

ST MARY LAND & EXPLORATION CO  
Form DEF 14A  
April 12, 2010

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[Proxy Statement Table of Contents](#)

[Table of Contents](#)

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**St. Mary Land & Exploration Company**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Table of Contents

April 2, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 annual meeting of stockholders of St. Mary Land & Exploration Company (the "Company or "St. Mary"), which is scheduled to be held in the J.D. Hershner Room of Wells Fargo Bank located at 1700 Lincoln Street in Denver, Colorado, on Wednesday, May 26, 2010, at 3:30 p.m. local time.

At the meeting, you and the other stockholders will vote on:

The election as directors of the seven persons named in the attached proxy statement;

The approval of an amendment to the Equity Incentive Compensation Plan to increase the stated total number of shares authorized for issuance under this plan from 6,000,000 shares to 7,600,000 shares;

The approval of an amendment to the Certificate of Incorporation to change the name of the Company to "SM Energy Company"; and

The ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2010.

You will also have the opportunity to hear reports on St. Mary's operations and to ask questions of general interest. You can find other, more specific information about the meeting in the accompanying proxy statement, and you can find detailed information about St. Mary in our 2009 Annual Report, which is available on our website, [www.stmaryland.com](http://www.stmaryland.com).

Pursuant to U.S. Securities and Exchange Commission rules, we may provide you with access to our proxy materials over the Internet. As a result, many beneficial owners of our stock will be receiving from an intermediary a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of the accompanying proxy statement and our 2009 Annual Report. The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of our proxy materials, including the accompanying proxy statement, our 2009 Annual Report, and a form of proxy card. We will mail printed proxy materials to all stockholders of record.

You may vote your shares by using the telephone or Internet voting systems described on the Notice or the proxy card. If you received a printed copy of a proxy card by mail, you may submit your proxy card by completing and signing the proxy card and returning it promptly. This will ensure that your shares are represented at the meeting even if you cannot attend.

If you have any questions concerning the annual meeting or the proposals and you are the stockholder of record of your shares, please contact our Investor Relations Department at (303) 861-8140. If your shares are held by a bank, broker, or other nominee (that is, in "street name"), please contact the bank, broker, or other nominee for questions concerning the annual meeting or the proposals. If you are the stockholder of record of your shares and have questions regarding your stock ownership, please contact our transfer agent, Computershare Trust Company, Inc., by telephone at (303) 262-0600.

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Thank you for your cooperation by voting by telephone or the Internet, or returning your proxy card, as promptly as possible. We hope to see many of you at our meeting in Denver.

Very truly yours,

Anthony J. Best  
*CEO & President*

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Table of Contents

**St. Mary Land & Exploration Company**

1775 Sherman Street, Suite 1200  
Denver, Colorado 80203

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

**on May 26, 2010**

To All Stockholders:

The 2010 annual meeting of the stockholders of St. Mary Land & Exploration Company (the "Company or "St. Mary") is scheduled to be held in the J.D. Hershner Room of Wells Fargo Bank located at 1700 Lincoln Street in Denver, Colorado, on Wednesday, May 26, 2010, at 3:30 p.m. local time. The purpose of the meeting is:

1. To elect as directors the seven persons named in the attached proxy statement to serve during the next year;
2. To approve an amendment to the Equity Incentive Compensation Plan to increase the stated total number of shares authorized for issuance under this plan from 6,000,000 shares to 7,600,000 shares;
3. To approve an amendment to the Certificate of Incorporation to change the name of the Company to "SM Energy Company";
4. To ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2010; and
5. To transact any other business that may properly come before the meeting.

Only stockholders of record at the close of business on March 29, 2010 may vote at this meeting.

**Please vote by using the telephone or Internet voting systems described on the Notice of Internet Availability of Proxy Materials or the proxy card or, if the attached proxy statement and a proxy card were mailed to you, please sign, date, and return the proxy card in the enclosed envelope as soon as possible.** Any stockholder may revoke their proxy at any time before the vote is taken at the meeting.

By Order of the Board of Directors  
St. Mary Land & Exploration Company

Karin M. Writer  
*Assistant Secretary*

Denver, Colorado  
April 2, 2010

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Table of Contents**Proxy Statement Table of Contents**

	<b>Page</b>
<u>General</u>	<u>1</u>
<u>Purpose of the Annual Meeting</u>	<u>1</u>
<u>Information About the Notice of Internet</u>	
<u>Availability of Proxy Materials</u>	<u>1</u>
<u>Other Available Information</u>	<u>2</u>
<u>Stockholders Sharing the Same Address</u>	<u>2</u>
<u>Who Can Vote</u>	<u>2</u>
<u>How to Vote</u>	<u>2</u>
<u>Revoking a Proxy</u>	<u>3</u>
<u>Quorum</u>	<u>3</u>
<u>Voting Requirements</u>	<u>3</u>
<u>Payment of Proxy Solicitation Costs</u>	<u>4</u>
<u>Structure of the Board of Directors</u>	<u>5</u>
<u>Proposal 1 Election of Directors</u>	<u>7</u>
<u>Corporate Governance</u>	<u>11</u>
<u>Board of Directors</u>	<u>11</u>
<u>Board Leadership Structure</u>	<u>12</u>
<u>Presiding Director at the</u>	
<u>Non-Management Directors' Executive</u>	
<u>Sessions</u>	<u>12</u>
<u>Communication with the Directors of the</u>	
<u>Company</u>	<u>12</u>
<u>Board and Committee Meetings</u>	<u>13</u>
<u>Risk Oversight</u>	<u>14</u>
<u>Certain Relationships and Related</u>	
<u>Transactions</u>	<u>16</u>
<u>Security Ownership of Certain Beneficial</u>	
<u>Owners and Management</u>	<u>17</u>
<u>Executive Compensation</u>	<u>19</u>
<u>Compensation Discussion and Analysis</u>	<u>19</u>
<u>Compensation Committee Report</u>	<u>36</u>
<u>Executive Compensation Tables</u>	<u>37</u>
<u>Summary Compensation Table for</u>	
<u>2007, 2008, and 2009</u>	<u>37</u>
<u>Grants of Plan Based-Awards in 2009</u>	<u>38</u>
<u>Outstanding Equity Awards at 2009</u>	
<u>Fiscal Year-End</u>	<u>39</u>
<u>Nonqualified Deferred Compensation</u>	<u>40</u>
<u>2009 Option Exercises and Stock</u>	
<u>Vested</u>	<u>40</u>
<u>Retirement Plans</u>	<u>41</u>
<u>Pension Benefits</u>	<u>41</u>
<u>Equity Compensation Plans</u>	<u>41</u>
<u>Employment Agreements and</u>	
<u>Termination of Employment</u>	<u>43</u>
<u>Change of Control Arrangements</u>	<u>44</u>
<u>Director Compensation</u>	<u>46</u>
<u>2009 Director Compensation</u>	<u>47</u>
<u>Other Reportable Items Related to</u>	
<u>Payments Made by the Company</u>	
<u>Associated with Service of a Director</u>	<u>48</u>
<u>Proposal 2 Approval of Amendment to</u>	
<u>Equity Incentive Compensation Plan</u>	<u>48</u>

<u>Proposal 3 Approval of Amendment to the Certificate of Incorporation to Change the Name of the Company to "SM Energy Company"</u>	<u>61</u>
<u>Proposal 4 Ratification of the Appointment by the Audit Committee of Deloitte &amp; Touche LLP as the Company's Independent Registered Public Accounting Firm for 2010</u>	<u>63</u>
<u>Report of the Audit Committee Independent Accountants</u>	<u>63</u>
<u>Audit Committee Preapproval Policy and Procedures</u>	<u>64</u>
<u>Other Information</u>	<u>65</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>65</u>
<u>Future Stockholder Proposals</u>	<u>65</u>
<u>Other Matters</u>	<u>65</u>
<u>Annex A Equity Incentive Compensation Plan, as amended and restated as of April 1, 2010</u>	<u>A-1</u>

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Table of Contents

## **St. Mary Land & Exploration Company**

1775 Sherman Street, Suite 1200  
Denver, Colorado 80203  
(303) 861-8140

### **PROXY STATEMENT**

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#### **General**

This proxy statement contains information about the 2010 annual meeting of stockholders of St. Mary Land & Exploration Company scheduled to be held in the J.D. Hershner Room of Wells Fargo Bank located at 1700 Broadway in Denver, Colorado, on Wednesday, May 26, 2010, at 3:30 p.m. local time. The St. Mary Board of Directors is using this proxy statement to solicit proxies for use at the annual meeting. In this proxy statement, the terms "St. Mary," "the Company," "we," and "us" refer to St. Mary Land & Exploration Company inclusive of its subsidiaries.

#### **Purpose of the Annual Meeting**

At the Company's annual meeting, stockholders will vote on:

The election as directors of the seven persons named in this proxy statement to serve during the next year;

The approval of an amendment to the Equity Incentive Compensation Plan (the "Equity Plan") to increase the stated total number of shares authorized for issuance under this plan from 6,000,000 shares to 7,600,000 shares;

The approval of an amendment to the Certificate of Incorporation to change the name of the Company to "SM Energy Company";

The ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2010; and

To transact any other business that may properly come before the meeting.

