

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)  
February 23, 2006 (February 23, 2006)

**St. Mary Land & Exploration Company**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

001-31539  
(Commission  
File Number)

41-0518430  
(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.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02 Results of Operations and Financial Condition.**

In accordance with General Instruction B.2. of Form 8-K, the following information, including Exhibit 99.1, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall such information and Exhibit be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such a filing.

On February 23, 2006, St. Mary Land & Exploration Company issued a press release announcing its results of operations for the full year and fourth quarter of. A copy of the press release is furnished as Exhibit 99.1 to this report. As indicated in the press release, the Company has scheduled a related 2005 earnings teleconference call for February 24, 2006, at 8:00 a.m. (MST). The teleconference call is publicly accessible, and the press release includes instructions as to when and how to access the teleconference and the location on the Company's web site where the teleconference information will be available.

The press release contains information about the Company's discretionary cash flow, which is a "non-GAAP financial measure" under SEC rules. The press release also presents information about the Company's net cash provided by operating activities, which is the most directly comparable GAAP financial measure, and contains a reconciliation of discretionary cash flow to net cash provided by operating activities for the periods presented, a presentation of other cash flow information under GAAP, and a statement indicating why management believes that the presentation of discretionary cash flow provides useful information to investors.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits. The following exhibits are furnished as part of this report:

Exhibit 99.1 Press release of St. Mary Land & Exploration Company dated February 23, 2006

**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: February 23, 2006

By: /S/ DAVID W. HONEYFIELD  
David W. Honeyfield  
Vice President – Chief Financial Officer, Secretary  
and Treasurer

**For Information**

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

**ST. MARY REPORTS RESULTS FOR THE FULL YEAR AND 4<sup>TH</sup> QUARTER 2005**

**DENVER, February 23, 2006** – St. Mary Land & Exploration Company (NYSE: SM) today reported earnings of \$151.9 million or \$2.33 per diluted share for the year ended December 31, 2005. The full year 2004 earnings were \$92.5 million or \$1.44 per diluted share. All per share numbers reflect the 2-for-1 stock split that occurred on March 31, 2005. Revenues for 2005 were \$739.6 million compared to \$433.1 million for 2004. St. Mary's discretionary cash flow<sup>(1)</sup> increased 66% to \$462.0 million in 2005 from \$279.1 million in 2004. Net cash provided by operating activities increased to \$409.4 million in 2005 from \$237.2 million in 2004.

Oil and gas production for 2005 was 87.4 billion cubic feet of gas equivalent (BCFE) compared to 75.4 BCFE for 2004. The average realized price per MCFE increased \$2.66 to \$8.14 in 2005, a 49% increase from the average price realized in 2004.

Earnings for the fourth quarter of 2005 were \$51.2 million or \$0.78 per diluted share compared to \$26.6 million or \$0.42 per diluted share for the fourth quarter of 2004. Revenues for the fourth quarter of 2005 were \$227.9 million compared to \$126.4 million for the same period in 2004. Discretionary cash flow for the fourth quarter of 2005 increased 64% from the same period in 2004 to \$137.0 million. Net cash provided by operating activities increased to \$107.2 million in the fourth quarter of 2005 from \$80.0 million in the fourth quarter of 2004. Average daily oil and gas production during the fourth quarter 2005 totaled 237.6 MMCFE, up 10% from 216.3 MMCFE in the comparable 2004 period. Average prices realized during the quarter were \$10.74 per Mcf and \$53.46 per barrel, which were 75% and 45% higher, respectively, than the realized prices in the fourth quarter of 2004.

Mark Hellerstein, Chairman, President and CEO, commented, "We realized record earnings per share for the year 2005 as a result of a 16% increase in production as well as higher commodity prices. We grew our reserves 21% in 2005 and replaced 256% of our production, with 199% through the drill bit. We begin 2006 with a strong balance sheet and the largest prospect inventory in the Company's history, including our multi-year development programs in the Middle Bakken, the Hanging Woman Basin, the Centrahoma field, the Atoka/Granite Wash program at Northeast Mayfield and the Elm Grove field in northern Louisiana. We increased our 2006 drilling capital expenditure budget 50% to \$500 million. We are looking forward to continued growth in 2006."

## **Operations and Guidance Update**

Since our operations update on January 26, 2006, we have had the following significant developments:

- In the ArkLaTex region, the Colquitt #1 (SM 60% WI) well was recently completed in the Terryville field. The well had an initial production rate of 2,400 MCFED. The favorable results from this well will lead to additional drilling at the Terryville field.
- In the Gulf Coast region, the SM 24-1 ST is currently producing 15,000 MCFED, up from the 8,000 MCFED previously reported. St. Mary has a 21% royalty interest in this well.

