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) November 1, 2007 (November 1, 2007)

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 (Address of principal executive offices) 80203 (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 November 1, 2007, St. Mary Land & Exploration Company ("the Company") issued a press release announcing its results of operations for the third quarter of 2007. 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 the third quarter 2007 earnings teleconference call for November 2, 2007, at 8:00 a.m. (MDT). 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.

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

Item 9.01 Financial Statements and Exhibits.

(d)Exhibits. Exhibit 99.1 The following exhibit is furnished as part of this report: Press release of St. Mary Land & Exploration Company dated November 1, 2007.

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:November 1, 2007

By:<u>/s/ MARK T. SOLOMON</u> Mark T. Solomon Controller For Information Brent A. Collins 303-861-8140

FOR IMMEDIATE RELEASE

ST. MARY REPORTS RESULTS FOR THIRD QUARTER 2007 AND PROVIDES GUIDANCE UPDATE

DENVER, November 1, 2007–St. Mary Land & Exploration Company (NYSE: SM) today reports net income of \$57.7 million, or \$0.89 per diluted share, for the third quarter of 2007.

"The third quarter was a solid quarter for St. Mary. We grew production for the seventh consecutive quarter and set a new quarterly production record for the Company. The management team is focused on delivering solid results with an eye toward improving our capital efficiency and our operating cost structure. We continued to make progress in a number of key resource areas and expanded our presence in the Olmos shallow gas play with an acquisition in South Texas which we closed in early October. I am pleased with the Company's pace and direction," commented Tony Best, President and CEO.

THIRD QUARTER RESULTS

St. Mary announces third quarter 2007 earnings of \$57.7 million or \$0.89 per diluted share. Third quarter 2006 earnings were \$55.9 million or \$0.88 per diluted share. Adjusted net income, which adjusts for significant non-cash and non-recurring items, was \$57.8 million or \$0.89 per diluted share for the third quarter of 2007 compared to \$53.0 million or \$0.83 per diluted share for the comparable period in 2006. Discretionary cash flow increased to \$162.3 million in the third quarter of 2007 from \$140.5 million in the same period of the preceding year, an increase of 16 percent. Net cash provided by operating activities increased to \$191.7 million in the third quarter of 2006. Adjusted net income and discretionary cash flow are non-GAAP financial measures – please refer to the respective reconciliation for the nearest comparable GAAP financial measure in the Financial Highlights section at the end of this release, which contains explanations as to why the Company believes these non-GAAP measures are meaningful.

Revenues for the third quarter of 2007 were \$246.7 million compared to \$198.0 million in the comparable period of 2006. Oil and gas production during the third quarter of 2007 averaged a quarterly record of 298.4 million cubic feet of gas equivalent per day (MMCFE/d), an increase of 19% from 251.7 MMCFE/d in the third quarter of 2006 period and 4% higher than the 286.1 MMCFE/d in the second quarter of 2007. Average realized prices, inclusive of hedging activities, were \$7.03 per Mcf and \$67.56 per barrel during the third quarter of 2007. These were 2% lower and 10% higher, respectively, than the realized prices in the third quarter of 2006. Average prices, excluding hedging activities, were \$5.98 per Mcf and \$71.68 per barrel during the quarter, which were 7% lower and 10% higher, respectively, than the same quarter last year. The Company's natural gas realizations continue to benefit from high Btu gas in several of our regions, which is being processed to extract the natural gas liquids. The prices for natural gas liquids have trended with crude oil prices, thus benefiting from the rise in oil prices in recent months.

Total lease operating and transportation expense was up slightly between the third quarters of 2007 and 2006 on a per MCFE basis. A large unplanned workover at Judge Digby accounted for \$0.03 per MCFE of this increase. The increase in depletion and depreciation expense from the third quarter of 2006 to the third quarter of 2007 reflects the higher finding cost environment experienced by the industry in recent years to acquire and develop properties. Exploration expense for the current quarter came in below guidance due to lower than expected geologic-related costs in the period. Year over year, the overall increase in exploration expense is the result of increased levels of technical headcount, higher NPP payments, and 3D seismic work in the Mid-Continent region. General and administrative expense for the third quarter of 2007 was slightly higher than guidance as a result of higher than budgeted cash and stock-based compensation costs associated with increased headcount and the fact that a portion of stock-based compensation expense in personnel mentioned above as well as the incremental costs associated with supporting and providing office space for those individuals.