As of the date of this proxy statement, the Company is not aware of any business to come before the meeting other than the items noted above.

#### **Information about the Notice of Internet Availability of Proxy Materials**

The proxy materials, including this proxy statement, a proxy card or voting instruction card, and the Company's 2009 Annual Report, are being distributed and made available on or about April 16, 2010. In accordance with rules and regulations adopted by the U.S. Securities and Exchange Commission (the "SEC"), the Company is furnishing our proxy materials to many beneficial owners of our stock on the Internet. A Notice of Internet Availability of Proxy Materials (the "Notice") will be mailed by intermediaries on or about April 16, 2010, to beneficial owners of our stock. Stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request that the Company send them a printed set of the proxy materials by following the instructions in the Notice. The Notice will also provide instructions on how to vote your shares. The Company will mail printed proxy materials to all stockholders of record.



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The Notice will also provide instructions on how to inform the Company to send future proxy materials to you electronically by email or in printed form by mail. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email or in

Table of Contents

printed form by mail will remain in effect until you terminate it. Choosing to receive future proxy materials by email will reduce the Company's printing and mailing costs.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 26, 2010: The proxy statement and 2009 Form 10-K of the Company are available at <https://materials.proxyvote.com/792228>.**

**Other Available Information**

This proxy statement and the Company's 2009 Annual Report on Form 10-K are also available at the Company's website at [www.stmaryland.com](http://www.stmaryland.com), in the Investor Relations SEC Filings section. In addition, the Company makes available through the Corporate Governance section of its website the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, which applies to all employees, officers, and members of the Board of Directors, and the Charters for the Audit Committee, Compensation Committee, Executive Committee, and Nominating and Corporate Governance Committee. These documents will be furnished in print to any stockholder who requests them. Information on the Company's website is not incorporated by reference into this proxy statement and should not be considered part of this document.

**Stockholders Sharing the Same Address**

The Company has adopted a procedure approved by the SEC called "householding." Under this procedure, stockholders of record who have the same address and last name will receive only one copy of our proxy materials that are delivered until such time as one or more of these stockholders notifies the Company that they want to receive separate copies. This procedure reduces our printing costs and postage fees. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you receive a single set of proxy materials as a result of householding and you would like to receive a separate copy of our annual report or proxy statement, please submit a request to St. Mary's Corporate Secretary at 1775 Sherman Street, Suite 1200, Denver, CO 80203 or call (303) 861-8140, and we will promptly send you what you have requested. You can also contact the Corporate Secretary at the address and phone number above if you receive multiple copies of our proxy materials and you would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings. Beneficial owners can request information about householding from their banks, brokers, or other holders of record.

**Who Can Vote**

Only stockholders of record at the close of business on the record date of March 29, 2010, are entitled to receive notice of the annual meeting and to vote shares of St. Mary common stock held on that date. As of March 29, 2010, there were 62,823,003 shares of St. Mary common stock issued and outstanding, net of 126,893 shares held in treasury by the Company. Holders of St. Mary common stock are entitled to one vote per share and are not allowed to cumulate votes in the election of directors.

**How to Vote**

If your shares of St. Mary common stock are held by a broker, bank, or other nominee (in "street name"), you will receive information from them on how to instruct them to vote your shares.

If you hold shares of St. Mary common stock in your own name (as a "stockholder of record"), you may give instructions on how your shares are to be voted by following the telephone or Internet voting procedures described on the proxy card, or by marking, signing, dating, and returning the enclosed proxy card in the accompanying postage paid envelope. The telephone and Internet voting

Table of Contents

procedures are designed to ensure that proxies are handled properly under Delaware law. Votes cast in either of these two manners are authenticated by use of a personal identification number and allow stockholders to confirm that their instructions have been properly recorded.

If you hold shares in **BOTH** street name and as a stockholder of record, **YOU MUST VOTE SEPARATELY** for each set of shares.

A proxy, when properly completed and not revoked, will be voted in accordance with its instructions. If no voting instructions on a particular matter are given on a properly submitted and unrevoked proxy, the shares represented by the proxy will be voted on that particular matter as follows:

FOR the election as directors of the seven nominees named in this proxy statement under the caption "Proposal 1 Election as Directors";

FOR the approval of an amendment to the Equity Plan to increase the stated total number of shares authorized for issuance under this plan from 6,000,000 shares to 7,600,000 shares;

FOR the approval of an amendment to the Certificate of Incorporation to change the name of the Company to "SM Energy Company"; and

FOR the ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2010.

**Revoking a Proxy**

You may revoke a proxy before the vote is taken at the meeting by:

submitting a new proxy with a later date either signed and returned by mail or transmitted using the telephone or Internet voting procedures before the meeting;

by voting in person at the meeting; or

by filing a written revocation with St. Mary's Secretary (the "Secretary").

Your attendance at the annual meeting will not automatically revoke your proxy.

**Quorum**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will exist if stockholders holding one third of the outstanding shares of common stock are present at the meeting in person or by proxy. Abstentions and broker non-votes (as described below under "Voting Requirements") count as present for establishing a quorum. Shares held by St. Mary in its treasury are not entitled to vote and do not count toward a quorum. If a quorum is not present, the meeting may be adjourned until a quorum is obtained.

**Voting Requirements**

***Voting Requirements for Each Proposal***

*Election of Directors* St. Mary's By-Laws (the "By-Laws") provide that the election of directors shall be decided by the vote of the holders of a majority of the shares present in person or by proxy at the meeting and entitled to vote. In order for a director nominee to be elected, the number of votes cast "For" the nominee must exceed the number of votes cast "Against" such nominee. Proxies marked as "Abstain" will be counted in determining the total number of shares "entitled to vote" on the election of directors and will have the same effect as a vote "Against" a director.

*Approval of Amendment to the Equity Plan* Under New York Stock Exchange ("NYSE") rules and regulations promulgated under Section 162(m) of the Internal Revenue Code ("IRC"), the approval of

Table of Contents

the amendment to the Equity Plan to increase the number of shares authorized for issuance under this plan requires the affirmative vote of a majority of the votes cast on the amendment, and the NYSE rules require that the total votes cast represent over 50 percent of all shares entitled to vote. Abstentions will have the effect of votes against approval of the amendment.

*Approval of the Amendment to the Certificate of Incorporation to Change the Name of the Company to "SM Energy Company"* Under the Delaware General Corporation Law, approval of an amendment to the certificate of incorporation requires the affirmative vote of the holders of a majority of the total number of shares of common stock outstanding as of the record date and entitled to vote at the meeting. Proxies marked as "Abstain" will have the same effect as a vote "Against" the proposal.

*Ratification of Appointment of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for 2010* This proposal shall be decided by the vote of the holders of a majority of the shares present in person or by proxy at the meeting and entitled to vote. Proxies marked as "Abstain" will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal.

*Effect of Broker Non-Votes*

**Under NYSE rules, if your shares are held in "street name" and you do not indicate how you wish to vote, your broker, banker, or other nominee is only permitted to exercise its discretion to vote your shares on certain "routine" matters. Due to a recent amendment to the NYSE rules, your broker, banker, or other nominee may no longer vote your shares with respect to the election of directors without specific instructions from you as to how to vote, because the election of directors is no longer considered to be a "routine" matter. Under the NYSE rules, Proposal 1 Election of Directors and Proposal 2 Approval of the Amendment to the Equity Plan, are not "routine" matters, whereas Proposal 4 Ratification of the Appointment of Deloitte & Touche LLP is a "routine" matter. The NYSE may consider Proposal 3 Approval of Amendment to the Certificate of Incorporation to be a "non-routine" matter. If you do not direct your broker, banker, or other nominee how to vote for a non-routine matter, such as for the election of directors, your broker may not exercise discretion and may not vote your shares. This is called a "broker non-vote." For voting requirement purposes for Proposal 1 and Proposal 2, broker non-votes are considered to be shares represented by proxy at the annual meeting but are not considered to be shares "entitled to vote" at the annual meeting. As such, a broker non-vote will not be counted as a vote "For" or "Against" a director in Proposal 1 or "For" or "Against" the approval of the Amendment to the Equity Plan in Proposal 2 and, therefore, will have no effect on the outcome on the vote on Proposal 1 or Proposal 2. Since Proposal 3 Approval of Amendment to the Certificate of Incorporation requires the affirmative vote of the holders of a majority of the total number of shares of common stock outstanding as of the record date and entitled to vote at the meeting, any broker non-vote with respect to that proposal will have the same effect as a vote "Against" that proposal.**

**Payment of Proxy Solicitation Costs**

St. Mary will pay all costs of soliciting proxies. St. Mary has retained The Altman Group, Inc. to assist in the solicitation of proxies for an estimated fee of \$9,000 plus reimbursement of reasonable expenses. The solicitation may be made personally or by mail, facsimile, telephone, messenger, or via the Internet. In addition, St. Mary officers, directors, and employees may also solicit proxies in person, by telephone, or by other electronic means of communication. St. Mary will ask banks, brokers, other institutions, nominees, and fiduciaries to forward proxy materials to their principals and obtain authority to execute proxies.