The Company's updated forecast for the first quarter and the full year of 2006 is as follows:

	<u>1st Quarter</u>	<u>Year</u>
Oil and gas production	21.5 – 22.5 BCFE	96.0 – 98.0 BCFE
Lease operating expenses, including transportation	\$1.16 - \$1.22/MCFE	\$1.18 - \$1.24/MCFE
Production taxes	\$0.55 - \$0.60/MCFE	\$0.55 - \$0.60/MCFE
General and administrative exp.	\$0.50 - \$0.55/MCFE	\$0.45 - \$0.50/MCFE
Depreciation, depletion & amort.	\$1.67 - \$1.73/MCFE	\$1.92 - \$1.98/MCFE

As previously announced, the teleconference call to discuss year-end results is scheduled for February 24, 2006 at 8:00 am (MST). The call participation number is 888-424-5231. A digital recording of the conference call will be available two hours after the completion of the call, 24 hours per day through March 10 at 800-642-1687, conference number 4072153. International participants can dial 706-634-6088 to take part in the conference call and can access a replay of the call at 706-645-9291, conference number 4072153. In addition, the call will be broadcast live at St. Mary's web site at [www.stmaryland.com](http://www.stmaryland.com) and the earnings press release and financial highlights will be available before the call at [www.stmaryland.com](http://www.stmaryland.com) under "News-Press Releases." An audio recording of the conference call will be available at that site through March 10.

This release contains forward looking statements within the meaning of securities laws, including forecasts and projections for future periods. The words "will," "believe," "anticipate," "intend," "estimate," "forecast," "plan" and "expect" and similar expressions are intended to identify 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 volatility and level of oil and natural gas prices, unexpected drilling conditions and results, the risks of various exploration and hedging strategies, the uncertain nature of the expected benefits from the acquisition of oil and gas properties, production rates and reserve replacement, the imprecise nature of oil and gas reserve

estimates, drilling and operating service availability, uncertainties in cash flow, the financial strength of hedge contract counterparties, the availability of economically attractive exploration and development and property acquisition opportunities and any necessary financing, competition, litigation, environmental matters, the potential impact of government regulations, and other such matters discussed in the "Risk Factors" section of St. Mary's 2004 Annual Report on Form 10-K filed with the SEC and the 2005 Annual Report on Form 10-K expected to be filed with the SEC on or about February 24, 2006. Although St. Mary may from time to time voluntarily update its prior forward looking statements, it disclaims any commitment to do so except as required by securities laws.

- (1) Discretionary cash flow is computed as net income plus depreciation, depletion, amortization, ARO accretion, impairments, deferred taxes, the income tax benefit from the exercise of stock options, exploration expense, deferred and accrued stock based compensation expense, and non-cash changes in the Net Profits Plan liability less the cumulative effect of unrealized derivative loss or gain. See the attached financial highlights for a reconciliation of discretionary cash flow to net cash provided by operating activities, a presentation of other cash flow information, and a statement indicating why management believes the presentation of the non-GAAP measure of discretionary cash flow provides useful information to investors.

PR-06-03

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# ST. MARY LAND & EXPLORATION COMPANY

## FINANCIAL HIGHLIGHTS

December 31, 2005

(Unaudited)

### PRODUCTION DATA

	For the Three Months			For the Year		
	Ended December 31,		Percent Change	Ended December 31,		Percent Change
	2005	2004		2005	2004	
<b>Average realized price, net of hedging:</b>						
Oil (per Bbl)	\$ 53.46	\$ 36.75	45%	\$ 50.93	\$ 32.53	57%
Gas (per Mcf)	\$ 10.74	\$ 6.14	75%	\$ 7.90	\$ 5.52	43%
<b>Production:</b>						
Oil (MBbls)	1,531	1,253	22%	5,927	4,799	24%
Gas (MMcf)	12,676	12,383	2%	51,801	46,598	11%
MMCFE (6:1)	21,862	19,899	10%	87,363	75,393	16%
<b>Daily production:</b>						
Oil (Bbls per day)	16,640	13,615	22%	16,238	13,113	24%
Gas (Mcf per day)	137,788	134,603	2%	141,922	127,316	11%
MCFE per day (6:1)	237,630	216,293	10%	239,352	205,992	16%
<b>Margin analysis per MCFE:</b>						
Average realized price, net of hedging	\$ 9.97	\$ 6.13	63%	\$ 8.14	\$ 5.48	49%
Lease operating expense and transportation	1.21	0.90	34%	1.08	0.91	19%
Production taxes	0.74	0.42	76%	0.56	0.36	56%
General and administrative costs	0.44	0.28	57%	0.37	0.29	28%
Operating margin	\$ 7.58	\$ 4.53	67%	\$ 6.13	\$ 3.92	56%
Depletion, depreciation and amortization	\$ 1.46	\$ 1.48	-1%	\$ 1.52	\$ 1.22	25%

### INCOME STATEMENT

(In thousands, except per share amounts)

