

ST MARY LAND & EXPLORATION CO
Form DEF 14A
April 06, 2009

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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

(Name of Registrant as Specified In Its Charter)

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

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 - (1) Title of each class of securities to which transaction applies:
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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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March 27, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 annual meeting of stockholders, which is scheduled to be held in the Forum Conference Room of Wells Fargo Bank located at 1740 Broadway in Denver, Colorado, on Wednesday, May 20, 2009, at 3:00 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 the 2009 Amendments to the 2006 Equity Incentive Compensation Plan to increase the number of shares available for issuance under this plan and revise the fungible ratio to 1.43:1; and

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

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 2008 Annual Report, which is available on our website www.stmaryland.com.

Pursuant to Securities and Exchange Commission rules, we may now provide you with access to our proxy materials over the Internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of this proxy statement and our 2008 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 this proxy statement, our 2008 Annual Report, and a form of proxy card. We may also choose to mail printed proxy materials to one or more stockholders.

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.

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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St. Mary Land & Exploration Company

1776 Lincoln Street, Suite 700
Denver, Colorado 80203

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

on May 20, 2009

To All Stockholders:

The 2009 annual meeting of the stockholders of St. Mary Land & Exploration Company is scheduled to be held in the Forum Conference Room of Wells Fargo Bank located at 1740 Broadway in Denver, Colorado, on Wednesday, May 20, 2009, at 3:00 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 the 2009 Amendments to the 2006 Equity Incentive Compensation Plan, to increase the number of shares available for issuance under this plan and revise the fungible ratio to 1.43:1;
3. To ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm; and
4. To transact any other business which may properly come before the meeting.

Only stockholders of record at the close of business on March 23, 2009, 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 this 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 its 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
March 27, 2009

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St. Mary Land & Exploration Company

1776 Lincoln Street, Suite 700
Denver, Colorado 80203
(303) 861-8140

PROXY STATEMENT

General

This proxy statement contains information about the 2009 annual meeting of stockholders of St. Mary Land & Exploration Company scheduled to be held in the Forum Conference Room of Wells Fargo Bank located at 1740 Broadway in Denver, Colorado, on Wednesday, May 20, 2009, at 3:00 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, "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 the 2009 Amendments to the 2006 Equity Incentive Compensation Plan to increase the number of shares available for issuance under this plan and revise the fungible ratio to 1.43:1;

The ratification of the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm; 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 2008 Annual Report, are being distributed and made available on or about April 7, 2009. In accordance with rules and regulations recently adopted by the Securities and Exchange Commission (the "SEC"), the Company is furnishing our proxy materials to our stockholders on the Internet. A Notice of Internet Availability of Proxy Materials (the "Notice") will be mailed to the Company's stockholders on or about April 7, 2009. 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 may also elect to mail printed proxy materials to one or more stockholders.

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 printed form by mail will remain

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

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 20, 2009: The proxy statement and 2008 Form 10-K of the Company are available at <http://materials.proxyvote.com/792228>.

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 and who do not participate in the electronic delivery of proxy materials will receive only one copy of our Notice and, as applicable, any additional 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 Notice, annual report or proxy statement, please submit a request to St. Mary's Corporate Secretary at 1776 Lincoln Street, Suite 700, 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 23, 2009, 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 23, 2009, there were 62,390,975 shares of St. Mary common stock issued and outstanding, net of 176,987 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, if you received a printed copy of the proxy materials, by marking, signing, dating, and returning the enclosed proxy card in the accompanying postage paid envelope. The telephone and internet voting 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 "Nominees for Election as Directors";

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FOR the approval of the 2009 Amendments to the Equity Plan, as hereinafter defined, to increase the number of shares available for issuance under this plan and revise the fungible ratio to 1.43:1; and

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

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 count as present for establishing a quorum. A broker non-vote occurs on a matter when a broker is not permitted to vote on that matter without instruction from the beneficial owner of the shares and no instruction is given. 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

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. Any shares present but not voted for approval, including withheld votes and broker non-votes, will have the same effect as if the shares were voted against approval.

Approval of the 2009 Amendments to the Equity Plan, as hereinafter defined Under New York Stock Exchange ("NYSE") rules and regulations promulgated under Section 162(m) of the Internal Revenue Code ("IRC"), the approval of the 2009 Amendments to the Equity Plan, as hereinafter defined, that will increase the number of shares available for issuance under this plan and modify the fungible ratio for stock issued under this plan requires the affirmative vote of a majority of the votes cast on this plan, and the NYSE rules require that the total votes cast represent over 50 percent of all shares entitled to vote. Abstentions and broker non-votes will have the effect of votes against approval of this plan.

Ratification of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm This ratification 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. Any shares present but not voted for approval, including withheld votes and broker non-votes, will have the same effect as if the shares were voted against approval.

Payment of Proxy Solicitation Costs

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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

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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 the proxy material to their principals and obtain authority to execute proxies.

ELECTION OF DIRECTORS

All directors of the Company are elected annually. At this 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; all are currently serving in that capacity.

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 2008 and early 2009. The NCG Committee selects each nominee based on the nominee's skills, achievements, and experience. As set forth in the Corporate Governance Guidelines, the Board as a whole should have broad and relevant experience in high level business policymaking and a commitment to representing the long term interests of the stockholders. The NCG Committee believes that each nominee should have experience in positions of responsibility and leadership, an understanding of the Company's business environment, and a reputation for integrity.

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 stockholder interests. 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 the 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.

The NCG Committee will consider suggestions by stockholders of possible future nominees. No such suggestions were received during 2008. Stockholders may nominate persons for election to the Board in accordance with the By-Laws. Stockholder suggestions should be delivered on or before November 1st 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 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 2010 annual meeting must be received by St. Mary between February 4, 2010, and March 6, 2010. No stockholder nominations were received regarding the 2009 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.

Recommendation of the Board of Directors

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

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Biographical information as of February 15, 2009, including principal occupation and business experience during the last five years, of each nominee for director is set forth below.

	Age	Director Since
<p>Barbara M. Baumann is President of Cross Creek Energy Corporation, which provides consulting services for energy related companies. Ms. Baumann has held that position since July 2003. From 2001 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 1983 to 2001, Ms. Baumann was employed by BP Amoco 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 company for Tucson Electric Power Company.</p>	53	2002
<p>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, Mr. Best relinquished his position as Chief Operating Officer when Javan D. Ottoson was elected to that office. On February 23, 2007, Mr. Best was elected Chief Executive Officer of St. Mary when Mark Hellerstein retired from that position. Mr. Best was appointed to the Board concurrent with his appointment as Chief Executive Officer. 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, 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 VP External Affairs for ARCO Alaska.</p>	59	2007
<p>Larry W. Bickle is a retired private equity investor. 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>	63	1995
<p>William J. Gardiner 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 independent power producer. 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>	54	1999

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	Age	Director Since
<p>Julio M. Quintana is the President, Chief Executive Officer, and a director of TESCO Corporation, a company that supplies oilfield drilling technology, oilfield services, and equipment. Mr. Quintana joined the St. Mary Board on July 7, 2006. Prior to his appointment to his current position at TESCO Corporation in September 2005, he had served as Executive Vice President and Chief Operating Officer at TESCO since September 2004. From 1999 to 2004, Mr. Quintana was employed at Schlumberger Limited, a global oilfield services company, as the VP Integrated Project Management from 1999 to 2000, as the VP Marketing for North and South America from 2001 to 2003, and as the VP 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>	49	2006
<p>John M. Seidl is 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. Mr. Seidl's business career from 1978-1992 was in energy or energy related businesses.</p>	70	1994
<p>William D. 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 Mr. Sullivan served as President and Chief Executive Officer of Leor Energy LP, a privately held exploration and production company. 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, a natural gas limited partnership that was listed on NASDAQ in February 2007. Additionally, 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, an oil and natural gas limited partnership that was listed on NASDAQ in January 2007. Mr. Sullivan has served as a director of Tetra Technologies, Inc. since August 2007. Mr. Sullivan worked for Anadarko Petroleum Corporation, an independent oil and natural gas exploration and production company, 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 VP, Operations International, Gulf of Mexico and Alaska in 2001, VP International Operations from 1998 to 2000, and VP Algeria from 1995 to 1998.</p>	52	2004

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OTHER MATTERS TO BE VOTED ON

Approval of Amendments to the 2006 Equity Incentive Compensation Plan

Overview

Subject to stockholder approval, on March 26, 2009, St. Mary's Board of Directors approved amendments to the 2006 Equity Incentive Compensation Plan, which as part of these amendments has been renamed the Equity Incentive Compensation Plan (the "Equity Plan"). These amendments (the "2009 Amendments"), which are further explained below, are primarily to:

Increase the stated total number of shares of the Company's common stock authorized for issuance under the Equity Plan from 3,500,000 shares to 6,000,000 shares.

