THE TEXAS BUSINESS & COMMERCE CODE (A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS). AFTER CONSULTATION WITH AN ATTORNEY OF ITS CHOICE, BUYER VOLUNTARILY CONSENTS TO THIS WAIVER.

19. Closing. The Closing shall be held on or before December 3, 2002, at the

offices of Seller at 5051 Westheimer, Suite 1400, Houston, Texas, or at such other time and place as Seller and Buyer may mutually agree in writing (the "Closing" or the "Closing Date").

25

20. Transactions at Closing.

- (a) Seller shall execute, acknowledge, and deliver to Buyer the instruments of conveyance in the forms as set forth in Exhibits "C-1" through "C-3" hereto conveying the Interests;
- (b) Seller and Buyer shall execute and deliver a Preliminary Closing Statement that shall set forth the Base Purchase Price and each adjustment and the calculation of such adjustments used to determine such amount (the "Closing Amount") in the form as set forth in Exhibit "D" hereto;
- (c) Seller shall deliver to Buyer the Records (but shall be authorized to keep a copy of the Records);
- (d) Seller and Buyer shall execute, acknowledge and deliver mutually agreeable transfer orders or letters-in-lieu prepared by the Seller, directing all purchasers of production to make future payments of proceeds attributable to production from the Interests to Buyer;
- (e) Seller shall deliver to Buyer (i) a certificate stating that the representations of Seller contained in Section 7 hereof are true as of the Closing Date, and (ii) a "non-foreign person" affidavit in the form as set forth in Exhibit "H" hereto;
- (f) Seller shall deliver to Buyer the legal opinion referenced in Section 6(c) hereof;
- (g) Buyer shall deliver to Seller a certificate stating that the representations of Buyer contained in Section 8 hereof are true as of the Closing Date;
- (h) Buyer shall deliver to Seller the legal opinion referenced in Section 5(b) hereof;

26

- (i) Buyer shall deliver to Seller a complete copy of Buyer's environmental assessment, including, but not limited to, reports, data, valuation, assessments and conclusions;
- (j) Seller shall deliver to Buyer possession of the Interests, subject to any applicable operating agreements or other related agreements affecting the Interests; and
- (k) Seller and Buyer shall execute the Data License Agreement in the form as set forth in Exhibit "G" hereto.
- (l) Buyer shall deliver to Seller cash by wire transfer in the amount of the Closing Amount to the following account:

Bank:Mellon Bank, Pittsburgh, PA.
 ABA/Routing Number: 043-000-261
 Account: 104-9050
 For Credit To: Burlington Resources Service Inc.

21. Further Assurance. Incidental and subsequent to Closing, each of the _____ parties shall execute, acknowledge, and deliver to the other such further instruments, and take such other actions as may be reasonably necessary to carry out the provisions of this Agreement.

22. Post-Closing Adjustments. On or before May 31, 2003, the parties shall _____ undertake to agree with respect to the adjustments or payments that were not finally determined as of Closing, and the amount due from Buyer or Seller, as the case may be, pursuant to the Post-Closing adjustment. On or before April 30, 2003, Seller shall provide Buyer with a Final Closing Statement setting forth the Post-Closing adjustments. Seller shall provide Buyer access to such of Seller's records as may be reasonably necessary to verify the Post-Closing adjustments. Payment by Buyer or Seller shall be made in immediately available funds within five (5) days of agreement. If the Final Closing Statement has not been agreed upon on or before the date

27

set forth herein, either party may seek to enforce any rights it claims pursuant to this Agreement.

23. Proration of Taxes. All ad valorem taxes, real property taxes, and similar _____ obligations with respect to the tax period in which the Effective Time occurs (the "current tax period") shall be apportioned between Seller and Buyer as of the Effective Time based on an estimate of the immediately preceding tax period assessment, and the Base Purchase Price shall be reduced at Closing by the amount of such estimated taxes owed by Seller for

that portion of the current tax period prior to the Effective Time.