Table of Contents

**STRUCTURE OF THE BOARD OF DIRECTORS**

All directors of the Company are elected annually. At the annual meeting, seven directors are to be elected to serve for one year or until their successors are elected and qualified. The Company's nominees for these directorships are identified below; each currently serves as a director.

The Company's Corporate Governance Guidelines provide that the Nominating and Corporate Governance Committee ("NCG Committee") of the Board of Directors shall be responsible for identifying and recommending directors for nomination by the Board for election as members of the Board. The NCG Committee performed its evaluation and nominating functions during 2009 and early 2010. The NCG Committee selects each nominee based on the nominee's skills, achievements, and experience. As set forth in the director qualification standards included in the Company's Corporate Governance Guidelines and reflected in the discussion below, the Board as a whole should have broad and relevant experience in high level business policymaking and a commitment to represent the long term interests of the Company's stockholders. These standards also provide that each director should have experience in positions of responsibility and leadership, an understanding of the Company's business environment, and a reputation for integrity. In addition, the Corporate Governance Guidelines provide that a director who retires or experiences a significant change in his or her professional or business responsibilities, including a change in his or her principal occupation, position or business affiliation, should, if requested by the NCG Committee, be prepared to offer his or her resignation from the Board, and the NCG Committee and the Board may review the continued appropriateness of Board membership under the circumstances.

Under the framework of the Corporate Governance Guidelines, the NCG Committee evaluates each potential nominee individually and in the context of the Board as a whole. The objective is to recommend individuals and a group that will effectively contribute to the long term success of the Company and represent interests of stockholders. In determining whether to recommend a director for reelection, the NCG Committee also considers the director's past attendance at meetings and participation in and contributions to Board activities.

When seeking new director candidates, the NCG Committee solicits suggestions from incumbent directors, management, stockholders, and others. The NCG Committee has authority under its charter to retain a search firm for this purpose. If the NCG Committee believes a candidate would be a valuable addition to the Board of Directors, it recommends his or her candidacy to the Board of Directors.

Although the NCG Committee does not have a formal policy with regard to the consideration of diversity in identifying director nominees, the NCG Committee believes that the Board of Directors should reflect diversity in its broadest sense, including persons diverse in professional experiences relevant to the Company, skills, backgrounds, perspectives, gender, race, ethnicity, and national origin. In considering diversity in identifying director nominees, the NCG Committee considers the Board of Directors as a whole, without specific representative directors, with the overall objective of identifying a group of directors that reflects diversity, can work in a collaborative and effective manner, and that can best contribute to the long-term success of the Company. The NCG Committee believes that the current Board members and director nominees reflect the Company's commitment to diversity. Out of a total of seven directors, the Company currently has one female director and one Hispanic director, each of whom has served on the Board for several years.

The NCG Committee will consider suggestions by stockholders of possible future nominees. No such suggestions were received during 2009. Stockholders may nominate persons for election to the Board in accordance with the By-Laws. Stockholder suggestions should be delivered on or before November 1<sup>st</sup> in any year before the next annual meeting. In addition, the By-Laws permit stockholders to nominate directors for election at an annual meeting, provided that advance written notice of the nomination containing the information required under the By-Laws is received by the Secretary not less

Table of Contents

than 75 days or more than 105 days before the first anniversary date of the immediately preceding annual meeting. Accordingly, proper notice of a stockholder nomination for director for the 2011 annual meeting must be received by St. Mary between February 10, 2011, and March 14, 2011. No stockholder nominations were received regarding the 2010 annual meeting.

The proxies will be voted in favor of the nominees unless a contrary specification is made in the proxy. All nominees have consented to serve as directors of the Company if elected. However, if any nominee is unable to serve or for good cause will not serve as a director, the directors intend to vote in their discretion for a substitute who will be designated by the Board of Directors.

Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS**

Set forth below is certain biographical information as of February 15, 2010, for each nominee for election as director, including his or her principal occupation, business experience, and public company directorships held during the last five years.

As discussed above, the NCG Committee utilizes the framework of the Company's Corporate Governance Guidelines to select nominees based on their skills, achievements, and experience, and believes that each nominee should have experience in positions of responsibility and leadership and an understanding of the Company's oil and natural gas exploration and production environment. The overall objective is to identify a group of directors that can best contribute to the Company's long-term success. All of the nominees discussed below are seasoned leaders who bring to the Board a vast array of oil and gas industry, public company, private company, and other business experience, all at the senior executive officer level, and who meet the director qualification standards set forth in the Corporate Governance Guidelines. Among other attributes, they possess a breadth of varied skills and experience in leadership, oil and gas businesses, finance and accounting, risk management, operations management, strategic planning, business development, regulatory and government affairs, corporate governance, human resources and compensation, and public policy qualities that led the NCG Committee and the Board to conclude that they should serve as the Company's directors at this time, in light of the Company's business and structure, overall industry environment, and the Company's long-term strategy. These specific experiences, qualifications, attributes, and skills of each nominee are briefly described in each nominee's biographical information below. In addition, the nominees, whose experiences cover various aspects of the oil and gas industry, represent diverse backgrounds, skill sets, and viewpoints, with a blend of historical and newer perspectives on the Company, and have a demonstrated ability to work collaboratively with candid discussion.

	<b>Age</b>	<b>Director Since</b>
<b>Barbara M. Baumann</b> is President of Cross Creek Energy Corporation, which provides consulting services for oil and gas exploration and production companies. Ms. Baumann has held that position since July 2003. From 2000 to July 2003, Ms. Baumann was Executive Vice President of Associated Energy Managers LLC, an investment manager and general partner of a private equity energy fund specializing in oil and gas investments for institutional investors. From 1981 to 1999, Ms. Baumann was with BP Amoco, a major oil and gas company, and held a variety of financial and operational management positions, including Chief Financial Officer of an environmental remediation subsidiary, Vice President of the San Juan Business Unit, and the Commercial Operations Manager of the Western Business Unit. Ms. Baumann is also a director of UniSource Energy Corporation (NYSE: UNS), the parent	54	2002



company for Tucson Electric Power Company, a regulated electric utility which provides electric service to the community of Tucson, Arizona.

Ms. Baumann brings to the Board over 25 years experience in the oil and gas exploration and production industry, including strong and broad strategic planning, economic evaluation, operational, natural gas marketing, and human resources management skills and experience, which are important to the oversight of the Company's financial, operational, and compensation management functions. She also has significant financial management and accounting management experience, which is important to the oversight of the Company's financial reporting and financial risk management functions. Ms. Baumann's service on another public company board of directors provides a strong corporate governance background.

**Anthony J. Best** is President and Chief Executive Officer of St. Mary. Mr. Best joined St. Mary in June 2006 as President and Chief Operating Officer. In December 2006,

60 2007

Table of Contents

	Age	Director Since
<p>Mr. Best relinquished his position as Chief Operating Officer when Javan D. Ottoson joined the Company and was elected to that office. In February 2007, Mr. Best was elected Chief Executive Officer of St. Mary and was appointed to the Board of Directors. From November 2005 to June 2006, Mr. Best was developing a business plan and attempting to raise capital for a start-up exploration and production entity. From 2003 to October 2005, Mr. Best was President and Chief Executive Officer of Pure Resources, Inc., an independent oil and natural gas exploration and production company that was a subsidiary of Unocal Corporation, a major oil and gas company, where he managed all of Unocal's onshore U.S. assets. From 2000 to 2002, Mr. Best had an oil and gas consulting practice working with various energy firms. From 1979 to 2000, Mr. Best was with ARCO in a variety of positions, including serving as President ARCO Permian, President ARCO Latin America, Field Manager for Prudhoe Bay, and Vice President External Affairs for ARCO Alaska.</p> <p>Mr. Best brings to the Board over 30 years of strong and broad experience in the oil and gas exploration and production industry, and as the Company's Chief Executive Officer, a deep understanding of the Company's business and operations, and its long-term strategic issues.</p>		
<p><b>Larry W. Bickle</b> is a retired private equity investor with extensive experience in various energy related businesses. From June 2005 through April 2007, he was Executive in Residence for Haddington Ventures, L.L.C., a private equity fund that invests in midstream energy companies and assets. Prior to that, Dr. Bickle was Managing Director of Haddington from June 1997 to 2005. From 1984 to 1997, Dr. Bickle was Chairman of the Board and Chief Executive Officer of TPC Corporation (formerly Tejas Power Corporation), a NYSE-listed gas storage, transportation, and marketing company that he founded. Dr. Bickle is also a director of UniSource Energy Corporation (NYSE: UNS), the parent company for Tucson Electric Power Company. He also serves as Non-Executive Chairman and is a member of the Board of Managers of Quantum Natural Gas Storage, LLC.</p> <p>Dr. Bickle brings to the Board over 25 years experience in various aspects of the oil and gas exploration and production industry and provides the Board with significant strategic planning, operations management, public company corporate governance, and public policy insights from his experience leading TPC Corporation. Dr. Bickle also brings specific knowledge of natural gas transportation infrastructure including pipelines, processing, treatment, and storage; experience running a large natural gas marketing and trading operations, and extensive experience with both state and federal regulators related to natural gas production and transportation. He also has significant financial management and accounting oversight experience, which is important to the oversight of the Company's financial reporting and financial risk management functions. Dr. Bickle's service on another public company board of directors provides a strong corporate governance background.</p>	64	1995
<p><b>William J. Gardiner</b> is Vice President and Chief Financial Officer of King Ranch, Inc., a privately held ranching and agricultural company that owns the historic 825,000 acre "King Ranch" in south Texas. Mr. Gardiner has held that position since 1996. Before joining King Ranch in 1996, Mr. Gardiner served as Executive Vice President and Chief Financial Officer of CRSS, Inc., a NYSE-listed architectural engineering and independent power producing firm. Mr. Gardiner was employed by CRSS for approximately 20 years. Mr. Gardiner was initially appointed as a director of St. Mary in connection with St. Mary's acquisition of King Ranch Energy, Inc. in 1999.</p>	55	1999