Change the fungible share counting provisions of the Equity Plan to provide that "full share awards" under the Equity Plan, which are awards other than stock options or stock appreciation rights, made after May 20, 2009, will be counted against the total share authorization limit as 1.43 shares for every one share issued.

The Equity Plan provides for the issuance of restricted stock, restricted stock units ("RSUs"), nonqualified stock options ("NSOs"), incentive stock options ("ISOs"), stock appreciation rights ("SARs"), performance shares, performance units and stock based awards to key employees, consultants, and members of St. Mary's Board of Directors or any affiliate of St. Mary as equity based incentive compensation under the Equity Plan. The purpose of the Equity Plan is to promote the success and enhance the value of St. Mary by linking the personal interests of the participants to those of St. Mary's stockholders and by providing participants with an incentive for outstanding performance. The Equity Plan is further intended to provide flexibility to St. Mary in its ability to attract, motivate, and retain the services of participants upon whose judgment, interest, and special effort the success of St. Mary is substantially dependent. A copy of the Equity Plan, as amended and restated, is attached to this proxy statement as Annex A.

If the stockholders do not approve the 2009 amendments, the Compensation Committee will consider other alternatives for compensation.

General Background of the Equity Plan

The Equity Plan was originally adopted by St. Mary's Board of Directors on March 23, 2006, and approved by St. Mary's stockholders on May 17, 2006. The Equity Plan was subsequently amended and restated on March 28, 2008, and was approved by St. Mary's stockholders on May 21, 2008. Included in the amendments approved by the stockholders on May 21, 2008 was an increase in the stated total number of shares of common stock authorized for issuance under the Equity Plan from 2,000,000 shares to 3,500,000 shares.

The Equity Plan serves as the successor equity incentive plan to the Company's prior Stock Option Plan, Incentive Stock Option Plan, Restricted Stock Plan, and Non-Employee Director Stock Compensation Plan (collectively, the "Predecessor Plans"), and no further grants have been made under the Predecessor Plans from and after the original effective date of the Equity Plan on May 17, 2006.

The Equity Plan currently authorizes the issuance of a total of 3,500,000 shares of common stock, including remaining shares of common stock under the Predecessor Plans that have been transferred into the Equity Plan in accordance with its terms, and without taking into account the additional shares under the 2009 Amendments. As of March 23, 2009, there were 1,593,468 remaining shares of common stock available for grant under the Equity Plan.

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As of March 23, 2009, the Company had 62,390,975 shares of common stock outstanding, net of treasury shares. On that date, the Company had 1,494,208 stock options outstanding under the Equity Plan at a weighted average exercise price of \$12.71 per share and a weighted average remaining term of 3.5 years. The Company also had 738,725 full value awards outstanding on that date in the form of RSUs and performance share awards ("PSAs"). On March 23, 2009, the closing price of St. Mary's common stock as reported on the NYSE was \$15.08 per share.

Summary of 2009 Amendments

Increase in Share Authorization

Under the 2009 Amendments, if approved by the stockholders, the stated total number of shares of the Company's common stock authorized for issuance to participants pursuant to awards granted under the Plan will be 6,000,000 shares. The Equity Plan currently authorizes 3,500,000 shares of which 1,593,468 remain available for grant. Additional previously authorized and remaining shares under the Predecessor Plans will also remain available for issuance as provided in the Equity Plan document.

Change in Share Counting Provisions for Full Share Awards

The Equity Plan originally provided that (i) any shares of common stock issued in connection with a stock option or SAR will be counted against the total share authorization limit as one share of common stock for every one share of common stock issued, and (ii) any shares of common stock issued in connection with an award other than a stock option or SAR will be counted against the limit as two shares of common stock for every one share of common stock issued. Under the 2009 Amendments, if approved by the stockholders, clause (ii) of this provision will be changed so that each share of common stock issued in connection with an award after May 20, 2009, other than a stock option or SAR will be counted against the limit at a 1.43:1 ratio.

Reasons for 2009 Amendments

Grants of equity compensation for 2005, 2006, and 2007 were for incentive compensation awards, non-employee director compensation, hire-on awards and other compensation related awards. Some of these grants of incentive equity awards under the Equity Plan were made following the end of these fiscal reporting years, for example, awards made in February 2008 related to the 2007 annual performance period. During 2007, 2006, and 2005 there were 248, 201, and 173 persons that received awards, respectively. The table below presents the awards granted under the Equity Plan on this accrual based manner. As explained in more detail below, last year the Company replaced its use of RSUs as the primary form of equity based incentive with the use of PSAs under the Company's new Long Term Incentive Program ("LTIP"), which also replaced the Company's prior use of new compensation pools under the cash based Net Profits Interest Bonus Plan (the "NPP"). As discussed in more detail under the "LTIP/PSA Framework" caption below, the 2008 PSA awards agreements provide that no actual shares of common stock will be issued in settlement of those PSAs until after the end of a three year performance period in August 2011. Thus, in order to transition from the use of RSUs to PSAs, the Company made a transitional grant of 265,373 RSUs on June 30, 2008 (the "Transitional RSUs"). The Transitional RSUs have a vesting and settlement schedule of one third on each of December 15, 2008, 2009, and 2010.

Table of Contents**EQUITY AWARD LEVELS PRIOR TO THE LTIP**

	2008	2007	2006	2005
Incentive Awards Issued for the Performance Period	0	161,244(1)	78,657(2)	484,351(3)
Non-Employee Director Share Awards	23,113	32,504	29,827	13,926
Hiring and Retention Equity Awards	22,286	23,977	28,500	0
Transitional RSUs	265,373	0	0	0

- (1) Represents awards made on February 28, 2008, related to the 2007 performance period.
- (2) Represents awards made on February 28, 2007, related to the 2006 performance period.
- (3) Represents awards made on February 28, 2006, related to the 2005 performance period.

Based on the timing of these awards and the manner in which the fungible share counting provisions under the Equity Plan have functioned, this represents a reduction in the shares available for grant of 2,359,985 shares over the years 2005, 2006, 2007, and 2008. Until May 2006, equity awards were governed by the Predecessor Plans. Subsequent to that date, the terms of the Equity Plan have governed the grant of equity awards.

Beginning in 2007, the Company replaced its use of new compensation pools under the NPP, a significant cash-based compensation plan, and RSUs with the LTIP, which utilizes PSAs. Historically, the NPP had incentivised and rewarded employees at St. Mary. However, the complexity of the program and the uncertain timing of payout, made it less attractive than more traditional equity plans to newly recruited and highly marketable employees. As a result, the Compensation Committee and the Board approved the termination of the NPP on a prospective basis in December 2007, and the 2007 NPP pool was the final NPP pool to be awarded.

PSA plans are common among our peers and provide for target awards that are earned over a performance period. Currently, the LTIP utilizes a three year performance period. We believe the LTIP is a more transparent, more marketable, and more widely understood long term incentive compensation program. This results in the awards closely aligning employee interest with those of our stockholders, particularly since employees could potentially not receive any shares from an award if St. Mary's performance criteria are not met. The target awards, while made at the beginning of the performance measurement period, have a back-end weighted time vesting schedule and a total shareholder return ("TSR") measurement after the conclusion of the three year measurement period. At the conclusion of the three year measurement period, St. Mary's compounded TSR will be measured for the three year measurement period and then compared to the results of the compound TSR performance of a pre-established performance index consisting of similar companies. Depending on the results of the TSR measurements, the actual award made to participants will be between zero and two times the target award based on pre-established criteria. There is no market or performance condition that results in an early payout determination, other than a change of control. The LTIP and the associated cash bonus plan are widely utilized within the organization as a consistent plan for our employees and executives, ensuring that all eligible personnel are measured against the same performance conditions. In 2008, 285 persons were designated to participate in the LTIP and were granted a total of 465,751 PSAs under the Equity Plan, although the actual number of shares of common stock that may ultimately be issued in settlement of those PSAs after the end of the three year performance period will depend on the compound returns of St. Mary and its peer indices. St. Mary anticipates using a similar framework in 2009 under the Equity Plan.