	For the Three Months		For the Year	
	Ended December 31,		Ended December 31,	
	2005	2004	2005	2004
<b>Operating revenues:</b>				
Oil and gas production revenue	\$ 231,609	\$ 139,316	\$ 733,544	\$ 463,617
Oil and gas hedge loss	(13,572)	(17,243)	(22,539)	(50,299)
Marketed gas revenue	8,672	4,456	25,269	15,551
Gain (loss) on sale of proved properties	2	(711)	222	1,803
Other revenue	1,183	570	3,094	2,427
	227,894	126,388	739,590	433,099
<b>Operating expenses:</b>				
Oil and gas production expense	42,455	26,239	142,873	95,518
Depletion, depreciation, amortization and abandonment liability accretion	31,825	29,454	132,758	92,223
Exploration	17,457	8,489	44,931	28,560
Impairment of proved properties	-	-	-	494
Abandonment and impairment of unproved properties	1,274	(1,212)	5,780	1,420
General and administrative	9,517	5,545	32,756	22,004
Change in Net Profits Plan liability	35,010	10,386	106,263	24,398
Marketed gas operating expense	8,557	4,016	24,164	14,230
Derivative loss	305	306	1,615	260
Other expense	494	217	2,456	2,077
	146,894	83,440	493,596	281,184
<b>Income from operations</b>	81,000	42,948	245,994	151,915
<b>Nonoperating income (expense):</b>				
Interest income	193	78	456	557
Interest expense	(1,651)	(1,720)	(8,213)	(6,244)
Income before income taxes	79,542	41,306	238,237	146,228
Income tax expense - current	32,242	7,013	80,754	22,532
Income tax expense (benefit) - deferred	(3,938)	7,664	5,547	31,217
<b>Net income</b>	\$ 51,238	\$ 26,629	\$ 151,936	\$ 92,479

<b>Basic weighted-average shares outstanding</b>	<u>56,807</u>	<u>56,924</u>	<u>56,907</u>	<u>57,702</u>
<b>Diluted weighted-average shares outstanding</b>	<u>66,949</u>	<u>66,496</u>	<u>66,894</u>	<u>66,894</u>
<b>Basic net income per common share</b>	<u>\$ 0.91</u>	<u>\$ 0.46</u>	<u>\$ 2.67</u>	<u>\$ 1.60</u>
<b>Diluted net income per common share</b>	<u>\$ 0.78</u>	<u>\$ 0.41</u>	<u>\$ 2.33</u>	<u>\$ 1.44</u>



## **BALANCE SHEET**

(In thousands)

	<b>December 31,</b>	<b>December 31,</b>
	<b>2005</b>	<b>2004</b>
Working capital	\$ 4,937	\$ 12,035
Long-term debt	\$ 99,885	\$ 136,791
Stockholders' equity	\$ 569,320	\$ 484,455
Shares outstanding, net of treasury	56,762	56,958

## **PROVED RESERVES**

	<b>December 31,</b>	<b>December 31,</b>
	<b>2005</b>	<b>2004</b>
Oil (MBbls)	62,903	56,574
Gas (MMcf)	417,075	319,196
MMCFE (6:1)	794,493	658,638

## **CASH FLOW**

(In thousands)

### **Reconciliation of Discretionary Cash Flow to Net Cash Provided by Operating Activities:**

	<b>For the Three Months</b>		<b>For the Year</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Discretionary cash flow (1)	\$ 137,011	\$ 83,754	\$ 462,032	\$ 279,056
(Gain) loss on property sales	(2)	711	(222)	(1,803)
Exploration expense, excluding exploratory dry hole expense	(11,867)	(6,857)	(36,827)	(24,398)
Minority interest and other	319	1,550	281	(1,948)
Changes in working capital	(18,228)	872	(15,885)	(13,745)
Net cash provided by operating activities	<u>\$ 107,233</u>	<u>\$ 80,030</u>	<u>\$ 409,379</u>	<u>\$ 237,162</u>
Net cash used in investing activities	<u>\$ (66,507)</u>	<u>\$ (137,953)</u>	<u>\$ (339,779)</u>	<u>\$ (247,006)</u>
Net cash provided by (used in) financing activities	<u>\$ (52,398)</u>	<u>\$ 39,653</u>	<u>\$ (61,093)</u>	<u>\$ 1,435</u>

(1) Discretionary cash flow is computed as net income plus depreciation, depletion, amortization, ARO accretion, impairments, deferred taxes, the income tax benefit from the exercise of stock options, exploration expense, deferred and accrued stock-based compensation expense, and non-cash changes in the Net Profits Plan liability less the cumulative effect of unrealized derivative loss or gain. The non-GAAP measure of discretionary cash flow is presented since management believes that it provides useful additional information to investors for analysis of St. Mary's ability to internally generate funds for exploration, development and acquisitions. In addition, discretionary cash flow is widely used by professional research analysts and others in the valuation, comparison and investment recommendations of companies in the oil and gas exploration and production industry, and many investors use the published research of industry research analysts in making investment decisions. Discretionary cash flow should not be considered in isolation or as a substitute for net income, income from operations, net cash provided by operating activities or other income, profitability, cash flow or liquidity measures prepared under GAAP. Since discretionary cash flow excludes some, but not all, items that affect net income and net cash provided by operating activities and may vary among companies, the discretionary cash flow amounts presented may not be comparable to similarly titled measures of other companies.