Table of Contents

	Age	Director Since
<p>Mr. Gardiner brings to the Board strong financial management and accounting oversight skills and experiences, a significant amount of which was obtained through his work in energy related businesses for over 20 years. These skills and experiences are important to the oversight of the Company's financial reporting and financial and operational risk management functions.</p>		
<p><b>Julio M. Quintana</b> is the President, Chief Executive Officer, and a director of TESCO Corporation (NASDAQ: TESO), which designs, manufactures, and delivers technology based solutions for the upstream energy industry, including oilfield drilling technology, services, and equipment. Prior to the appointment to his current position at TESCO Corporation in September 2005, Mr. Quintana served as Executive Vice President and Chief Operating Officer at TESCO beginning in September 2004. From 1999 to 2004, Mr. Quintana was employed at Schlumberger Limited, a global oilfield services company, as the Vice President and General Manager Integrated Project Management from 1999 to 2000, as the Vice President Marketing for North and South America from 2001 to 2003, and as the Vice President Exploitation for North and South America from 2003 to 2004. Mr. Quintana began his career at Unocal Corporation, where he spent 20 years working in various engineering and leadership roles.</p>	50	2006
<p>Mr. Quintana brings to the Board over 25 years experience in various aspects of the oil and gas exploration and production industry, including strong experience in upstream operations, up to date understanding of drilling and asset management technologies, and broad human resources management skills and experience, which are important to the oversight of the Company's compensation management functions.</p>		
<p><b>John M. Seidl</b> has been involved in energy and natural resource businesses since 1978, and is currently Chairman of the Board and Chief Executive Officer of EnviroFuels, LLC, a privately held corporation that develops, manufactures, and markets technology that improves the performance and efficiency of internal combustion engines, boilers, and other engine designs. Mr. Seidl has held the Chairman position since January 2006 and the Chief Executive Officer position since October 2008. From July 2004 to January 2006, he served as Vice Chairman of EnviroFuels' advisory board. From June 2001 through December 2004, Mr. Seidl was Chief Program Officer, Environment, of the Gordon and Betty Moore Foundation, a private grant making foundation which seeks and funds higher education, scientific research, environmental, and San Francisco Bay Area projects. From September 1999 through June 2004, Mr. Seidl was Chairman of Language Line Services, a privately held provider of over the phone language interpretation and document translation services. From 1994 to 1999, Mr. Seidl was Chairman of the Board, President and Chief Executive Officer of CellNet Data Systems, Inc., which was then a publicly traded provider of wireless data networks for automated reading of utility meters. In 2000, CellNet Data Systems filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code as part of an acquisition of its assets. Mr. Seidl's business career from 1977-1992 was in energy, energy related or natural resource businesses, and included leadership positions with Natomas Company, then a publicly traded international oil and gas company, MAXXAM Inc., a publicly traded company which held various forest product and real estate investment subsidiaries along with Kaiser Aluminum Corporation. Prior to that he taught at the Stanford University Business School and served as Deputy Assistant Secretary for Program Systems in the U.S. Department of Health, Education and Welfare, and as Deputy Assistant Secretary in the U.S. Department of the Interior.</p>	71	1994

Table of Contents

	Age	Director Since
<p>Mr. Seidl brings to the Board over 30 years experience in various energy and natural resources businesses, and provides the Board with significant strategic planning, operations management, public company corporate governance, and public policy insights from his experience leading numerous companies and his experience in government. Mr. Seidl has served as Chief Executive Officer and Chief Operating Officer for separate New York Stock Exchange companies and Chief Executive Officer for a NASDAQ company. He also has significant financial management and accounting oversight experience, which is important to the oversight of the Company's financial reporting and financial risk management functions.</p>		
<p><b>William D. Sullivan</b> is a retired oil and gas executive who was with Anadarko Petroleum Corporation, a large independent oil and natural gas exploration and production company, for over 20 years. Mr. Sullivan has been retired since August 2003, with the exception of a brief amount of time, from June 15, 2005, to August 5, 2005, when he served as President and Chief Executive Officer of Leor Energy LP, a privately held exploration and production company. Since March 2006, Mr. Sullivan has been serving as a director of Legacy Reserves GP, LLC, which is the general partner of Legacy Reserves LP (NASDAQ: LGCY), a limited partnership focused on the acquisition and development of producing oil and natural gas properties. Since February 2007, Mr. Sullivan has been serving as a director of Targa Resources GP LLC, which is the general partner of Targa Resources Partners LP (NYSE: NGLS), a midstream natural gas limited partnership engaged in the business of gathering, compressing, treating, processing, and selling natural gas and fractionating and selling natural gas liquids and NGL products. Since August 2007, Mr. Sullivan has served as a director of Tetra Technologies, Inc. (NYSE: TTI), an oil and gas services and production company with an integrated calcium chloride and brominated products manufacturing operation that supplies feedstocks to energy and other markets. Mr. Sullivan was with Anadarko Petroleum Corporation from 1981 to August 2003. From August 2001 to August 2003, Mr. Sullivan was Executive Vice President, Exploration and Production at Anadarko. Mr. Sullivan also served Anadarko as Vice President, Operations International, Gulf of Mexico, and Alaska in 2001, Vice President International Operations from 1998 to 2000, Vice President Algeria from 1995 to 1998, and Vice President U.S. Onshore Operations from 1993 to 1995.</p> <p>Mr. Sullivan brings to the Board over 30 years of strong and broad experience in the oil and gas industry, with particular expertise in the exploration and production side of the industry. His experience as an exploration and production senior executive enables him to contribute significant independent insights on the Company's business and operations, and the economic environment and long-term strategic issues that the Company faces. In addition, his human resources management skills and experience are important to the oversight of the Company's compensation management functions, and his service on other public company boards of directors provide a strong corporate governance background.</p>	53	2004

**Recommendation of the Board of Directors**

The Board of Directors recommends voting "FOR" electing all of the nominees.

Table of Contents

**CORPORATE GOVERNANCE**

**Board of Directors**

The Board of Directors is comprised of a majority of independent directors. The Board of Directors has determined that the following directors are independent and do not have any material relationship with the Company other than as a director and stockholder of the Company: Ms. Baumann, Dr. Bickle, Mr. Gardiner, Mr. Quintana, Mr. Seidl, and Mr. Sullivan. In its conclusions as to the independence of these directors, the Board of Directors considered past employment, remuneration, and any relationship with the Company. In making its determination as to the independence of its members, the Board considered the independence tests described in Section 303A.02 of the Corporate Governance Standards of the NYSE's Listed Company Manual.

In making its determination as to the independence of Ms. Baumann, the Board considered the following transactional relationship: Ms. Baumann is the wife of Frederick J. Baumann, a partner in the law firm of Rothgerber Johnson & Lyons LLP ("RJ&L"), which has provided legal services to the Company on a limited basis with respect to certain real estate transaction matters primarily involving office leases. Mr. Baumann does not provide any of those services. In 2009, the fees billed by RJ&L to St. Mary were approximately \$9,222. The Board also considered the following factors in connection with this transactional relationship: RJ&L is a relatively large law firm in Denver, Colorado, where the Company's principal corporate offices are leased, and has over 45 partners and 70 attorneys. RJ&L has a significant local real estate practice, and the Company specifically retained a real estate partner at RJ&L with extensive expertise and experience in the particular office leasing issues that the Company faced. Mr. Baumann is a commercial litigator, not a member of RJ&L's real estate department and had absolutely no involvement in the providing of legal services to the Company or the retention of the RJ&L real estate partner by the Company. The particular partner providing those services has represented the Company in real estate matters for over ten years, beginning when he was a partner at another firm. In addition, Ms. Baumann had absolutely no input or involvement in the Company's retention of RJ&L, apart from seeking advance analysis and confirmation that the relationship would not be considered material and would not impair her independence. Further, in 2009 RJ&L drafted a proposed draft lease agreement, and the Company does not consider the legal services provided by RJ&L to be advisory services involving access to sensitive Company information or to strategic decision-making. In view of the factors considered above, the Board has determined that Ms. Baumann's relationship to RJ&L does not impair her independence. In addition, in order to avoid even the appearance of potential independence issues in connection with this transactional relationship, the Company has determined to limit the amount of legal services from RJ&L in 2010 and future years to no more than \$10,000 per year.