The Company is seeking an increase in the number of shares available for issuance under the Equity Plan because the LTIP is replacing the Company's use of the NPP and RSUs with the use of PSAs. The Company's previous use of the NPP, together with the issuance of RSUs, as its primary long term incentive compensation program required the issuance of fewer shares of Company stock because

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the NPP was a cash based incentive plan. Since no new compensation pools will be created under the NPP, equity has become the only component of the Company's long term incentive compensation framework going forward and accordingly it is anticipated that larger number of shares will be required.

Additionally, the Company is seeking an increase in the authorized number of shares available for issuance because the PSAs under the LTIP are considered to be full share awards. Even though no actual shares will be issued in settlement of the PSAs unless the underlying performance criteria are met, the fact that under certain performance conditions the target awards have a potential two times multiplier requires that the Company contemplate the achievement of this scenario and ensure the availability of sufficient shares to meet the terms of the original target awards. Further, depending upon the year of the PSA grant, under the Equity Plan's fungible share counting provisions such PSA could count either two times or 1.43 times against the total share authorization limit under the plan. As an example, if an employee is granted a target PSA of 100 shares, this will count as 200 shares against the total share limit if the PSA grant is on or before May 20, 2009, or will count as 143 shares against the limit if the PSA grant is after May 20, 2009. Because there is the potential under the PSA framework to earn up to two times the target number of shares in the event that the Company's performance warrants, a total of 200 shares could be issued, which would count as 400 or 386 shares, respectively, against the share limit under the plan. The result is that more shares must be available for grant under the Equity Plan than the number of shares actually being issued as new shares pursuant to full value PSA awards.

Prior to the 2009 Amendments, the total number of remaining shares of common stock authorized for grant under the Equity Plan as of March 23, 2009, which represents shares not subject to prior awards and includes shares transferred from under the Predecessor Plans, is 1,593,468. Accordingly, if the 2009 Amendments are approved by the stockholders, a total of 4,093,468 shares will be available under the Equity Plan to be used for future awards. This reflects a 2,500,000 share increase in the number of shares authorized under the Equity Plan. St. Mary's Board of Directors believes that this share increase is appropriate based on the fact that no future compensation pools will be established under the NPP, and that St. Mary intends to grant PSAs on an annual basis.

The Equity Plan provides that, from and after May 21, 2008, the following shares will not become available again for issuance under the Equity Plan: (i) shares tendered as full or partial payment to St. Mary of an option price upon exercise of any options granted under the Equity Plan, (ii) shares reserved for issuance upon grants of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs, and (iii) shares withheld by St. Mary to satisfy a participant's tax withholding obligations with respect to any award granted under the Equity Plan. This modification of the share counting provisions resulting from amendments to the Equity Plan in 2008 to eliminate share recycling on a prospective basis was a factor in the Board of Director's determination that a 2,500,000 share increase in the number of shares authorized for grant under the Equity Plan is appropriate and in the best interests of St. Mary.

The increase in the authorized shares submitted for stockholder approval is intended to ensure that St. Mary has a sufficient number of shares of common stock available under the Equity Plan to continue issuing incentive compensation awards in the form of the currently planned PSAs for the next year.

LTIP/PSA Framework

As discussed above, St. Mary has replaced the creation of NPP pools and grants of RSUs under the Equity Plan with grants of PSAs under the Equity Plan in accordance with St. Mary's new LTIP. All employees that were eligible to receive RSUs or to participate in the NPP on the date of issuance are eligible to receive PSAs, including the named executive officers. Individual PSAs may vary depending on the circumstances, and are governed by award agreements between St. Mary and each PSA recipient

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and the terms and conditions of the Equity Plan. PSAs are also used for a small discretionary pool to recognize certain select employees that are not participants in St. Mary's LTIP. For a further discussion, please see "COMPENSATION DISCUSSION AND ANALYSIS *The Specific Elements of Compensation and How We Administer Them.*"

All annual PSA grants under the LTIP are currently planned to be made with respect to LTIP plan performance years beginning on July 1st of each LTIP plan year (each, a "PSA Year"). The first PSA Year began on July 1, 2008. For the 2008 PSA Year, St. Mary's Board of Directors established an initial total pool value to be distributed to eligible participants and a grant date of August 1, 2008 for the PSAs, based on recommendations from the Compensation Committee. In determining the initial total pool value, St. Mary considered, among other factors, the fair value transfer ("FVT") of St. Mary's long term incentive compensation system compared to peer companies. FVT is defined as the percentage of a company's market capitalization that is potentially transferred to employees annually in the form of stock based awards and other forms of ownership in a company. After the total pool value for the PSA Year was determined, the pool value was converted into PSAs by dividing the total pool value by the average closing price per share of St. Mary common stock for a period of 20 trading days before the grant date. For each PSA Year in which awards are granted, the performance period for measuring St. Mary's performance will begin on July 1 of that year and end on June 30 of the third year following the grant date. The performance share allocation will be performed and awards of current PSA Year awards and settlement of previously awarded PSAs will occur shortly after the measurement period is concluded.

Under the LTIP, there will be two determinations that will affect the number of shares of common stock that will actually be issued to employees in settlement of the PSAs. The first is a time vesting element and the second is a performance measure, which is measured only after the completion of the measurement period.

PSAs under the LTIP currently vest over a three year period, with 1/7th vesting on the first anniversary of the grant date, 2/7th vesting on the second anniversary of the grant date, and 4/7th vesting on the third anniversary of the grant date. After the end of the three year performance period, the final multiplier for the respective PSA Year will be determined and applied to each participant's vested PSAs. The vested PSAs will then be settled in shares of St. Mary's common stock, and such shares will not be subject to any holding restrictions after settlement. If a participant terminates employment at any time during the vesting period, such participant will forfeit the remaining unvested performance shares awarded, except under certain circumstances involving retirement, death, disability, or a change of control that includes a termination or substantial change in such participant's employment with St. Mary, all as described in the Equity Plan and such participant's award agreement. Participants may be allowed to net share settle for the payment of income taxes associated with the settlement of the award.

To the extent vested, the number of shares of St. Mary's common stock issued will vary from zero to two times the initial number of PSAs awarded, depending on St. Mary's business performance during the three year performance period. A key metric for measuring St. Mary's performance in connection with determining the value of PSAs will be based on the absolute measure of St. Mary's TSR and the relative measure of St. Mary's TSR against the TSR of pre-selected peer companies. The Compensation Committee will create, review, and approve annually, a performance share multiplier matrix for each PSA Year, which describes the relationship between St. Mary's TSR and its TSR compared to peer companies and includes the final share multiplier for each PSA Year.

For the comparison of St. Mary's TSR with its peer companies with respect to PSAs granted for the 2008 PSA Year, St. Mary is using a custom index consisting of the constituents of the Oil & Gas Exploration & Production GIC Sub-Industry Group in the S&P SmallCap 600 Index and the S&P MidCap 400 Index, excluding St. Mary. The custom index is equal weighted, and is adjusted to include

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the dividend payments of the constituents of the custom index. The custom index is rebalanced on a quarterly basis, and is also rebalanced whenever there are additions and deletions to the S&P SmallCap 600 and the S&P MidCap 400 indices. Currently, the constituent companies in this custom index are: Petroquest Energy Inc., Stone Energy Corporation, Mariner Energy Inc., Quicksilver Resources Inc., Swift Energy Company, Denbury Resources Inc., Forest Oil Corp., Encore Acquisition Company, Newfield Exploration Company, Cimarex Energy Company, Petroleum Development Company, Plains Exploration & Production Company, and Penn Virginia Corporation.