24. Proceeds.

- (a) All proceeds, including, but not limited to, proceeds held in suspense or escrow and proceeds received after the Effective Time for oil produced and held in storage on the Leases but not sold as of the Effective Time, attributable to the Interests and accruing to the period prior to the Effective Time (including outstanding accounts receivable attributable to the period prior to the Effective Time) shall belong to Seller. Seller shall retain overhead charges and rates received by Seller in its capacity as Operator under any operating agreement or COPAS accounting procedure attributable to the Interests through the end of November 2002.
- (b) All proceeds attributable to the Interests and accruing to the period on and after the Effective Time shall belong to Buyer. In the event Seller has received proceeds belonging to Buyer after the Effective Time, Seller will account to Buyer for such proceeds at the same price Seller received for the production in accordance with its existing product purchase and sale contracts. In addition, there is excepted, reserved and excluded from the Interests any and all rights and claims for reimbursement, recovery, or recoupment by any lawful means of payments for any royalties, overriding royalties or other payments from production arising from or attributable to the Interests prior to the Effective Time that were tendered by Seller (or any of its

28

affiliated or subsidiary companies) to and accepted by any lessor, mineral owner or other party (collectively, "Royalty Owners") that are in excess of the amount of royalties, overriding royalties or other payments from production, if any, actually due or owing to such Royalty Owners prior to the Effective Time. In the event Buyer becomes aware of any such payments, Buyer shall promptly notify Seller and shall cooperate with Seller in Seller's efforts in respect of such payments.

25. Hart-Scott-Rodino Filing. This Agreement is subject in all respects to and

conditioned upon compliance by the parties with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and rules and regulations promulgated pursuant thereto (the "Act"), to the extent that the Act is applicable to the transactions contemplated by this Agreement. The parties shall make such filings within five (5) business days after execution of this Agreement, and provide such information to the Federal Trade Commission and their attorneys as is required in connection with the Act as soon as practicable after a request therefor.

26. Failure to Close. Subject to the other provisions of this Section, if all

of the conditions to Closing set forth in Sections 5, 6 and 25 hereof have not been satisfied or waived by the respective parties on or before January 31, 2003 (or such later date as hereafter may be mutually agreed upon by the parties in writing), this Agreement shall terminate automatically and the Performance Deposit shall be handled in accordance with this Section 26, and no party hereto shall have any further obligations or any liability to the other party pursuant to this Agreement; provided, however, that nothing herein shall relieve any party from liability for the willful failure to satisfy any conditions to Closing required to be satisfied by it. If the conditions to Buyer's obligations to close as set forth in Section 6 hereof have not been satisfied or waived by such date, or in the event this transaction is not consummated due to the condition of Closing contained in Sections 5(c) and 25 hereof, the Performance Deposit shall be returned to Buyer. If this transaction is not consummated by Buyer on such date for any other reason, Seller may retain the Performance Deposit, as agreed liquidated damages and not as a penalty, it being agreed that actual damages would be difficult to ascertain and that such amount is reasonable.

29

Upon any termination of this Agreement and subject to the terms of Section 45, Seller shall be free immediately to enjoy all rights of ownership of the Interests and to sell, transfer, encumber or otherwise dispose of the Interests to any party without any restriction under this Agreement.

27. Use of Seller Names. Buyer agrees that, as soon as practicable after

Closing, it will remove or cause to be removed the names and marks Burlington Resources, Meridian Oil, El Paso Production, Southland Royalty, or LL&E where and if they exist, and all variations and derivatives thereof and logos relating thereto from the Interests and will not thereafter make any use whatsoever of such names, marks, and logos.

28. Operations Pending Closing. Seller shall operate the Seller-operated

Interests using the same standard of care imposed on the "Operator" under the applicable joint operating agreements until Closing, or such later time as any applicable joint operating agreement may require, when such operation shall be turned over to, and become the responsibility of, Buyer. During the period from the date of this Agreement to Closing, Seller shall (i) consult with Buyer with respect to all AFE's over TWENTY-FIVE THOUSAND DOLLARS (\$25,000) net to the interests of Seller which are received by Seller with respect to any Interest, and consult with Buyer with respect to all material decisions to be made with respect to the Interests, including, without limitation, the incurring of costs for discretionary expenditures for operations in excess of TWENTY-FIVE THOUSAND DOLLARS (\$25,000) net to the interest of Seller for which AFE's are not prepared, (ii) operate the Interests in accordance with the terms and conditions of all applicable contracts, laws and regulations, and (iii) not transfer, sell, hypothecate, encumber, abandon or otherwise dispose of any material portion of the Interests (other than the sale of production in the ordinary course of business) or as required in connection with the exercise of third parties of preferential rights to purchase any of the Interests without the express written consent of Buyer.