In making its determination as to the independence of Mr. Quintana, the Board considered the following transactional relationship: The Company has entered into an agreement with TESCO Corporation, for which Mr. Quintana serves as an employee and executive officer, whereby TESCO may provide certain oilfield drilling technology services to the Company. The Company did not pay TESCO any amounts in 2009, and as of this date, did not incur any debt to TESCO in 2010.

The Audit Committee, the Compensation Committee, and the NCG Committee are each comprised solely of independent directors. As indicated above, the written charters for all three committees are available in the corporate governance section of the Company's website at [www.stmaryland.com](http://www.stmaryland.com), along with the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, which applies to all employees, officers, and members of the Board of Directors, and the Executive Committee charter. These documents will be furnished in print to any stockholder who requests them.

Table of Contents

**Board Leadership Structure**

In February 2007, the Board restructured its board leadership to separate the roles of Chief Executive Officer and Chairman of the Board. Until his retirement from serving as Chief Executive Officer in February 2007, Mr. Hellerstein had served both as Chief Executive Officer and Chairman of the Board since 2002. From February 2007 until May 2009, Mr. Hellerstein continued to serve as Chairman of the Board while Mr. Best served as President and Chief Executive Officer of the Company. Upon Mr. Hellerstein's retirement from the Board in May 2009, the Board evaluated its leadership structure and determined to appoint Mr. Sullivan, an independent director with over five years experience serving on the Board, experience serving on several other public company boards, and over 30 years of experience working with oil and gas exploration and production companies, as Chairman of the Board.

The Board believes that this board leadership structure is best for the Company and our stockholders. The Chairman is responsible for providing leadership to the Board; facilitating communications among the directors; setting the board meeting agenda in consultation with the Chief Executive Officer; presiding at board meetings, Executive Committee meetings, and executive sessions of the Board; and serving as a liaison between our management and directors on a regular basis.

The Company's Corporate Governance Guidelines allow the Board to choose whether to keep the roles of Chief Executive Officer and Chairman of the Board separate or whether to have one person serve in both capacities. As part of our annual board self-evaluation process, the Board evaluates our leadership structure to ensure that the Board continues to believe that it provides the optimal structure for our Company and stockholders at that time. While recognizing that different board leadership structures can be appropriate at different times and under different circumstances, the Board has determined that our current leadership structure, with Mr. Best serving as Chief Executive Officer, Mr. Sullivan serving as Chairman of the Board.

In addition to having an independent Chairman of the Board, the Board has a separate lead independent director position. Mr. Seidl currently serves in that capacity. The lead independent director is responsible for presiding at executive sessions of non-management directors.

Our Board has six independent members and only one non-independent member, the Chief Executive Officer. A number of our independent Board members are currently serving or have served as members of senior management of other companies in the oil and gas industry and are currently serving or have served as directors of other public companies. As discussed above, the Board has three committees comprised solely of independent directors, and each has a different independent director serving as chair of the committee. The specific experiences, qualifications, attributes, and skills of each independent director, which enable him or her to effectively serve on his or her respective Board committees, are briefly described in each director nominee's biographical information above. The number of independent and experienced directors that make up our Board, the specific experiences and skills that they bring to their respective Board committees, and the overall leadership of the Board by the independent Chairman benefits our Company and our stockholders.

**Presiding Director at the Non-Management Directors' Executive Sessions**

All independent directors meet in executive session immediately before or after each regularly scheduled meeting of the Board of Directors or as deemed necessary. Mr. Seidl has presided at these executive sessions.

**Communication with the Directors of the Company**

The Board of Directors welcomes questions or comments about the Company and its operations. Those interested may contact the Board of Directors as a whole, non-management directors, or any

Table of Contents

one or more specified individual directors by sending a letter to the intended recipients' attention in care of St. Mary Land & Exploration Company, Secretary, 1775 Sherman Street, Suite 1200, Denver, CO 80203. All such communications other than commercial advertisements will be forwarded to the appropriate director or directors for review.

**Board and Committee Meetings**

The full Board of Directors met nine times during 2009. Each incumbent director participated in at least eight of the Board meetings and all of the committee meetings held during the director's tenure on the Board in 2009. It is the Company's policy that each director is expected to attend the Annual Meeting of Stockholders. Each director attended the 2009 Annual Meeting of Stockholders.

The Board has an Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee, and an Executive Committee. Each of the committees and the entire Board separately evaluated their respective performance for the year 2009 and completed written evaluations. The performance evaluation process was supervised by and reviewed by the NCG Committee and discussed amongst and approved by the full Board.

The following table sets forth the members of each committee, as of December 31, 2009, and the number of meetings held in 2009.

Name of Director	Audit Committee	Nominating and Corporate Governance Committee	Compensation Committee	Executive Committee
Barbara M. Baumann			X*	X
Larry W. Bickle	X	X		
Anthony J. Best				X
William J. Gardiner	X*			X
Julio M. Quintana			X	
John M. Seidl	X	X*		
William D. Sullivan		X	X	X*
<b>Number of Meetings in 2009</b>	7	2	8	0

\*

Chairperson

The Audit Committee assists the Board in fulfilling its oversight responsibilities of the Company's financial reporting process. Audit Committee members are prohibited from serving on more than three audit committees of public companies. The Audit Committee is solely responsible for the engagement and discharge of independent auditors and reviews the quarterly and annual financial results. The Audit Committee reviews the audit plan and the results of the audit with the independent auditors and reviews the independence of the auditors, the range of audit fees, the scope and adequacy of St. Mary's system of internal accounting controls, and the Company's financial risk management policies. The Audit Committee also has oversight responsibility for the internal audit function of the Company. The Audit Committee is currently composed of three directors, each of whom is independent as defined by the NYSE listing standards. See the "Report of the Audit Committee" contained in this proxy statement. While all of the Audit Committee members are considered financially literate, the Board of Directors has determined that two of the three members of the current Audit Committee, Mr. Gardiner and Mr. Seidl, are audit committee financial experts as the term is defined by the SEC.

The NCG Committee's primary function is to nominate the individuals to be elected to the Board of Directors and to oversee all corporate governance policies of the Board of Directors. For additional information on the functions performed by the NCG Committee, see the "Structure of the Board of Directors" section of this proxy statement.

Table of Contents

The Compensation Committee's primary function is to oversee the administration of the Company's employee benefit plans and to establish the Company's compensation policies. The Compensation Committee approves and/or recommends to the Board the compensation arrangements for senior management and directors, adoption of compensation plans in which officers and directors are eligible to participate, and the granting of equity based compensation or other benefits under compensation plans. The "Compensation Discussion and Analysis" section of this proxy statement describes these responsibilities and the manner in which they are discharged.

The Executive Committee has the authority to act on behalf of the Board of Directors and the Company with respect to matters as to which it has been authorized to act by the Board of Directors, provided that such matters are not in conflict with the Certificate of Incorporation or By-Laws of the Company or applicable laws, regulations, or rules or the listing standards of the NYSE.

There are no arrangements or understandings between any director and any other person pursuant to which that director was or is to be elected.

**Risk Oversight**

While the Board of Directors oversees the Company's risk management processes, with particular focus on the most significant risks the Company faces, the Company's management is responsible for day-to-day risk management. The Company believes this division of responsibilities is the most effective approach for addressing the risks facing the Company, and that the current Board leadership structure, with Mr. Sullivan serving as the independent Chairman of the Board, supports this approach and is the optimal structure for the Company at this time.

In connection with the Company's annual business strategy planning process, management identifies the significant risks or implications facing the Company relating to the Company's successful execution of its business strategy. The Board of Directors reviews and discusses these risks or implications with management along with the Company's risk assessment, risk management guidelines, and policies and plans for mitigating risk as part of the Company's annual strategy session. As part of this process, the Board of Directors provides feedback to management.

In conjunction with the annual business plan process, management completes and updates an enterprise risk management document (the "ERM Document") utilizing the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management framework and incorporating the information gathered during the strategy session discussions. Risk prevention or mitigation steps are documented for the more material risks identified based upon projected likelihood and impact of the occurrence of the particular risk. The final ERM Document becomes part of the Business Plan for that particular year.

The Company also maintains a Financial Risk Management Committee made up of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Treasurer and the Vice President Engineering and Evaluation. On a quarterly basis, the Financial Risk Management Committee meets separately and, together with management, conducts an update of the Enterprise Risk Management process. Minutes of these meetings are recorded, and the results of these meetings are reported to the Board at its quarterly meetings.