St. Mary's Board of Directors believes that grants of PSAs pursuant to the LTIP under the Equity Plan are in the best interests of St. Mary and will further encourage employees' interests to align with the long term interests of St. Mary's stockholders.

Reasons for Stockholder Approval of 2009 Amendments

Under applicable NYSE rules, St. Mary must obtain stockholder approval of the 2009 Amendments to the Equity Plan. In addition, stockholder approval of the 2009 Amendments is necessary to allow St. Mary to ensure that compensation paid under the Equity Plan can be eligible for the "performance based compensation" exemption from the limits on tax deductibility imposed by Section 162(m) of the IRC and to permit St. Mary to issue ISOs in accordance with Section 422 of the IRC.

Summary of the Equity Plan

The following is a summary of the principal features of the Equity Plan, which reflects the 2009 Amendments. The summary is qualified in its entirety by reference to the complete text of the Equity Plan document, as amended and restated, a copy of which is attached to this proxy statement as Annex A. In addition, St. Mary will furnish a copy of the Equity Plan document to any stockholder upon written request to the Secretary. The manner in which we expect the plan will operate is described above. The following summary describes the more broad underlying provisions of the plan.

Types of Awards

The Equity Plan permits the grant of restricted stock, RSUs, NSOs, ISOs, SARs, performance shares, performance units, and stock based awards.

Administration

The Compensation Committee of the Board of Directors of St. Mary, or any other duly authorized committee of the Board of Directors appointed by the Board of Directors, is responsible for administering the Equity Plan. The committee that administers the Equity Plan, referred to as the committee, shall be comprised of two or more members of the Board of Directors of St. Mary, and each member of the committee shall be a "non-employee director" as such term is defined in Rule 16b-3(b)(3) promulgated under the Securities Exchange Act of 1934, as amended, an "outside director" within the meaning of the regulations promulgated under Section 162(m) of the IRC and an "independent director" for purposes of the rules and regulations of the NYSE. Subject to the provisions of the Equity Plan, the committee shall have complete discretion in determining the nature, terms, conditions, and amounts of awards granted under the Equity Plan. In making such determinations, the committee may take into account the nature of services rendered by such employees, consultants, and members of the Board of Directors, their present and potential contributions to St. Mary, and such other factors as the committee in its discretion shall deem relevant.

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Shares Subject to the Equity Plan and Maximum Awards

Subject to adjustment as described below, after the approval of the 2009 Amendments the total number of shares of the Company's common stock made available and reserved for issuance will be increased from 3,500,000 shares to 6,000,000 shares, plus any remaining shares available for issuance under the Predecessor Plans as provided in the Equity Plan document. Any shares issued in connection with an option or SAR will be counted against the total share authorization limit as one share for every one share issued. Any shares issued in connection with an award other than an option or SAR will be counted against the total share authorization limit as 1.43 shares for every one share issued. The maximum total number of shares that may be issued through NSOs is equal to the total share authorization. The maximum total number of shares that may be issued through ISOs is 3,500,000.

Any awards that are not settled in shares will not be counted against the total share authorization limit. Any shares related to awards (or after May 17, 2006, awards granted or issued under the Predecessor Plans) which (i) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such shares, (ii) are settled in cash either in lieu of shares or otherwise, or (iii) are exchanged with the committee's approval for awards not involving shares, will be available again for issuance under the Plan. Unless and until the committee determines that an award is not designed to qualify as performance based compensation under Section 162(m) of the IRC, the following limits apply to grants of awards to covered employees under Section 162(m):

Restricted Stock/RSUs. The maximum total number of shares that may be granted in the form of restricted stock/RSUs in any one fiscal year to any one Participant is 100,000.

Options and SARs. The maximum total number of shares that may be granted in the form of options or SARs in any one fiscal year to any one participant is 200,000.

Performance Shares/Performance Units. The maximum total award of performance shares or performance units that a participant may receive in any one fiscal year is 200,000 shares, and the maximum value of performance units that a participant may receive with respect to awards in any one fiscal year is a value of \$5,000,000 determined as of the date of vesting or payout, as applicable.

Stock Based Awards. The maximum total grant with respect to stock based awards in any one fiscal year to any one participant is 200,000.

The Equity Plan provides for appropriate adjustments to the number of shares available for awards in the event of a merger, consolidation, reorganization, recapitalization, separation, stock dividend, extraordinary or special dividend, stock split, reverse stock split, or similar event or transaction involving the Company.

Eligibility and Participation

All current employees, consultants, and members of the Board of Directors of St. Mary or any affiliate of St. Mary are eligible to participate in the Equity Plan and be granted awards under the Equity Plan. Subject to the provisions of the Equity Plan, the committee may from time to time, in its sole discretion, select from among eligible employees, consultants, and members of the Board of Directors of St. Mary and of any affiliate of St. Mary those to whom awards shall be granted under the Equity Plan and shall determine in its discretion the nature, terms, conditions, and amount of each award.

Duration

Subject to the right of the committee or the Board of Directors to amend or terminate the Equity Plan at any time, the Equity Plan shall remain in effect, until the earlier of the tenth anniversary of the

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effective date of the Equity Plan, which occurred on May 17, 2006, or when all shares of common stock subject to the Equity Plan have been purchased or acquired according to the Equity Plan's provisions. Any previously granted awards under the Equity Plan that remain outstanding as of the date of expiration or other termination of the Equity Plan shall not be affected by such expiration or other termination and shall continue in effect in accordance with their respective terms.

Restricted Stock and RSU Awards

Restricted Stock Awards. Restricted stock may be issued for services rendered with any or no additional purchase price as shall be determined by the committee in its discretion and may be subject to certain restrictions and to a risk of forfeiture as set forth in the award agreement. A participant to whom shares of restricted stock are granted shall, upon issuance of a stock certificate for the shares issued, have all of the rights of ownership with respect to the shares subject to such restricted stock award, including the right to vote the same and receive any dividends paid thereon; subject however, to the terms, conditions, and restrictions contained in the Equity Plan and in the applicable award agreement.

Restricted Stock Unit Awards. Each RSU awarded shall represent a right for one share of common stock to be delivered upon settlement of the award, which right shall be subject to a risk of forfeiture and cancellation and to the other terms and conditions set forth in the Equity Plan and the award agreement. An RSU award agreement may provide for cancellation of RSUs upon termination of the participant's employment or other relationship with St. Mary or nonperformance of specified performance goals or measures established by the committee. An RSU award agreement may also provide for vesting periods that require the passage of time and/or the occurrence of events in order for the RSUs to vest and become no longer subject to cancellation. RSUs shall not be credited with dividend equivalents unless specifically provided for in the applicable award agreement, and then only upon such terms and conditions as set forth in such award agreement. The committee, in its discretion, is free to specify terms and conditions other than those described above.

Settlement of a RSU award shall be made in accordance with the terms and conditions of the applicable award agreement. A RSU award agreement may provide that settlement may be made solely through the issuance of shares of common stock or at the mutual election of the participant and St. Mary, in a combination of shares of common stock and cash. Upon the settlement of a RSU award, St. Mary shall deliver to the participant a certificate for the number of shares of common stock issued to the participant in settlement of the award.

Stock Options

Subject to the terms and provisions of the Equity Plan, ISOs and NSOs may be granted to participants in such number, upon such terms, and at such times as shall be determined by the committee. Notwithstanding the foregoing, no ISOs may be granted more than ten years after March 23, 2006. Each stock option granted to a participant shall expire at such time as the committee shall determine at the time of grant; provided however, no stock option shall be exercisable later than the tenth anniversary date of its grant. Stock options granted under the Equity Plan shall be exercisable at such times and on the occurrence of such events, and be subject to such restrictions and conditions as the committee shall in each instance approve, which need not be the same for each grant or for each participant.