GUIDANCE UPDATE

The Company's forecasts for the fourth quarter and the full year 2007 are shown below.

	4th Quarter	Year
Oil and gas production	27.0 - 28.0 BCFE	106.0 – 107.0 BCFE
Lease operating expenses,		
including transportation	\$1.35 - \$1.39/MCFE	\$1.41 - \$1.43/MCFE
Production taxes	\$0.69 - \$0.72/MCFE	\$0.58 - \$0.60/MCFE
General and administrative exp	\$0.47 - \$0.51/MCFE	\$0.47 - \$0.49/MCFE
Depreciation, depletion & amort.	\$2.10 - \$2.20/MCFE	\$2.06 - \$2.11/MCFE

St. Mary estimates the basis differential (the difference between estimated realized oil and gas prices, before hedging, and the applicable NYMEX prices) for the fourth quarter of 2007 will be \$5.50 to \$6.50 per barrel of oil and \$0.50 to \$0.60 per Mcf of gas.

Below is an updated summary hedging schedule for the Company. All the prices in the table below have been converted to a NYMEX equivalent for ease of comparison using current quality and transportation differentials. The majority of the oil trades are settled against NYMEX. The gas contracts have been executed to settle against regional delivery points that correspond with production areas of the Company, thereby reducing basis risk. For detailed schedules on the Company's hedging program, please refer to the Form 10-Q for the period ended September 30, 2007, which is expected to be filed with the Securities and Exchange Commission on or about November 2, 2007.

Oil Swaps - NYMEX Equivalent

Oil Collars - NYMEX Equivalent

2007

Q4

Q2

Q3

Q4

2009

2010

2011

2007 Q4

2008 Q1

Q2

Q3

Q4

2009

2010

2011

2008 Q1 <u>Bbls</u>

689,000

415,000

415,000

419,000

419,000

1,526,000

1,367,500

1,236,000

<u>MMBTU</u>

3,000,000

2,722,500

2,722,500

2,737,500

2,737,500

9,110,000

7,825,000

6,625,000

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

\$

Floor

<u>\$/Bbl</u>

51.58

50.00 \$

50.00 \$

50.00

50.00 \$

50.00 \$

50.00 \$

8.56 \$

7.22 \$

7.27 \$

7.18 \$

7.46 \$

6.17

6.10 \$

6.08

\$

\$

Floor

<u>\$/MMBTU</u>

\$

\$

50.00 \$

Ceiling

<u>\$/Bbl</u>

72.81

69.83

69.83

69.82

69.82

67.31

64.91

63.70

10.51

10.36

10.42

10.33

10.61

10.17

8.39

7.32

Ceiling

\$/MMBTU

	Bbls	<u>\$/Bbl</u>	
2007			
Q4	504,620	\$ 65.36	
2008			
Q1	538,000	\$ 70.39	
Q2	504,000	\$ 70.26	
Q3	483,000	\$ 70.44	
Q4	420,000	\$ 69.15	
2009	1,363,000	\$ 67.74	
2010	1,239,000	\$ 66.47	
2011	1,032,000	\$ 65.36	

Natural Gas Swaps - NYMEX Equivalent

Natural Gas Collars - NYMEX Equivalent

	<u>MMBTU</u>	<u>\$/N</u>	<u>IMBTU</u>
2007			
Q4	5,440,000	\$	9.11
2008			
Q1	4,190,000	\$	9.65
Q2	4,120,000	\$	8.12
Q3	4,100,000	\$	8.22
Q4	4,290,000	\$	9.08
2009	13,470,000	\$	8.71
2010	4,670,000	\$	8.29
2011	880,000	\$	6.96