The Audit Committee provides significant assistance to the Board of Directors in the oversight of the Company's financial risk management processes. As part of this framework, the Audit Committee reviews and discusses with management the Company's risk assessment and risk management guidelines and policies with respect to the Company's significant financial risk exposures, and the steps management has taken as well as the specific guidelines and policies which have been established to monitor, control, mitigate, and report those exposures. These reviews and discussions cover the Company's oil and natural gas commodity price hedging arrangements, interest rate risk management,



Table of Contents

and insurance coverage, as appropriate. In addition, the Company's internal auditors, who report directly to the Audit Committee with respect to internal audit matters, provide the Audit Committee and management with ongoing assessments of the Company's risk management processes. The Audit Committee also has oversight responsibility for the integrity of the Company's financial statements and financial reporting process and systems of internal controls regarding finance, accounting, and compliance with legal and regulatory requirements. In addition, the Compensation Committee periodically reviews the most significant risks for the Company to ensure that compensation programs do not encourage excessive risk-taking. The Audit Committee and Compensation Committee report regularly to the full Board of Directors on their respective risk management oversight activities.

Table of Contents

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Policies and Procedures on Transactions with Related Persons**

The Company has adopted written policies and procedures for the Audit Committee's review of any transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or series of similar transactions, arrangements, or relationships in which (i) the Company is a participant, (ii) the aggregate amount involved will or may be expected to exceed \$120,000, and (iii) a related person has or will have a direct or indirect material interest. For purposes of this policy, a "related person" means (i) any of our directors, executive officers, or nominees for director, (ii) any stockholder that beneficially owns more than five percent of the Company's outstanding shares of common stock, and (iii) any immediate family member of the foregoing. The Audit Committee approves or ratifies only those transactions that it determines in good faith are in, or are not inconsistent with, the best interests of the Company and its stockholders.

In determining whether to approve or ratify a transaction, the Audit Committee takes into account the factors it deems appropriate, which may include, among others, the benefits to the Company, the availability of other sources for comparable products or services, the impact on a director's independence in the event the related person is a director, and the extent of the related person's interest in the transaction. The policy also provides for the delegation of its authority to the Chairman of the Audit Committee for any related person transaction requiring pre-approval or ratification between meetings of the Audit Committee. The Audit Committee reviews and assesses ongoing relationships with a related person on at least an annual basis to see that they are in compliance with the policy and remain appropriate.

In addition, the Company's By-Laws provide that a director, officer, or employee of the Company may not pursue for his or her own account a business or investment opportunity that he or she learned about through his or her affiliation with the Company. The By-Laws also provide that an officer or employee of St. Mary may not pursue for his or her own account an oil and gas opportunity that he or she independently learned about unless (a) with respect to an officer of St. Mary, the officer's pursuit of the opportunity has been approved by the Board of Directors, and (b) with respect to a non-officer of St. Mary, the employee's pursuit of the opportunity has been approved by a senior officer of St. Mary with full knowledge of that opportunity. These restrictions do not apply to the acquisition of less than one percent of the publicly traded stock of another company.

**Related Person Transactions**

Set forth below is a description of a related transaction between St. Mary and one of its directors during the last fiscal year. Some of the aspects of this transaction will continue in effect and may result in conflicts of interest between St. Mary and the individual. We cannot assure you that conflicts of interest will always be resolved in favor of St. Mary.

Mr. Hellerstein, who retired from the Board of Directors of St. Mary as of May 20, 2009, is a participant in the Net Profits Interest Bonus Plan ("NPP") as a result of his prior service to the Company as an executive officer, including service as President from 1992 to June 2006 and Chief Executive Officer from 1995 to February 2007. As a result of Mr. Hellerstein's vested participation interests in the NPP arising from his prior service, the Company made NPP payments to Mr. Hellerstein during 2009 in the total amount of \$2,364,053. The Audit Committee has reviewed this relationship and determined that it is not in conflict with the Company's Policies and Procedures with Respect to Related Person Transactions, since Mr. Hellerstein's NPP participation interests were awarded to him while he was an employee of St. Mary in order to provide for future incentive bonus compensation for his services as an executive officer. For a description of the NPP, please see the section entitled "Net Profits Interest Bonus Plan (NPP)" in the "Compensation Discussion and Analysis" section of this proxy statement.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Common Stock**

The following table shows beneficial ownership of shares of St. Mary common stock as known by the Company as of March 15, 2010, by all beneficial owners of more than five percent of the outstanding shares of St. Mary common stock as of March 15, 2010, by each director, director nominee, and named executive officers, and all directors and executive officers as a group. Restricted stock units and performance share awards are not included in this table as no actual shares have been issued associated with the restricted stock units or performance share awards rights. A supplemental separate table has been included later in this section describing the number of restricted stock units and performance share awards owned by the individuals described above.

Name of Beneficial Owner	Shares beneficially owned excluding options	Options exercisable within 60 days of 3/15/2010	Total shares beneficially owned(1)	Percent beneficially owned
<b>Name and Address of Stockholders Owning More Than 5%</b>				
BlackRock, Inc. 40 East 52 <sup>nd</sup> Street New York, NY 10022	4,527,627		4,527,627(2)	7.2%(2)
EARNEST Partners, LLC 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	3,690,492		3,690,492(3)	5.9%(3)
<b>Name and Position of Directors, Director Nominees and Named Executive Officers</b>				
Barbara M. Baumann, Director	25,180	47,666	72,846	*
Larry W. Bickle, Director	87,688	48,566	136,254	*
William J. Gardiner, Director	38,180	47,670	85,850	*
Julio M. Quintana, Director	19,125(4)		19,125(5)	*
John M. Seidl, Director	18,225		18,225	*
William D. Sullivan, Director	44,526	9,772	54,298	*
Anthony J. Best, Chief Executive Officer, President, and Director	46,735		46,735	*
A. Wade Pursell, Executive Vice President and Chief Financial Officer	13,626		13,626	*
Javan D. Ottoson, Executive Vice President and Chief Operating Officer	13,032		13,032	*
Milam Randolph Pharo, Senior Vice President and General Counsel	33,271		33,271	*
Paul M. Veatch, Senior Vice President and Regional Manager	12,685	9,996	22,681	*
All executive officers and directors as a group (20 persons including those named above)	427,690	248,455	676,145	1.1%

\*

Less than 1%

(1)

According to SEC rules, beneficial ownership includes shares as to which the individual or entity has voting power or investment power and any shares that the individual has the right to acquire

Table of Contents

within 60 days of a date reasonably selected by the Company, through the exercise of any stock option or other right. The Company selected March 15, 2010, as the determination date.

- (2) According to a Statement on Schedule 13G filed by BlackRock, Inc. ("BlackRock") on January 29, 2010, by reason of advisory and other relationships with persons who own shares of St. Mary common stock, BlackRock may be deemed to be the beneficial owner of a total of 4,527,627 shares, with shared voting power as to zero shares, shared dispositive power as to zero shares, and sole voting or dispositive power as to 4,527,627 shares.
- (3) According to a Statement on Schedule 13G filed by EARNEST Partners, LLC ("EARNEST") on February 10, 2010, by reason of advisory and other relationships with persons who own shares of St. Mary common stock, EARNEST may be deemed to be the beneficial owner of a total of 3,690,492 shares, with shared voting power as to 683,105 shares, shared dispositive power as to zero shares, and sole voting of 1,512,912 shares and sole dispositive power as to 3,690,492 shares.
- (4) Mr. Quintana maintains a margin securities account at a brokerage firm, and the positions held in such margin account, which may from time to time include shares of St. Mary common stock, may be pledged as collateral security for the repayment of debit balances, if any, in the account. As of March 15, 2010, Mr. Quintana held 19,125 shares of St. Mary common stock in such account and none of these shares were pledged as collateral.

**Restricted Stock Units and Performance Share Awards**

Restricted Stock Units ("RSUs") represent rights to shares of stock to be delivered upon settlement, subject to risk of forfeiture and cancellation. The RSUs do not have voting rights, nor are they entitled to receive cash payments equal to any cash dividends and other distributions paid in cash on our common stock. The RSU awards vest pursuant to dates established by their corresponding Restricted Stock Unit Award Agreements.

The Company began issuing RSUs in June 2004. The initial grant under the Restricted Stock Plan was made on June 30, 2004, whereby eligible executive officers and key employees were issued RSUs. This grant was the first grant under this program following approval of the Restricted Stock Plan by the Company's stockholders. RSU grants were made annually under the Restricted Stock Plan in 2004 and 2005. In 2006 and 2007, RSU grants were made under the Equity Plan subject to the performance criteria of the Company. These grants were made in the quarter following the year-end. In June 2008, the Company issued certain transitional RSUs and on August 1, 2009, as part of the Company's Long Term Incentive Plan, the Company issued a percentage of the awards under this Plan as RSUs. Neither the transitional RSUs or LTIP RSU awards were subject to performance criteria. The Company has also issued RSUs to Mr. Best under the terms of his employment contract.