The stock option price for each grant of a stock option shall be determined by the committee and shall be specified in the award agreement. The stock option price may include a stock option price based on 100 percent of the fair market value of the shares of common stock on the date of grant, a stock option price that is set at a premium to the fair market value of the shares of common stock on the date of grant, or a stock option price that is indexed to the fair market value of the shares of

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common stock on the date of grant, with the index determined by the committee in its discretion. The stock option price for each stock option grant, whether issued as an ISO or an NSO, shall be not less than 100 percent of the fair market value of the underlying shares of common stock on the date of grant. Dividend equivalents are not permitted for stock options.

SARs

Subject to the terms and conditions of the Equity Plan, SARs may be granted to participants at any time and from time to time and upon such terms as shall be determined by the committee in its discretion. The committee may grant freestanding SARs, tandem SARs, or any combination of these forms of SARs. The grant price for each grant of a freestanding SAR shall be determined by the committee and shall be specified in the award agreement. The SAR grant price may include a grant price based on 100 percent of the fair market value of the underlying share on the date of grant or a grant price that is set at a premium to the fair market value of the underlying share on the date of grant. The SAR grant price shall not be less than the fair market value of the underlying share on the date of grant. The grant price of the tandem SARs shall be equal to the option price of the related option. A tandem SAR means a SAR that the committee specifies is granted in connection with a related stock option pursuant to the Equity Plan, the exercise of which shall require forfeiture of the right to purchase a share of common stock under the related stock option (and when a share of common stock is purchased under the stock option, the tandem SAR shall similarly be cancelled) or a SAR that is granted in tandem with a stock option but the exercise of such option does not cancel the SAR, but rather results in the exercise of the related SAR. Regardless of whether a stock option is granted coincident with a SAR, a SAR is not a tandem SAR unless so specified by the committee at time of grant. Dividend equivalents are not permitted for SARs.

Performance Shares and Performance Units

Subject to the terms and conditions of the Equity Plan, performance shares and performance units may be granted at any time and from time to time as shall be determined by the committee in its discretion. Each performance share and performance unit shall have an initial value established by the committee at the time of the grant. The committee shall in its discretion set performance criteria for a performance period that shall not be shorter than 12 months, which, depending on the extent to which the performance criteria are met, will determine, in the manner established by the committee and set forth in the applicable award agreement, the value and/or amount of each performance share or performance unit that will be paid to a participant.

Subject to the Equity Plan and the applicable award agreement, after the applicable performance period has ended, the holder of performance shares or performance units shall be entitled to receive, to the extent that the performance shares or performance units have vested, if applicable, a payout of the value or amount of performance shares or performance units, determined as a function of the extent to which the corresponding performance criteria have been achieved. The committee in its discretion may require a participant to hold the shares or other property received pursuant to such an award for a specified period of time. Payment of earned performance shares and performance units shall be made in accordance with the terms and conditions of the applicable award agreement. A performance share or performance unit award agreement may provide that payment may be made, to the extent that the performance share or performance unit has vested and the performance criteria are met, solely through the issuance of shares earned upon the expiration of the applicable performance period. The participant may elect to satisfy the participant's tax withholding obligation with respect to the award by having St. Mary withhold shares or other property or by the participant surrendering shares or other property to the Company with a fair market value on or near the tax withholding date equal to the tax withholding obligation.

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Dividends and other distributions declared by St. Mary's Board of Directors and paid with respect to outstanding shares shall only be paid with respect to performance share and performance unit awards for shares that have been issued by St. Mary in payment of such awards to the extent that the awards have vested and upon the expiration of the applicable performance periods for the awards. Performance shares and performance units shall not be credited with dividend equivalents unless specifically provided for in the applicable award agreement and then only upon such terms and conditions as set forth in such award agreement.

Stock Based Awards

Subject to the terms and provisions of the Equity Plan, the committee, at any time and from time to time, may grant other types of equity based or equity related awards not otherwise described by the terms of the Equity Plan (including the grant or offer for sale of unrestricted shares of common stock) in such amounts and subject to such terms and conditions including, but not limited to, being subject to performance criteria or in satisfaction of such obligations. Such awards may entail the transfer of actual shares of common stock to participants or payment in cash or otherwise of amounts based on the value of shares of common stock.

Performance Measures

Notwithstanding any other terms of the Equity Plan, the vesting, monetization, or value (as determined by the committee) of each award other than a stock option or SAR that, at the time of grant, the committee intends to be performance based compensation to a covered employee shall be determined by the attainment of one or more performance goals as determined by the committee in conformity with Section 162(m) of the IRC. The committee shall specify in writing, by resolution or otherwise, the participants eligible to receive such an award (which may be expressed in terms of a class of individuals) and the performance goal(s) applicable to such awards within ninety (90) days after the commencement of the period to which the performance goal(s) relate(s) or such earlier time as required to comply with Section 162(m) of the IRC. No such award shall be payable unless the committee certifies in writing, by resolution or otherwise, that the performance goal(s) applicable to the award were satisfied. In no case may the committee increase the value of an award of performance based compensation above the maximum value determined under the performance formula by the attainment of the applicable performance goal(s), but the committee retains the discretion to reduce the value below such maximum. A general description of performance measures on which performance goals will be based is contained in the Equity Plan document attached to this proxy statement as Annex A.

Tax Matters

The following is a brief summary of advice received from counsel to St. Mary regarding the principle United States federal income tax consequences of benefits under the Equity Plan under present laws and regulations:

ISOs. The grant of an ISO will not result in any immediate tax consequences to St. Mary or the optionee. An optionee will not recognize taxable income and St. Mary will not be entitled to any deduction upon the timely exercise of an ISO, but the excess of the fair market value of the shares of common stock acquired over the stock option price will be an item of tax preference for purposes of the alternative minimum tax. If the optionee does not dispose of the shares of common stock acquired within one year after their receipt (and within two years after the option was granted), gain or loss recognized on the subsequent disposition of the shares of common stock will be treated as long term capital gain or loss. Capital losses of individuals are deductible only against capital gains and a limited amount of ordinary income. In the event of an earlier disposition, the optionee will recognize ordinary taxable income in an amount equal to the lesser of (i) the excess of the fair market value of the shares

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of common stock on the date of exercise over the option price, or (ii) if the disposition is a taxable sale or exchange, the amount of any gain recognized. Upon such a disqualifying disposition, St. Mary will be entitled to a deduction in the same amount and at the same time as the optionee recognizes such ordinary taxable income.

NSOs. The grant of a NSO will not result in any immediate tax consequences to St. Mary or the optionee. Upon the exercise of a NSO, the optionee will recognize ordinary taxable income, and St. Mary will be entitled to a deduction, equal to the difference between the stock option price and the fair market value of the shares of common stock acquired at the time of exercise.

SARs. The grant of either a tandem SAR or a freestanding SAR will not result in any immediate tax consequences to St. Mary or the grantee. Upon the exercise of either a tandem SAR or a freestanding SAR, any cash received and the fair market value on the exercise date of any shares of common stock received will constitute ordinary taxable income to the grantee. St. Mary will be entitled to a deduction in the same amount and at the same time.

Restricted Stock. A grantee normally will not recognize taxable income upon an award of restricted stock, and St. Mary will not be entitled to a deduction, until the termination of the restrictions. Upon such termination, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock at that time, plus the amount of any dividends and interest thereon to which the grantee then becomes entitled. However, a grantee may elect to recognize ordinary taxable income in the year the restricted stock is awarded in an amount equal to its fair market value at that time, determined without regard to the restrictions. St. Mary will be entitled to a deduction in the same amount and at the same time as the grantee recognizes income, subject to the limitations of Section 162(m) of the IRC.

RSUs. The grant of an RSU will not result in any immediate tax consequences to St. Mary or the grantee. Upon payment of a RSU, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock or cash received at that time. St. Mary will be entitled to a deduction in the same amount and at the same time, subject to the limitations of Section 162(m) of the IRC.

Performance Shares and Performance Units. The grant of a performance share or performance unit will not result in any immediate tax consequences to St. Mary or the grantee. Upon payment of a performance share or performance unit, the grantee will recognize ordinary taxable income in an amount equal to the fair market value of the shares of common stock or cash received at that time. St. Mary will be entitled to a deduction in the same amount and at the same time, subject to the limitations of Section 162(m) of the IRC.