Natural Gas Liquid Swaps - Mont. Belvieu

	<u>Bbls</u>	<u>\$/Bbl</u>
2007		
Q4	132,888	\$ 39.49
2008		
Q1	151,321	\$ 39.54
Q2	170,167	\$ 39.49
Q3	194,112	\$ 39.25
Q4	217,148	\$ 38.63
2009	627,179	\$ 38.61

CONFERENCE CALL

As previously announced, St. Mary's teleconference call to discuss third quarter results is scheduled for November 2, 2007, at 8:00 am (MDT). 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 November 16 at 800-642-1687, conference number 19138412. 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 19138412. In addition, the call will be broadcast live at St. Mary's website at <u>www.stmaryland.com</u> and the earnings press release and financial highlights attachment will be available before the call at <u>www.stmaryland.com</u> under "News-Press Releases." An audio recording of the conference call will be available at that site through November 16.

INFORMATION ABOUT FORWARD LOOKING STATEMENTS

This release contains forward looking statements within the meaning of securities laws, including forecasts and projections. The words "will," "believe," "budget," "anticipate," "intend," "estimate," "forecast," "plan" and "expect" and similar expressions are intended to identify forward looking statements. Although St. Mary believes the expectations and forecasts reflected in these statements are reasonable, it can give no assurance that they will prove to be correct. 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, the availability of economically attractive exploration and development and property acquisition opportunities and any necessary financing, the uncertain nature of the expected benefits from the acquisition of oil and gas properties and the ability to successfully integrate acquisitions, the pending nature of the announced divestiture of non-core oil and gas properties as well as the ability to complete the transaction, the uncertain nature of the expected benefits from the divestiture of oil and gas properties and the amount of expected proceeds to be received from the divestiture, lower prices realized on oil and gas sales resulting from our commodity price risk management activities, unsuccessful exploration and development drilling, the imprecise nature of estimating oil and natural gas reserves, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, drilling and operating service availability, uncertainties in cash flow, the financial strength of hedge contract counterparties, the negative impact that lower oil and natural gas prices could have on our ability to borrow, litigation, environmental matters, the potential impact of government regulations, and other such matters discussed in the "Risk Factors" section of St. M

> PR-07-21 ###

September 30, 2007 (Unaudited)

Production Data	on Data For the Three Months Ended September 30,					For the Nine Months Ended September 30,						
		2007	2006		Percent Change	2007		2006		Percent Change		
Average realized sales price, before hedging:												
Oil (per Bbl)	\$	71.68	\$	65.02	10%		61.97	\$	61.83	0%		
Gas (per Mcf)	\$	5.98	\$	6.41	-7%	\$	6.62	\$	6.70	-1%		
Average realized sales price, net of hedging:												
Oil (per Bbl)	\$	67.56	\$	61.28	10%	\$	60.18	\$	58.41	3%		
Gas (per Mcf)	\$	7.03	\$	7.14	-2%	\$	7.57	\$	7.44	2%		
Production:												
Oil (MBbls)		1,796		1,496	20%		5,203		4,454	17%		
Gas (MMcf)		16,675		14,182	18%		47,743		40,994	16%		
MMCFE (6:1)		27,453		23,160	19%		78,962		67,717	17%		
Daily production:												
Oil (Bbls per day)		19,526		16,265	20%		19,060		16,314	17%		
Gas (Mcf per day)		181,249		154,154	18%		174,881		150,162	16%		
MCFE per day (6:1)		298,405		251,742	19%		289,240		248,046	17%		
Margin analysis per MCFE:												
Average realized sales price, before hedging	\$	8.32	\$	8.12	2%	\$	8.08	\$	8.12	0%		
Average realized price, net of hedging	\$	8.69	\$	8.33	4%	\$	8.54	\$	8.34	2%		
Lease operating expense and transportation		1.46		1.40	4%		1.45		1.37	6%		
Production taxes		0.54		0.54	0%		0.55		0.54	2%		
General and administrative		0.48		0.42	14%		0.48		0.46	4%		
Operating margin	\$	6.21	\$	5.97	4%	\$	6.06	\$	5.97	2%		
Depletion, depreciation, amortization, and asset retirement obligation liability												
accretion	\$	2.15	\$	1.72	25%	\$	2.06	\$	1.63	26%		