Performance Share Awards ("PSAs") represent the right to receive, upon settlement of the PSAs after the completion of a three year performance period, a number of shares of the Company's common stock that may be from zero to two times the number of PSAs granted on the award date, depending on the extent to which the Company's performance criteria have been achieved and the extent to which the PSAs have vested. The PSAs do not have voting rights, nor are they entitled to receive cash payments equal to any cash dividends and other distributions paid in cash on our common stock.

The Company began granting PSAs on August 1, 2008, under the Equity Plan to eligible executive officers and key employees.

The following table shows the number of RSUs and PSAs owned by each of the directors, the executive officers named in the Summary Compensation Table set forth under the caption "Summary Compensation Table," and all directors and executive officers as a group as of March 15, 2010. The PSAs listed below represent the right to receive, upon settlement of the PSAs after the completion of

Table of Contents

the three year performance periods ending June 30, 2011, and June 30, 2012, a number of shares of the Company's common stock that may be from zero to two times the number of PSAs granted on the award date, depending on the extent to which certain performance criteria during a certain performance period have been achieved and the extent to which the PSAs have vested.

	Total Restricted Stock Units	Total Vested Restricted Stock Units	Total Performance Share Awards	Total Vested Performance Share Awards(1)
Barbara M. Baumann				
Larry W. Bickle				
William J. Gardiner				
Julio M. Quintana				
John M. Seidl				
William D. Sullivan				
Anthony J. Best	23,807		75,859	3,337
A. Wade Pursell	17,248		28,500	
Javan D. Ottoson	15,056		46,570	1,832
Milam Randolph Pharo	5,061		15,954	726
Paul M. Veatch	8,146		23,046	936
All executive officers and directors as a group (20) persons including those named above	112,439		325,173	12,276

(1)

PSAs granted on August 1, 2008, vested 1/7<sup>th</sup> on August 1, 2009. The amount shown reflects 1/7<sup>th</sup> of target shares. The actual number of shares of the Company's common stock released at the end of the performance period may be from zero to two times the number of PSAs granted, depending on the extent to which the Company's performance criteria have been achieved.

**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis****Introduction**

St. Mary's leadership and culture encourage long-term stockholder value creation, not short-term stockholder value maximization. We evaluate performance along both quantitative and qualitative factors and review not only "what" is achieved, but also "how" it is achieved. We provide what we believe to be a balanced mix of base salary, annual incentives paid in cash, and long-term incentives paid in stock. Our base salary provides a level of income that does not vary with Company performance. We balance incentives tied to short-term annual performance with incentives tied to our multi-year performance. In this way, our executives are motivated to consider the impact of decisions over the short, intermediate, and long terms. The 2009 "scorecard" for our annual cash incentives measures cash flow, capital efficiency, and growth. The specific measures on the scorecard are those we believe are the key drivers of long-term stockholder value creation. In addition, the program is not completely formulaic; the Compensation Committee has the discretion to adjust earned bonuses based on the "quality" of the results as well as individual performance and behaviors, and has used that discretion to reduce calculated bonuses in the recent past.

We have not utilized stock options for several years. Although we have outstanding stock options, we discontinued granting new stock options to employees after December 2003 and to directors after December 2004. Long-term incentive programs that overemphasize stock options could contribute to executive risk-taking, and focus on short-term share price increases, especially if stock options fall "underwater" (i.e., the option exercise price is above the current share price). Underwater options could encourage executives to take risks to increase share price; in such case options have upside

Table of Contents

opportunity, but no downside risk. If the share price increases above the exercise price, the options will have value, but if the share price decreases, the executives have not lost anything. Our current long-term incentive plan (the "LTIP") uses "full-value" shares, which we believe are more aligned with the interest of stockholders and appropriately balance risk and reward, because they have both upside potential and downside risk.

We do not have rich severance packages that mitigate consequences of poor performance. With the exception of our Chief Executive Officer, Mr. Best, we typically do not provide severance benefits in the event of termination without cause not related to a change of control. Mr. Best's severance benefits in the event of a termination without cause are modest compared to current industry practice. Additionally, our executive officers are subject to stock ownership guidelines based on a multiple of base salary. These stock ownership guidelines align the interests of management with long-term stockholder interests.

***Objectives of Executive Compensation Program***

Our overall executive compensation program is designed to promote superior returns for our stockholders through the preservation and growth of the Company's income-producing oil and natural gas assets. The objectives of our executive compensation program are to:

1. Provide competitive total compensation opportunities that allow us to attract, retain, and motivate talented management.

Our pay philosophy is to target overall compensation opportunities at levels competitive with equivalent positions at companies with which we compete for talent. In general, this desired competitive position corresponds to the median of a relevant industry peer group (see "Compensation Determination Process" for further detail). Actual compensation earned by a particular individual may be above or below the target level based on Company and individual performance measured against prescribed metrics of the incentive compensation programs.

2. Link compensation earned to the achievement of our short-and long-term financial and strategic objectives.

We believe that the proportion of total compensation that is performance-based, and therefore "at risk," should increase with an individual's level of responsibility. St. Mary's compensation system is designed to provide the appropriate level of balance between fixed and variable compensation, cash and equity compensation, and short-term and long-term incentives. To this end, our short-term incentive plan (the "STIP") rewards annual operating performance in terms of cash flow, investment performance, and reserve growth (see "Elements of Compensation Short-Term Incentive Plan"). Our LTIP rewards total stockholder return, both on an absolute basis and relative to an index of oil and gas E&P companies (see "Elements of Compensation Long-Term Incentive Plan").

3. Align performance incentives with the long-term interests of our stockholders.

Alignment of long term interests between stockholders and management is achieved by paying a substantial portion of total compensation in the form of equity-based incentives and through stock ownership guidelines that encourage executives to have a meaningful ownership stake over their tenure. In addition, realized compensation under our LTIP is aligned with absolute and relative returns realized by our stockholders.

4. Ensure programs are cost-effective and financially efficient.

As part of the process of approving new programs, changes to existing programs, and awards under our programs (e.g., salary increases, bonus opportunities, aggregate equity compensation grants, etc.), the Compensation Committee evaluates numerous relevant considerations

Table of Contents

including the aggregate economic costs of such compensation, the expected accounting treatment, potential stockholder dilution, and the impact on our financial results. The Compensation Committee strives for development of programs that are affordable and designed in the most financially efficient manner possible.

In addition, we make reasonable efforts to maximize the tax deductibility of all elements of compensation. Under Section 162(m) of the Internal Revenue Code ("IRC"), compensation in excess of \$1.0 million per year paid to certain of the named executive officers is not tax deductible unless certain requirements are met, including that the compensation is "performance-based" as defined in Section 162(m). Our STIP and LTIP are administered so that compensation awarded and paid to our named executive officers are "performance-based" under Section 162(m)'s definition and therefore fully tax-deductible; however, the Compensation Committee reserves the right to provide compensation that does not meet Section 162(m) deductibility requirements.

5.

Uphold high standards of good corporate governance and evolving best practices.

The Compensation Committee, with the assistance of management and the Compensation Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("F. W. Cook"), stays abreast of current and developing corporate governance standards with respect to executive compensation and may make changes to our programs, as it deems appropriate, to reflect best practices.

***Compensation Determination Process***

*Responsibilities of the Compensation Committee*

Executive compensation at St. Mary is determined by the Compensation Committee of the Board of Directors and the Board of Directors as provided below. The Compensation Committee is comprised of three independent directors and operates under the framework of a formal charter. Members of the Compensation Committee are appointed by the Board of Directors for, among other things, the purposes of:

Overseeing the administration of the Company's employee compensation and benefit plans;

Establishing the Company's compensation policies;

Reviewing and approving the Company's general compensation strategy and objectives;

Annually reviewing the performance and determining the compensation of the Chief Executive Officer;

Reviewing and approving recommendations to the Board for base compensation for the executive officers of the Company other than the Chief Executive Officer; and

Reviewing and approving recommendations for STIP and LTIP awards.

*Independent Compensation Consultants*

Since 2007, the Compensation Committee has engaged F. W. Cook as its independent executive compensation consultant. F. W. Cook reports directly to the Compensation Committee and the Compensation Committee may replace F. W. Cook or hire additional consultants or other advisors as it deems necessary. A principal of F. W. Cook attends meetings of the Compensation Committee, as requested, and communicates with the Chair of the Compensation Committee between meetings. The services F. W. Cook provides include advising the Compensation Committee on the principal aspects of St. Mary's executive compensation programs and evolving best practices, providing market information and analysis regarding the competitiveness of St. Mary's executive compensation opportunities, and





Table of Contents

aggregate equity compensation practices of St. Mary's peers. To facilitate the delivery of these services to the Compensation Committee, F. W. Cook interfaces with St. Mary's management, in particular the Vice President Human Resources. F. W. Cook does not provide directly or indirectly through affiliates, any non-executive compensation services, such as pension consulting or human resource outsourcing, to St. Mary or any other clients. F. W. Cook has agreed to advise the Compensation Committee Chair if any potential conflicts of interest arise that could cause F. W. Cook's independence and loyalty to be questioned and not to undertake any project for St. Mary management, except at the request of the Compensation Committee Chair and as agent for the Compensation Committee. In 2009, F. W. Cook did not provide any services to St. Mary other than those requested by the Compensation Committee Chair and related to F. W. Cook's engagement as the independent consultant to the Compensation Committee.