Payouts of Performance Compensation Awards. The designation of an award of restricted stock, RSUs, performance shares, or performance units as a performance compensation award will not change the tax treatment described above to an employee who receives such an award or grant. Such a designation will, however, enable such award or grant to qualify as performance based compensation not subject to the \$1 million limitation on deductible compensation under Section 162(m) of the IRC. Applicable taxes required by law will be withheld from all amounts paid in satisfaction of an award. The amount of the withholding will generally be determined with reference to the closing price of the shares of common stock as reported on the NYSE on the date of determination.

Golden Parachute Tax and Section 280G of the IRC. If an award is accelerated as a result of either (i) a change of control of St. Mary for awards granted prior to May 21, 2008, or (ii) a change of control of St. Mary and a termination of a participant's employment with St. Mary either by St. Mary without cause or by the participant for good reason within 30 months of the change of control for awards granted on or after May 21, 2008, all or a portion of the value of the award at that time may be

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a "parachute payment" under Section 280G of the IRC for certain employees and other individuals who perform services for St. Mary. Section 280G generally provides that if parachute payments equal or exceed three times an award holder's average W-2 compensation for the five tax years preceding the year of the change of control, St. Mary will not be permitted to claim its deduction with respect to any "excess parachute payments" made to the individual. An "excess parachute payment" generally is the portion of a parachute payment that exceeds such individual's historical average compensation. Section 280G of the IRC generally applies to employees or other individuals who perform services for St. Mary if within the 12 month period preceding the change of control the individual is an officer of St. Mary, a stockholder owning more than one percent of the stock of St. Mary, or a member of the group consisting of the lesser of the highest paid one percent of the employees of St. Mary or the highest paid 250 employees of St. Mary. A recipient of an excess parachute payment is subject to a 20 percent excise tax on such excess parachute payment under Section 4999 of the IRC.

The discussion set forth above is intended only as a summary and does not purport to be a complete enunciation or analysis of all potential tax consequences relevant to recipients of awards under the Equity Plan. We have not undertaken to discuss the tax treatment of awards under the Equity Plan in connection with a merger, consolidation, or similar transaction. Such treatment will depend on the terms of the transaction and the method of dealing with the awards in connection therewith.

Change of Control

Accelerated Vesting and Payment Applicable to Awards Granted prior to May 21, 2008. Subject to the provisions of the Equity Plan or as otherwise provided in the award agreement, for awards granted prior to May 21, 2008, in the event of a change of control, unless otherwise specifically prohibited under law or by the rules and regulations of a national securities exchange:

Any period of restriction and other restrictions imposed on restricted stock or RSUs shall lapse, and RSUs shall be immediately payable;

Any and all stock options and SARs granted shall become immediately exercisable;

The target payout opportunities attainable under all outstanding awards of performance based restricted stock and performance based RSUs, performance shares, and performance units (including but not limited to awards intended to be performance based compensation) shall be deemed to have been fully earned based on targeted performance being attained as of the effective date of the change of control, and

The vesting of all awards denominated in shares of common stock shall be accelerated as of the effective date of the change of control, and shall be paid out to participants within 30 days following the effective date of the change of control; and

Awards denominated in cash shall be paid to participants in cash within 30 days following the effective date of the change of control.

Upon a change of control, unless otherwise specifically provided in a written agreement entered into between the participant and St. Mary or an affiliate of St. Mary, the committee shall immediately vest and pay out all other stock based awards as determined by the committee; and

The committee shall have the ability to unilaterally determine that all outstanding awards are cancelled upon a change of control, and the value of such awards, as determined by the committee in accordance with the terms of the Equity Plan and the award agreement, be paid out in cash in an amount based on the change of control price within a reasonable time subsequent to the change of control; provided, however, that no such payment shall be made on account of an ISO using a value higher than the fair market value on the date of settlement.

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Accelerated Vesting and Payment Applicable to Awards Granted on or after May 21, 2008. Subject to the provisions of the Equity Plan or as otherwise provided in the award agreement, for awards granted on or after May 21, 2008, and prior to change of control, in the event a change of control occurs and a participant's employment with the Company is terminated without cause or the participant terminates his or her employment for good reason within 30 months of the change of control (a "Change of Control Termination"), unless otherwise specifically prohibited under law or by the rules and regulations of a national securities exchange:

Any period of restriction and other restrictions imposed on restricted stock or RSUs shall lapse, and RSUs shall be immediately payable;

Any and all stock options and SARs granted shall become immediately exercisable;

The target payout opportunities attainable under all outstanding awards of performance based restricted stock and performance based RSUs, performance shares and performance units (including but not limited to awards intended to be performance based compensation) shall be deemed to have been fully earned based on measured performance as of the effective date of the change of control, and

The vesting of all awards denominated in shares of common stock shall be accelerated as of the effective date of the Change of Control Termination and shall be paid out to participants within 30 days following the effective date of the Change of Control Termination, and

Awards denominated in cash shall be paid to participants in cash within 30 days following the effective date of the Change of Control Termination;

Upon a Change of Control Termination, unless otherwise specifically provided in a written agreement entered into between the participant and St. Mary or an affiliate of St. Mary, the committee shall immediately vest and pay out all other stock based awards as determined by the committee; and

The committee shall have the ability to unilaterally determine that all outstanding awards are cancelled upon a Change of Control Termination, and the value of such awards, as determined by the committee in accordance with the terms of the Equity Plan and the award agreement, be paid out in cash in an amount determined by the committee in accordance with the terms of the Equity Plan and the award agreement, within a reasonable time subsequent to the Change of Control Termination; provided, however, that no such payment shall be made on account of an ISO using a value higher than the fair market value on the date of settlement.

In the event that the existence of the foregoing provisions, even if a change of control and a Change of Control Termination do not occur, would result in an award to a covered employee designed to qualify as performance based compensation to not so qualify, the committee shall have the discretion to adopt for such award such provisions as shall satisfy the requirements of Section 162(m) of the IRC.

Alternate Awards. Subject to certain conditions set forth in the Equity Plan, no cancellation, acceleration of vesting, lapsing of restrictions, payment of an award, cash settlement, or other payment shall occur with respect to any award if the committee reasonably determines in good faith prior to the occurrence of a change of control, that such award shall be honored, assumed, or new rights substituted therefore by any successor, all as described in the Equity Plan.

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Amendment, Modification, Suspension, and Termination

The committee or Board of Directors of St. Mary may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Equity Plan in whole or in part; provided however, that:

Except in connection with a corporate transaction involving St. Mary (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split up, spin off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the option price of outstanding options or the grant price of outstanding SARs or cancel outstanding options or SARs in exchange for cash, other awards or options or SARs with an option price or grant price that is less than the option price or grant price of the original options or SARs without stockholder approval.

No amendment or modification that would increase the total number of shares of common stock available for issuance under the Equity Plan or the total number of shares available for ISOs under the Equity Plan shall be effective unless approved by the stockholders of St. Mary.

To the extent necessary under any applicable law, regulation, or securities exchange or market requirement, no amendment shall be effective unless approved by the stockholders of St. Mary in accordance with applicable law, regulation, or securities exchange or market requirement.

Adjustment of Awards

The committee may make appropriate proportionate adjustments or substitutions in the terms and conditions of, and the criteria included in, awards in recognition of unusual or nonrecurring events affecting St. Mary or the financial statements of St. Mary or of changes in applicable laws, regulations, or accounting principles, whenever the committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Equity Plan.

Adjustments shall be made automatically, without the necessity of committee action, on the customary and appropriate arithmetical basis, in the case of any stock split, including a stock split affected by means of a stock dividend and in the case of any other dividend paid in shares of common stock. Adjustments shall be made in the discretion of the committee with respect to other corporate events or transactions.

Securities Registration

St. Mary has registered under the Securities Act of 1933 the issuance of previously authorized shares of common stock under the Equity Plan, and plans to register the issuance of the additional shares under the 2009 Amendments if approved by the stockholders. Accordingly, participants will be able to sell shares issued under the Equity Plan once any vesting and holding periods are satisfied, subject to other requirements of the Securities Act of 1933.