September 30, 2007 (Unaudited)

Consolidated Statements of Operations (In thousands, except per share amounts)

(In thousands, except per share amounts)		For the Nine Months Ended September 30,						
		2007	_	2006	_	2007	_	2006
Operating revenues:								
Oil and gas production revenue	\$	228,497	\$	188,159	\$	638,357	\$	550,181
Realized oil and gas hedge gain		10,173		4,828		36,160		14,808
Marketed gas system revenue		7,414		3,852		31,240		13,086
Gain on sale of proved properties		-		801		-		7,233
Other revenue		603		400		9,090		(299)
Total operating revenues		246,687	_	198,040	_	714,847	_	585,009
Operating expenses:								
Oil and gas production expense		54,970		44,998		157,618		129,490
Depletion, depreciation, amortization,		, î		,		, ,		,
and asset retirement obligation liability accretion		59,061		39,817		162,677		110,118
Exploration		15,257		9,766		49,669		35,872
Impairment of proved properties		-		5,259		-		6,548
Abandonment and impairment of unproved properties		937		920		3,886		3,368
General and administrative		13,110		9,725		37,948		30,940
Change in Net Profits Plan liability		3,143		(3,710)		6,948		17,370
Marketed gas system expense		7,278		3,133		29,454		11,149
Unrealized derivative loss (gain)		(2,880)		68		2,224		5,329
Other expense		460		842		1,577		1,832
Total operating expenses		151,336		110,818		452,001	_	352,016
Income from operations		95,351		87,222		262,846		232,993
Nonoperating income (expense):								
Interest income		355		90		612		1,454
Interest expense	_	(4,082)		(2,170)		(13,885)		(5,098)
Income before income taxes		91,624		85,142		249,573		229,349
Income tax expense		(33,971)		(29,265)		(92,735)		(82,866)
Net income	<u>\$</u>	57,653	\$	55,877	\$	156,838	\$	146,483
Basic weighted-average common shares outstanding	=	63,424	_	55,398	_	61,364	_	56,564
Diluted weighted-average common shares outstanding		64,727		64,926		64,917		66,332
Diffued weighted-average common shares outstanding	=		_		=		_	<u> </u>
Basic net income per common share	<u>s</u>	0.91	<u>\$</u>	1.01	\$	2.56	\$	2.59
Diluted net income per common share	\$	0.89	\$	0.88	\$	2.43	\$	2.25

September 30, 2007 (Unaudited)

Consolidated Balance Sheets

Kin housands) ASSETS September 30, 2007 Jul 2007 Jul 2007 Jul 2007 Jul 2007 Jul 2007 Jul 2007 Jul 2008 Current tasets: \$ 1,148 \$ 1,464 1,450 1,464 1,450 1,464 1,450 1,450 1,450 1,450 1,450 1,450 1,450 1,450 1,450 5,415 5,416 5,416 1,416 5,416 1,416 5,416 1,416 5,416 1,416 5,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416 1,416	Consolidated Balance Sheets		
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Asset retirement obligation associated with oil and gas properties held for sale $7,827$ Net Profits Plan liability $167,531$ $160,583$ Deferred income taxes $281,250$ $224,518$ Accrued derivative liability $8,411$ $46,432$ Other noncurrent liabilities $8,490$ $8,898$ Total noncurrent liabilities $1,072,967$ $951,653$ Stockholders' equity:Common stock, $$0.01$ par value: authorized - $200,000,000$ shares; issued: $63,733,590$ shares in 2007 and $55,251,733$ shares in 2007 and $55,001,733$ shares in 2007 and $55,221,733$ shares in 2007 and $55,001,733$ shares in 2007 and $250,000$ shares in 2006 637 553 Additional paid-in capital Treasury stock, at cost: $1,008,312$ shares in 2007 and $250,000$ shares in 2006 Accumulated other comprehensive income (loss) Total stockholders' equity $(47,183)$ $12,929$ $933,194$ $743,374$	Asset remember oongarion	77.258	77.242
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Retained earnings845,786695,224Accumulated other comprehensive income (loss)(47,183)12,929Total stockholders' equity933,194743,374	1 1	· · · · · · · · · · · · · · · · · · ·	
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Total Liabilities and Stockholders' Equity \$ 2,286,001 \$ 1,899,097			
	Total Liabilities and Stockholders' Equity	\$ 2,286,001	\$ 1,899,097