*Role of management in determination process*

With the oversight of the Chief Executive Officer and Vice President Human Resources, the management team provides recommendations to the Compensation Committee on matters of compensation philosophy and plan design. The Chief Executive Officer provides recommendations for pay levels for executives other than himself based on competitive market data, internal fairness between executives, past performances, and future potential. The Human Resources department supports management and the Compensation Committee by providing information on historical compensation levels, analyzing third-party survey data, and interfacing with F. W. Cook. While members of the management team attend Compensation Committee meetings, they are not present for executive sessions. The Compensation Committee and the Board, as required under the Compensation Committee's charter, make all final decisions with respect to compensation of our executive officers.

*Comparative Peer Group*

One of the objectives of our executive compensation is to ensure that the total compensation opportunities for our executive officers are competitive with the companies against which we compete for business, investment dollars, and executive talent. In fiscal 2009, compensation comparisons were made to the following companies:

Berry Petroleum Company	Newfield Exploration Company
Bill Barrett Corporation	Penn Virginia Corporation
Cabot Oil & Gas Corporation	Petrohawk Energy Corporation
Cimarex Energy Company	Quicksilver Resources Inc.
Comstock Resources Incorporated	Range Resources Corporation
Denbury Resources Incorporated	Stone Energy Corporation
EXCO Resources, Incorporated	Swift Energy Company
Encore Acquisition Company	Unit Corporation
Forest Oil Corporation	Whiting Petroleum Corporation

This peer group includes all of the fourteen companies included in the 2008 peer group, plus four additional companies: Berry Petroleum Company, Bill Barrett Corporation, EXCO Resources, Incorporated, and Stone Energy Corporation. St. Mary ranks at approximately the median of the peer group in terms of size measures such as annual revenues, enterprise value, and number of employees.

In May 2009, F. W. Cook conducted an analysis of pay levels of the executive officers named in proxy statements of the peer group companies versus corresponding positions at St. Mary. Findings

Table of Contents

from this analysis indicated that base salaries for St. Mary's executives were at the 25<sup>th</sup> percentile of the peer group, and target total direct compensation (base salary plus bonus plus long-term incentive compensation) was significantly below the 25<sup>th</sup> percentile of the peer group. This analysis excluded amounts paid in connection with the Company's historical but discontinued NPP.

F. W. Cook's May 2009 analysis also examined company-wide practices with regard to equity compensation, using three measures to evaluate the value and number of St. Mary shares being granted to its employees. St. Mary shares of common stock attributable to grants outstanding plus shares of common stock available for future grant as a percentage of total shares of common outstanding (the "overhang") and three-year average annual share usage as a percentage of weighted average shares of common stock outstanding ("run rate") were between the 25<sup>th</sup> percentile and median of the peer group. However, the three-year average of St. Mary's aggregate long-term incentive grant value as a percentage of market capitalization ("fair value transfer" or "FVT") was at the 75<sup>th</sup> percentile of the peer group.

In October 2009, the Compensation Committee asked F. W. Cook to review the comparative peer framework and provide suggestions for changes for use in future comparisons. In addition to standard size measures such as revenues, assets, number of employees, and enterprise value, F. W. Cook reviewed industry-specific criteria such as annual production volume, fiscal year-end reserves, total costs incurred in oil and gas activities, and the magnitude of each company's offshore and non-U.S.-based operations. Based on this review, the Compensation Committee approved the addition of three companies (Concho Resources Inc., Continental Resources, Inc., and Ultra Petroleum Corp.) to the peer group, and the exclusion of five companies (Comstock Resources, Inc., Newfield Exploration Co., Range Resources Corporation, Stone Energy Corporation, and Unit Petroleum Co.).

***Elements of Compensation***

The principal components of St. Mary's executive compensation program and the purpose of each component are summarized in the following table. The Company's executive compensation program is

Table of Contents

made up of the same components as the compensation program for other employees. The only material difference is the target pay levels.

<b>Compensation Element</b>	<b>Description</b>	<b>Purpose</b>
<i>Base Salary</i>	<i>Fixed cash compensation, targeted at 50<sup>th</sup> percentile of survey and peer group for employees meeting all performance expectations</i>	<i>Provide an appropriate level of cash compensation necessary to attract and retain employees; recognizes skills, competencies, experience, and individual contribution</i>
<i>STIP</i>	<i>Annual cash incentive opportunity with ultimate award dependent upon Company's annual performance in key metrics</i>	<i>Drive and incentivize superior annual performance at Company, regional, and individual levels</i>
<i>LTIP</i>	<i>Equity-based compensation opportunity with ultimate award dependent upon Company's long term performance in total shareholder return and performance relative to a peer group</i>	<i>Drive stockholder value creation, align management interests with those of stockholders, encourage retention, and reward long term Company performance</i>
<i>Employee Stock Purchase Plan (ESPP)</i>	<i>Enables employees to purchase and hold shares of St. Mary common stock at a 15% discount of the fair market price at the beginning or end of the offering period</i>	<i>Facilitate share ownership among employees for the purposes of aligning employees' interests with those of stockholders</i>
<i>Qualified Retirement Plans</i>	<i>Includes qualified defined benefit pension plan and 401(k) plan</i>	<i>Attract and retain employees, encourage retention, support succession planning objectives by ensuring sufficiency of retirement replacement income</i>
<i>Supplemental Pension Plan</i>	<i>Continues benefits under qualified plan formula that are not allowed due to IRC limits on the qualified plan</i>	<i>Attract and retain employees, encourage retention, support succession planning objectives by ensuring sufficiency of retirement replacement income</i>
<i>Benefits and Perquisites</i>	<i>Medical, dental, life, and disability insurance</i>	<i>Attract and retain highly qualified employees, support the overall health and well being of executives and employees</i>
<i>Target Competitive Positioning</i>		

St. Mary's pay philosophy is for each executive's target compensation opportunity to approximate market medians in total compensation and across individual compensation elements. Actual pay may be higher or lower than target, based on performance results and changes in our share price.

Table of Contents*Total Direct Compensation Mix*

The charts below show the 2009 target total direct compensation mix for the Chief Executive Officer and other named executive officers. As the charts illustrate 76 percent and 72 percent of total target compensation for our Chief Executive Officer and named executives officers, respectively, is attributable to the performance-based LTIP and STIP, and thus is "at risk."

*Base Salary*

Base salary is intended to provide a foundation of executive compensation that recognizes the level of responsibility and authority of each individual executive and compensates for day to day performance. Based on competitive market data, individual performance and potential, internal equity considerations, and input from the Chief Executive Officer (for executives other than himself), the Compensation Committee approved the following salary adjustments, on March 25, 2009, effective December 28, 2008, for the named executive officers:

<b>Name</b>	<b>Prior Salary</b>	<b>New Salary</b>	<b>% Change</b>
Best	\$ 475,000	\$ 513,000	8.0%
Ottoson	\$ 315,000	\$ 345,000	9.5%
Pursell	\$ 300,000	\$ 306,000	2.0%
Pharo	\$ 230,000	\$ 239,200	4.0%
Veatch	\$ 230,000	\$ 238,250	3.6%

Mr. Best's and Mr. Ottoson's significantly higher salary adjustments, relative to those of other named executive officers, largely reflect the fact that their base pay levels were further below the median salaries paid to equivalent positions at companies with which we compete for talent.

*Short-Term Incentive Plan*

The STIP is designed to reward executives for their achievement of performance objectives tied to our annual business plan, focusing primarily on cash flow generation, investment performance against an approved capital expenditures budget, and reserve growth. Payments under the STIP are in the form of annual cash bonuses under the Company's Cash Bonus Plan, which was approved by the stockholders in May 2008.

The Compensation Committee's decisions regarding the approval of annual cash bonus pools for the 2009 STIP were based on analysis and information provided by management, including the results of the Company's internal "scorecard," and other subjective determinations considered by management and the Compensation Committee. The percentages recommended, considered, and subsequently approved resulted in a pool of dollars available to be distributed to the executives and other employees. These amounts were then distributed based on the results of the Company as a whole, the regional performance for those executives in regional positions, and each individual's performance during the year, as well as other qualitative factors.

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### Table of Contents

As more fully discussed below, the 2009 scorecard used annual targets recommended by management and approved by the Compensation Committee for key performance measures that contributed to increases in the Company's net asset value. The following table summarizes the 2009 scorecard measures, weightings, and targets, along with corporate actual results. Following the table is a discussion and analysis of each measure:

<b>Metric</b>	<b>Target</b>	<b>2009 Actual Result</b>	<b>Multiplier Factor (of target)</b>	<b>Weighting</b>	<b>Corporate Net Factor</b>
Cash Flow (\$ in millions)	\$ 348.7	\$ 466.6	2	30%	2.00
Investment Efficiency (capital value ratio)	0.90	0.66	0		