New Plan Benefits Table

St. Mary cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to our executive officers, employees or directors under the Equity Plan. Such awards will be subject to limits as set forth in Section 4.1 of the Equity Plan document attached to this proxy statement as Annex A.

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The following table sets forth information as of December 31, 2008, with respect to awards granted in 2008 related to 2008 and subsequent performance under the Equity Plan to each of St. Mary's named executive officers, executive officers as a group, and all employees and consultants (excluding named executive officers and executive officers) as a group as well as stock granted in 2008 to non-executive directors as a group related to the service period from May 21, 2008, through May 20, 2009.

Equity Incentive Compensation Plan

Name and Position	Market Value of Shares or Units	Number of Restricted Stock Units Issued	Number of Performance Share Awards Issued	Number of Shares of Stock Issued
Anthony J. Best President, Chief Executive Officer and Director	\$ 2,027,711	15,528	23,359	1,250
A. Wade Pursell Executive Vice President and Chief Financial Officer(1)	\$ 600,005	15,496		
Mark T. Solomon Controller and Former Acting Principal Financial Officer(2)	\$ 283,524	2,124	3,392	
David W. Honeyfield former Senior Vice President Chief Financial Officer and Secretary(3)	\$			
Milam Randolph Pharo Senior Vice President and General Counsel	\$ 437,180	3,376	5,079	
Garry A. Wilkening, Former Vice President Human Resources and Administration(4)	\$			
Paul M. Veatch, Vice President Senior Vice President and Regional Manager	\$ 516,776	3,629	6,546	
David J. Whitcomb, Vice President Marketing	\$ 317,510	2,401	3,765	
Executive Officers as a Group, as of December 31, 2008 (14 persons)	\$ 7,813,964	69,556	85,886	1,250
Non-Executive Directors as a Group, as of December 31, 2008 (eight persons)	\$ 1,016,909			23,113
All Employees and Consultants (excluding named executive officers and other executive officers) as a Group, as of December 31, 2008 (268 persons)	\$ 30,035,252	211,313	379,865	

(1) Mr. Pursell was appointed as Executive Vice President and Chief Financial Officer effective September 8, 2008.

(2) Mr. Solomon served as Acting Principal Financial Officer from April 30, 2008 to September 8, 2008.

(3) Mr. Honeyfield resigned from his position as Senior Vice President Chief Financial Officer and Secretary of St. Mary effective March 21, 2008.

- (4) Mr. Wilkening resigned from his position as Vice President Human Resources and Administration effective July 1, 2008.

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Disclosure with Respect to Equity Compensation Plans

For a table providing information as of December 31, 2008, concerning equity awards granted under St. Mary's Equity Plan and Employee Stock Purchase Plan ("ESPP"), please see the "Equity Compensation Plans" section of this proxy statement.

Recommendation of the Board of Directors

Since the Board of Directors believes that the 2009 Amendments to the Equity Plan will help attract, retain, and further motivate employees, consultants, and directors and enhance stockholder value, the Board of Directors recommends voting "FOR" the approval of the 2009 Amendments to the Equity Plan.

Ratification of the Appointment by the Audit Committee of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for 2009

St. Mary's stockholders are being asked to ratify the appointment by the Audit Committee of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2009. Deloitte & Touche has served as the Company's independent registered public accounting firm since 2001, and the Audit Committee plans to engage Deloitte & Touche to perform the audit of St. Mary's financial statements as of and for the year ending December 31, 2009.

The Audit Committee is solely responsible for selecting the Company's independent auditors. Although stockholder ratification of the appointment of Deloitte & Touche is not required by law or the Company's organizational documents, the Board of Directors has determined that it is desirable to seek stockholder ratification as a matter of good corporate governance in view of the critical role played by independent registered public accounting firms in maintaining the integrity of financial controls and reporting. If the stockholders do not ratify the appointment of Deloitte & Touche, the Audit Committee will consider whether to engage another independent registered public accounting firm.

Recommendation of the Board of Directors

The Board of Directors recommends voting "FOR" the ratification of the appointment by the Audit Committee of Deloitte & Touche as the Company's independent registered public accounting firm for 2009.

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: Barbara M. Baumann, Larry W. Bickle, William J. Gardiner, Julio M. Quintana, John M. Seidl, and William D. 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 Barbara M. Baumann, the Board considered the following relationship in addition to those described above: (1) Ms. Baumann is the wife of Frederick Baumann, a partner in the law firm of Rothgerber Johnson & Lyons LLP ("RJ&L"); (2) RJ&L provides legal services to St. Mary on a limited basis; (3) these services pertain to real estate matters, primarily in the area of office leases; (4) Mr. Baumann does not provide any of such services; and

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(5) in 2008, the fees billed by RJ&L to St. Mary were approximately \$23,000 . The Board has determined that Ms. Baumann's relationship to RJ&L does not impair her independence.

The Audit Committee, the Compensation Committee, and the NCG Committee are each comprised solely of independent directors. The written charters for all three independent committees are available on the Company's website at www.stmaryland.com. Also available on the website are the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Executive Committee Charter. The committee charters, the Corporate Governance Guidelines, and the Code of Business Conduct and Ethics, which applies to all employees, officers, and members of the Board of Directors of the Company, will be furnished in print to any stockholder who requests them.

Presiding Director at the Nonmanagement Directors' Executive Sessions

All independent directors meet in executive session immediately before 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 one or more specified individual directors by sending a letter to the intended recipients' attention in care of St. Mary Land & Exploration Company, Corporate Secretary, 1776 Lincoln Street, Suite 700, 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 11 times during 2008. Each director participated in at least ten of the Board meetings and at least 89 percent of the committee meetings held during the director's tenure on the Board and its committees with the exception of the NCG Committee meetings. The NCG Committee met two times during 2008. Mr. Seidl recused himself from one meeting to avoid a conflict of interest, and Mr. Sullivan was not able to attend one of the meetings.

It is the Company's policy that each director is expected to attend the Annual Meeting of Stockholders. Each director attended the 2008 Annual Meeting of Stockholders.

The Board has an Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee, and an Executive Committee. The Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation Committee are each comprised solely of independent directors.

Each of the committees and the entire Board separately evaluated their respective performance for the year 2008. The performance evaluation process was supervised by and reviewed by the NCG Committee and discussed amongst and approved by the full Board.

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The following table sets forth the members of each committee, as of December 31, 2008, and the number of meetings held in 2008.

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
Mark A. Hellerstein				X*
Julio M. Quintana	X			
John M. Seidl	X	X*		
William D. Sullivan		X	X	
Number of Meetings in 2008	9	2	7	2

*

Chairperson

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the Company's financial reporting by the Company. 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 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 Audit Committee Report 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, William J. Gardiner and John M. 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 "Election of Directors" section of this proxy statement.

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 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" 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.

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DIRECTOR COMPENSATION

Employee directors do not receive additional compensation for serving on the Board of Directors or any committee.

The fiscal service period for directors is the period from one annual meeting to the next. For the last fiscal year the period was from May 22, 2008, through May 20, 2009. For this period, target base compensation for each member of the Board of Directors was set at \$160,000 annually, plus committee and attendance fees. Primary director compensation is in the form of stock grants.

The stock compensation for non-employee directors is as follows:

Stock with a market value on the date of director election of \$160,000, which resulted in a grant to each non-employee director elected by the stockholders on May 21, 2008, of 3,134 shares of St. Mary common stock. These shares were issued under the Equity Plan. The shares are generally considered to be earned over the director's annual service period. However, shares issued to a director who thereafter resigns from the Board before completing the annual service period but after completing at least five years of service to the Company are treated as fully vested. All shares carry a transfer restriction imposed by St. Mary which expires two years after the date of issuance of the shares. The compensation expense recorded in the Company's financial statements is the fair value of the share grant as calculated under the valuation provisions required by Statement of Financial Accounting Standards No. 123(R) "Share Based Payment" ("SFAS No. 123(R)").

The cash component of the director compensation for non-employee directors is as follows:

Payment of \$750 for each Board meeting attended.