September 30, 2007 (Unaudited)

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows (In thousands)	F	or the Thi	ee M	For the Nine Months					
		Ended September 30,					tember 30,		
		2007		2006	2	2007	_	2006	
Reconciliation of net income to net cash provided									
by operating activities:									
Net income	\$	57,653	\$	55,877	\$	156,838	\$	146,483	
Adjustments to reconcile net income to net cash									
provided by operating activities:									
Gain on insurance settlement		(15)		-		(6,340)		-	
Gain on sale of proved properties		-		(801)		-		(7,233)	
Depletion, depreciation, amortization,		50.0(1		20.017		1 () (77		110 110	
and asset retirement obligation liability accretion		59,061		39,817		162,677		110,118	
Exploratory dry hole expense		1,494		393		12,714		4,033	
Impairment of proved properties Abandonment and impairment of unproved properties		- 937		(1,289)		2 006		- 9,915	
Unrealized derivative loss (gain)				7,467 68		3,886 2,224		,	
Change in Net Profits Plan liability		(2,880) 3,143		(3,710)		2,224 6,948		5,329 17,370	
Stock-based compensation expense		2,327		2,587		8,606		8,979	
Deferred income taxes		26,832		29,929		79,289		64,612	
Other		(2,472)		1,001		(5,168)		398	
Changes in current assets and liabilities:		(2,772)		1,001		(5,100)		570	
Accounts receivable		(12,715)		(18,871)		(208)		30,810	
Refundable income taxes		3,812		(3,163)		4,587		(21,495)	
Prepaid expenses and other		33,155		(6,370)		28,035		(15,048)	
Accounts payable and accrued expenses		25,225		(864)		27,552		(21,612)	
Income tax benefit from the exercise of stock options		(3,896)		(874)		(7,658)		(15,110)	
Net cash provided by operating activities		191,661		101,197		473,982		317,549	
		<i>(</i>				<u> </u>		<u> </u>	
Cash flows from investing activities:									
Proceeds from insurance settlement		15		-		7,064		-	
Proceeds from sale of oil and gas properties		-		1,001		324		1,183	
Capital expenditures		(221,128)	((112,412)	(500,111)		(293,977)	
Acquisition of oil and gas properties		(1,600)		(5,162)		(32,650)		(9,933)	
Deposits for acquisition of oil and gas assets		(15,310)				(15,310)			
Deposits to short-term investments available-for-sale		(15)		-		(1,153)		-	
Receipts from short-term investments available-for-sale		-		-		1,450		-	
Other		12		57		29		79	
Net cash used in investing activities		(238,026)		(116,516)	(<u>540,357</u>)		(302,648)	
Cash flows from financing activities:									
Proceeds from credit facility		261,000		230,000		553,914		338,000	
Repayment of credit facility		(202,000)	((215,000)		732,914)		(272,000)	
Repayment of short-term note payable		(202,000)	```	-	((4,469)		(272,000)	
Income tax benefit from the exercise of stock options		3,896		874		7,658		15,110	
Proceeds from issuance of convertible debt - net		(530)		-		280,664			
Proceeds from sale of common stock		964		1,127		6,342		16,046	
Repurchase of common stock		(25,904)		(2,492)		(25,904)		(123,108)	
Dividends paid		-		1		(3,140)		(2,858)	
Net cash provided by (used in) financing activities		37,426		14,510		82,151	_	(28,810)	
Net change in cash and cash equivalents		(8,939)		(809)		15,776		(13,909)	
Cash and cash equivalents at beginning of period		(8,939) 26,179		1,825		13,770		14,925	
	¢	17,240	\$	1,825	\$	17,240	\$	14,925	
Cash and cash equivalents at end of period	3	17,240	φ	1,010	Φ	1/,440	φ	1,010	