29. Operations. Should Seller presently operate any Interest, Seller makes no

representation, warranty or covenant that the Buyer will become operator of any or all of the Interests. Buyer acknowledges that operations will be

30

governed by the applicable operating agreements or other related agreements affecting the Interests.

30. Occasional Sale. Seller and Buyer believe that this purchase and sale of

the Interests constitutes an isolated or occasional sale and is not subject to sales tax; provided, however, if any sales, transfers, use taxes or other similar taxes are due or should hereafter become due by reason of this transaction, Buyer shall timely pay and solely bear all such taxes (including penalty and interest thereon).

31. Recording Documents. Buyer shall pay all documentary, filing, and recording

fees incurred in connection with the filing and recording of the instruments of conveyance. As soon as practicable after Closing, Buyer shall provide Seller with recorded copies of all documents conveying the Interests to Buyer.

32. Notices. All notices hereunder shall be sufficiently given for all purposes

hereunder if in writing and delivered personally, or to the extent receipt is confirmed by the party charged with notice, sent by documented overnight delivery service, by United States Mail, telecopy, telefax or other electronic transmission service to the appropriate address or number as set forth below. Notices to Seller or Buyer shall be addressed to:

SELLER

Burlington Resources Oil & Gas Company LP
5051 Westheimer
Suite 1400
Houston, Texas 77056-2124
Attn: Manager, Acquisitions and Divestitures
Fax: 713-624-9601

BUYER

Nance Petroleum Corporation
550 N. 31st Street, Suite 500
Billings, Montana 59101
Attn:
Mr. Ron Santi, Vice President - Land
Fax: 406-245-9106

31

With a copy to:

St. Mary Land & Exploration Company
1776 Lincoln Street, Suite 700
Denver, Colorado 80203
Attn: Milam Randolph Pharo, Vice President - Land & Legal
Fax: 303-863-1040

33. Entire Agreement. This instrument states the entire agreement and

supersedes all prior agreements (except any prior Confidentiality Agreement between the Buyer and Seller) between the parties concerning the subject matter hereof. This Agreement may be supplemented, altered, amended, modified or revoked by writing only, signed by both parties.

34. Counterpart. This Agreement may be executed by Buyer and Seller in any

number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument.
35. Time of Essence. Time is of the essence in this Agreement.

36. Announcements. Seller and Buyer shall consult with each other prior to the

release of any press releases and other announcements concerning this Agreement or the transactions contemplated hereby. Any press release or other announcements will be at a time and in a form reasonably acceptable to Seller and Buyer. Nothing in this Section 36 shall prevent either party from making any announcement or disclosure required of it by any applicable securities law or stock exchange rules; however, the party required to make the announcement or disclosure agrees to use reasonable efforts to consult with the other party in connection with such announcement or disclosure.
37. Waiver. Any of the terms, provisions, covenants, representations,

warranties or conditions hereof may be waived only by a written instrument executed by the party waiving compliance. The failure of any party at any time or times to require performance of any provisions hereof shall in no manner affect such party's right to enforce the same. No waiver of any of

32

the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

38. Survival of Representations and Covenants. All representations and

covenants of the parties to the extent not fully performed or waived prior to Closing shall survive the Closing other than those contained in Sections 4, 5, 6, and 13 hereof. Claims for a breach of a representation or covenant covered by the provisions of Sections 10 and 11 shall be governed exclusively by the provisions of such Sections.
39. Reliance. Prior to executing and/or closing this Agreement, Buyer has been

afforded an opportunity to (i) examine the Interests and such materials as it has requested to be provided to it by Seller, (ii) discuss with representatives of Seller such materials and the nature and operation of the Interests and (iii) investigate the condition, including subsurface condition, of the Interests. In entering into and closing this Agreement, Buyer has relied solely on the express representations and covenants of Seller in this Agreement, its independent investigation of, and judgment with respect to, the Interests, and the advice of its own legal, tax, economic, environmental, engineering, geological and geophysical advisors, and not on any comments or statements of Seller or any representatives or agents of, or consultants or advisors engaged by, Seller.
40. Governing Law. This Agreement and the rights and obligations of the parties