Payment of \$600 for each committee meeting attended in person and \$375 for each telephonic committee meeting.

Reimbursement for expenses incurred in attending Board and committee meetings.

The committee chairs receive the following cash payments in recognition of the additional workload of their respective committee assignments. These amounts are paid concurrent with the beginning of the annual service period.

Audit Committee \$15,000

Compensation Committee \$10,000

Nominating and Corporate Governance Committee \$5,000

Mr. Hellerstein was paid a retainer for his service as Non-Executive Chairman of the Board of \$60,000 for the 2008-2009 director service period. The retainer was paid in the form of stock on May 21, 2008, which resulted in a grant of 1,175 shares of St. Mary common stock. The retainer was supplemental to his basic non-employee director compensation.

The directors are eligible to participate in St. Mary's health, pharmacy, dental, and vision insurance programs. Directors are charged a premium that is equal to the COBRA rates associated with the Company's plan. The ability to participate in this plan is considered non-compensatory.

The following table sets forth the annual and long term compensation received during 2008 by the non-employee directors of St. Mary. The amounts presented represent the fair value of compensation expense that has been recorded by the Company in 2008. The stock based component of the compensation has been recorded based on the valuation provisions required by SFAS No. 123(R). Cash based compensation is recorded based on the monetary amount paid to the individual director.

Table of Contents**2008 DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1)(2)(3) (\$)	Option Awards(4) (\$)	Non-Equity Incentive Plan Compensation (\$)	Change In Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Barbara M. Baumann	\$ 24,325	\$ 135,032	\$	\$	\$	\$	\$ 159,357
Larry W. Bickle	\$ 12,975	\$ 135,032	\$	\$	\$	\$	\$ 148,007
William J. Gardiner	\$ 28,500	\$ 135,032	\$	\$	\$	\$	\$ 163,532
Mark A. Hellerstein(5)	\$ 9,600	\$ 215,504	\$	\$	\$	\$	\$ 225,104
Julio M. Quintana	\$ 12,525	\$ 142,656	\$	\$	\$	\$	\$ 155,181
John M. Seidl	\$ 17,750	\$ 135,032	\$	\$	\$	\$	\$ 152,782
William D. Sullivan	\$ 12,225	\$ 142,656	\$	\$	\$	\$	\$ 154,881

(1) Each of the non-employee directors was issued 3,134 shares of St. Mary common stock upon such director's election to the Board on May 21, 2008. Mr. Hellerstein was issued an additional 1,175 shares of St. Mary common stock on May 21, 2008, for serving as the Non-Executive Chairman of the Board. These stock awards are for the period from May 22, 2008, through May 20, 2009. The shares are generally considered to be earned over the director's annual service period and fully vested on May 20, 2009. The shares also carry a transfer restriction imposed by St. Mary which expires two years after the date of issuance of the shares. The value of the stock awards represents the amount of compensation expense recognized in the Company's financial statements for 2008, based on the fair value of the stock awards. A discussion of the assumptions made in determining the fair value of these awards under SFAS No. 123(R) may be found in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. A director's stock awards become fully vested upon resignation if the director has served as a member of the Board for at least five years prior to the date of resignation. Under SFAS No. 123(R), a stock award is considered vested for expense attribution purposes when a director's retention of the award is no longer contingent on providing subsequent service. Consequently, St. Mary recognizes full compensation expense on the grant date for awards granted to directors with at least five years of Board service. For directors with less than five years of Board service, St. Mary recognizes compensation expense spread over the period from the grant date until the earlier of the five-year Board service date or the completion of the annual service period to which the award relates. In 2008, all of the non-employee directors, except Messrs. Quintana and Sullivan, had at least five years of Board service.

(2) The grant date fair value of each share expensed during fiscal 2008 is set forth in the following table and is computed in accordance with SFAS No. 123(R), based on the closing stock price on the grant date. There were no forfeitures by the directors during fiscal 2008.

Grant Date	Shares	Value	Directors Who Received
5/22/08	3,134	\$ 135,032	Baumann, Bickle, Gardiner, Seidl
5/22/08	4,309	\$ 194,237	Hellerstein
5/22/08	3,134	\$ 141,272	Quintana, Sullivan
5/16/07	4,382	\$ 144,964	Baumann, Bickle, Gardiner, Seidl, Quintana, and Sullivan
7/02/07	6,212	\$ 207,033	Hellerstein

(3) As of December 31, 2008, the non-employee directors held the following number of stock awards (which consist of unvested stock and RSUs): Ms. Baumann 3,918, Mr. Bickle 3,918, Mr. Gardiner 3,918, Mr. Hellerstein 4,309, Mr. Quintana 3,134, Mr. Seidl 3,918, and Mr. Sullivan 3,918. RSUs are not credited with dividend equivalents and do not pay or accrue dividends until such time as the underlying shares are issued.

(4) For the year ended December 31, 2008, no stock options have been issued to directors nor have any stock options been issued to the directors since December 2004. As of December 31, 2008, the non-employee directors held the following number of stock options: Ms. Baumann 47,666, Mr. Bickle 48,566, Mr. Gardiner 47,670 and Mr. Sullivan 9,772. All such options are exercisable. Mr. Hellerstein, Mr. Quintana, and Mr. Seidl do not hold any outstanding stock options. The options described above are cumulative unexercised options granted to the directors over their years of service to the Company.

(5) Mr. Hellerstein's total does not include \$6,172,098 paid to him in 2008 for vested participation interests under the NPP as a result of his prior service as an executive officer of the Company before his retirement as Chief Executive Officer on February 23, 2007. For additional information about the NPP

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payments to Mr. Hellerstein, see "Certain Relationships and Related Transactions." It also does not include \$6,719 and \$1,100 in office lease costs and parking space rental, respectively, paid by the Company for Mr. Hellerstein's use during the transition period following his retirement. Payment of these office lease and parking expenses ceased on May 31, 2008.

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**OTHER REPORTABLE ITEMS RELATED TO PAYMENTS MADE BY THE
COMPANY ASSOCIATED WITH SERVICE OF A DIRECTOR**

There are no other reportable items related to payments made by the Company associated with service of a director.

COMPENSATION DISCUSSION AND ANALYSIS

Authority and framework for the Compensation Committee.

Executive compensation at St. Mary is determined by the Compensation Committee of the Board of Directors. The Compensation Committee is comprised of three independent directors and operates under the framework of a formal charter. This charter is available for review on the St. Mary website. 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 compensation of the Chief Executive Officer;

Reviewing and approving recommendations to the Board for base compensation for the executive officers of the Company;
and

Reviewing and approving recommendations for employee's annual cash bonus and stock compensation awards.

The Compensation Committee has authority to retain, at the Company's expense, consultants, advisors, and counsel as deemed appropriate in its sole discretion, to fulfill its responsibilities and duties. The Compensation Committee has sole authority to retain and terminate any compensation consultant to be used in the evaluation of chief executive officer or senior executive compensation and has the sole authority to approve the consultant's fees and other retention terms for such services. The Compensation Committee also has the authority to obtain advice and assistance from internal or external legal, accounting, or other advisors as it deems necessary.

Objectives of the Company's Compensation Programs.

The Company designs its compensation programs with the objectives of attracting, retaining, and motivating talented management and staff personnel at a reasonable cost and in a manner that aligns employee performance incentives with the long-term interests of stockholders. The Compensation Committee believes it has structured the compensation plans to encourage management to obtain superior returns for St. Mary's stockholders and to promote the preservation and growth of the Company's income-producing oil and natural gas assets. The majority of the value in the executive compensation plan design is incentive based and is driven by metrics that contribute to net asset value per share growth, which the Compensation Committee believes relates directly to stockholder returns.

St. Mary's compensation framework is designed to take into consideration certain performance factors, and based upon these factors, reward behavior that achieves the Company's objectives stated above and that ultimately increases share value. These individual performance factors for executive officers include:

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The executive's contributions to the development and execution of the Company's business plan and strategies;

The performance of the executive's department or region;

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Operational performance with respect to production, reserves, operating and finding costs, drilling results, environmental, health and safety, as well as asset and resource play acquisitions;

Financial performance with respect to cash flows,