September 30, 2007 (Unaudited)

Discretionary Cash Flow

(In thousands)

Reconciliation of Net Cash Provided by Operating Activities (GAPP) to Discretionary Cash (Non-GAAP):	For the Three Months Ended September 30,					For the Nine M Ended Septemb				
	2007	_	2006	2007			2006			
Net cash provided by operating activities (GAAP)	\$ 191,66	1 \$	101,197	\$	473,982	\$	317,549			
Gain on insurance settlement	1	5	-		6,340		-			
Gain on sale of proved properties Exploration expense, excluding exploratory		-	801		-		7,233			
dry hole expense	13,76	3	9,374		36,955		31,839			
Other	2,47	2	(1,001)		5,168		(398)			
Changes in current assets and liabilities	(45,58	1)	30,142		(52,308)		42,455			
Discretionary cash flow (Non-GAAP) (1)	\$ 162,33	0 \$	140,513	\$	470,137	\$	398,678			

(1) Discretionary cash flow is computed as net income plus depreciation, depletion, amortization, ARO liability accretion, impairments, deferred taxes, exploration expense, stock-based compensation expense, and non-cash changes in the Net Profits Plan liability less the effect of unrealized derivative (gain) loss. 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 not be comparable to similarly titled measures of other companies. See the Consolidated Statements of Cash Flows herein for more detailed cash flow information.

Adjusted Net Income

(In thousands, except per share data)

Reconciliation of Net Income (GAAP) to Adjusted Net Income (Non-GAAP):	For the Three Months Ended September 30,				_	For the Ni Ended Sep		
	_	2007		2006	_	2007	_	2006
Reported Net Income (GAAP)	\$	57,653	\$	55,877	\$	156,838	\$	146,483
Change in Net Profits Plan liability Unrealized derivative loss (gain) Gain on sale of proved properties Gain on insurance settlement (2)		3,143 (2,880) (15)		(3,710) 68 (801)		6,948 2,224 (6,340)		17,370 5,329 (7,233)
Total of Adjustments		248	_	(4,443)	_	2,832	_	15,466
Benefit (expense) from tax effect on adjustments		(92)		1,527		(1,052)		(5,588)
Adjusted Net Income (Non-GAAP) (3)	\$	57,809	\$	52,961	\$	158,618	\$	156,361
Adjusted Net Income Per Share (Non-GAAP) Basic Diluted	\$ \$	0.91	\$ \$	0.96	\$ \$	2.58 2.46	\$ \$	2.76 2.40
Average Number of Shares Outstanding Basic Diluted	=	63,424 64,727	_	55,398 64,926	_	61,364 64,917	_	56,564 66,332

(2) Included within line item Other revenue on the Consolidated Statements of Operations.

(3) Adjusted net income is calculated as net income adjusted for significant non-cash and non-recurring items. Examples of non-cash charges include non-cash gains or losses resulting from changes in the Net Profits Plan liability and unrealized derivative gains and losses. Examples of non-recurring items include gains from sales of properties and insurance settlements. The non-GAAP measure of adjusted net income is presented because management believes it provides useful additional information to investors for analysis of St. Mary's fundamental business on a recurring basis. In addition, management believes that adjusted net income 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. Adjusted net income, profitability, cash flow, or liquidity measures prepared under GAAP. Since adjusted net income excludes some, but not all, items that affect net income and may vary among companies, the adjusted net income amounts presented may not be comparable to similarly titled measures of other companies.