hereto shall be governed, construed, and enforced in accordance with the laws of the State of Texas. The parties agree that any litigation relating directly or indirectly to this Agreement must be brought before and determined by a court of competent jurisdiction within Harris County, State of Texas, except as the laws of any other jurisdiction mandatorily apply.
41. Legal Fees. The prevailing party in any legal proceeding brought under or

to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing party.
42. Agreement for the Parties' Benefit Only. This Agreement is not intended to

confer upon any person not a party hereto any rights or remedies hereunder, and no person other than the parties hereto is entitled to rely on any representation, covenant, or agreement contained herein.
43. Severability. If any term or other provision of this Agreement is invalid,

illegal or incapable of being enforced by any rule of law or public policy,

33

all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

- 44. Binding Effect; Assignment. All the terms, provisions, covenants, -----
representations, and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors; provided, however, this Agreement or any portion thereof and the rights and obligations hereunder shall not be assignable or delegable by any party without the express prior written consent of the non-assigning or non-delegating party.
- 45. Enforcement. Should Buyer or Seller default in the performance of this -----
Agreement, the non-defaulting party shall be entitled to enforce specific performance of this Agreement, or exercise any other right or remedy it may have at law or in equity by reason of such default.
- 46. Preservation of the Records. For a period of three (3) years after the -----
Closing Date (unless a written request is made for a longer period), the party in possession of the originals of the Records will retain such Records and will make such Records available to the other party upon reasonable notice for inspection and/or copying at the headquarters of the

party in possession (or at such other location in the United States as the party in possession may designate in writing to the other party) at reasonable times and during regular office hours.

- 47. Like Kind Exchange - Internal Revenue Code ss.1031. Buyer agrees to -----
cooperate with and assist Seller, as reasonably requested, to enable Seller to comply with the provisions of Section 1031 of the Internal Revenue Code and provisions related thereto.

EXECUTED as of the date first above mentioned.

SELLER
BURLINGTON RESOURCES OIL & GAS COMPANY LP
By: BROG GP Inc., its sole General Partner

By: /s/ THOMAS B. NUSZ

Thomas B. Nusz
Vice President

THE LOUISIANA LAND AND EXPLORATION COMPANY

By: /s/ THOMAS B. NUSZ

Thomas B. Nusz
Vice President

BUYER
NANCE PETROLEUM CORPORATION

By: /s/ RONALD B. SANTI

Ronald B. Santi
Vice President, Land

For Information

Mark A. Hellerstein
Robert T. Hanley
303-861-8140

FOR IMMEDIATE RELEASE

ST. MARY COMPLETES ACQUISITION OF OIL & GAS PROPERTIES
FROM BURLINGTON RESOURCES

DENVER, December 10, 2002 - St. Mary Land & Exploration Company (NYSE: SM) today announced that the previously announced agreement to acquire oil and gas properties in the Williston Basin of Montana and North Dakota from Burlington Resources Oil & Gas Company LP was completed on December 3, 2002 for a purchase price of \$69.1 million in cash after normal purchase price adjustments including the allocation of revenues and expenses from the properties from July 1, 2002 until the closing date. The Company utilized cash on hand and a portion of its existing credit facility to fund the acquisition.

This release may contain forward-looking statements. These statements involve known and unknown risks, which may cause St. Mary's actual results to differ materially from results expressed or implied by the forward-looking statements. These risks include such factors as the uncertain nature of the expected benefits from the acquisition of oil and gas properties, the volatility and level of oil and natural gas prices, production rates and reserve replacement, reserve estimates, drilling and operating risks, market conditions for the acquisition of oil and gas properties, competition, litigation, environmental matters, the potential impact of government regulations, and other matters discussed under the "Risk Factors" section of St. Mary's 2001 Annual Report on Form 10-K filed with the SEC. Although St. Mary may from time to time voluntarily update its forward-looking statements, it disclaims any commitment to do so except as required by securities laws.

PR-02-19