

ST MARY LAND & EXPLORATION CO
Form 10-Q
August 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

Commission file number 001-31539

ST. MARY LAND & EXPLORATION COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

41-0518430

(I.R.S. Employer Identification No.)

1776 Lincoln Street, Suite 700, Denver, Colorado

(Address of principal executive offices)

80203

(Zip Code)

(303) 861-8140

(Registrant's telephone number, including area code)

Edgar Filing: ST MARY LAND & EXPLORATION CO - Form 10-Q

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of July 31, 2007, the registrant had 63,444,934 shares of common stock, \$0.01 par value, outstanding.

ST. MARY LAND & EXPLORATION COMPANY

INDEX

	PAGE
Part I. FINANCIAL INFORMATION	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets June 30, 2007, and December 31, 2006</u>	3
<u>Consolidated Statements of Operations Three and Six Months Ended June 30, 2007, and 2006</u>	4
<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income June 30, 2007, and December 31, 2006</u>	5
-	
<u>Consolidated Statements of Cash Flows Six Months Ended June 30, 2007, and 2006</u>	6
<u>Notes to Consolidated Financial Statements June 30, 2007</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
-	
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk (included within the content of Item 2)</u>	53
Item 4. <u>Controls and Procedures</u>	53
Part II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	53
Item 1A. <u>Risk Factors</u>	53
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	55
-	
Item 6. <u>Exhibits</u>	56

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(In thousands, except share amounts)

	June 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,179	\$ 1,464
Short-term investments	1,143	1,450
Accounts receivable	137,333	142,721
Refundable income taxes	6,908	7,684
Prepaid expenses and other	21,587	17,485
Accrued derivative asset	29,454	56,136
Total current assets	222,604	226,940
Property and equipment (successful efforts method), at cost:		
Proved oil and gas properties	2,320,523	2,063,911
Less - accumulated depletion, depreciation, and amortization	(709,217)	(630,051)
Unproved oil and gas properties, net of impairment allowance of \$9,790 in 2007 and \$9,425 in 2006	110,471	100,118
Wells in progress	150,765	97,498
Other property and equipment, net of accumulated depreciation of \$10,734 in 2007 and \$9,740 in 2006	8,487	6,988
	1,881,029	1,638,464
Noncurrent assets:		
Goodwill	9,452	9,452
Accrued derivative asset	4,932	16,939
Other noncurrent assets	13,614	7,302
Total noncurrent assets	27,998	33,693
Total Assets	\$ 2,131,631	\$ 1,899,097
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 226,080	\$ 171,834
Short-term note payable		4,469
Accrued derivative liability	24,669	13,100
Deferred income taxes	2,713	14,667
Total current liabilities	253,462	204,070
Noncurrent liabilities:		
Long-term credit facility	96,000	334,000
Senior convertible notes	287,500	99,980
Asset retirement obligation	81,205	77,242
Net Profits Plan liability	164,388	160,583
Deferred income taxes	246,508	224,518
Accrued derivative liability	95,480	46,432

Edgar Filing: ST MARY LAND & EXPLORATION CO - Form 10-Q

Other noncurrent liabilities	8,284	8,898
Total noncurrent liabilities	979,365	951,653
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value: authorized 200,000,000 shares; issued: 63,648,218 shares in 2007 and 55,251,733 shares in 2006; outstanding, net of treasury shares: 63,424,510 shares in 2007 and 55,001,733 shares in 2006	636	553
Additional paid-in capital	156,022	38,940
Treasury stock, at cost: 223,708 shares in 2007 and 250,000 shares in 2006	(3,350)	(4,272)
Retained earnings	791,269	695,224
Accumulated other comprehensive income (loss)	(45,773)	12,929
Total stockholders' equity	898,804	743,374
Total Liabilities and Stockholders' Equity	\$ 2,131,631	\$ 1,899,097

The accompanying notes are an integral part of these consolidated financial statements.

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues:				
Oil and gas production revenue	\$ 216,154	\$ 177,957	\$ 409,860	\$ 362,022
Realized oil and gas hedge gain	7,303	4,875	25,987	9,980
Marketed gas system revenue	15,967	3,167	23,826	9,234
Gain on sale of proved properties		6,432		6,432
Other revenue	7,730	950	8,487	(699)
Total operating revenues	247,154	193,381	468,160	386,969
Operating expenses:				
Oil and gas production expense	50,328	43,278	102,648	84,492
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	54,657	35,910	103,616	70,301
Exploration	13,643	15,319	34,412	26,106
Impairment of proved properties				1,289
Abandonment and impairment of unproved properties	1,465	1,262	2,949	2,448
General and administrative	13,697	10,429	24,838	21,215
Change in Net Profits Plan liability	(1,160)	14,059	3,805	21,080
Marketed gas system expense	14,940	2,829	22,176	8,016
Unrealized derivative loss	1,200	4,791	5,104	5,261
Other expense	401	419	1,117	990
Total operating expenses	149,171	128,296	300,665	241,198
Income from operations	97,983	65,085	167,495	145,771
Nonoperating income (expense):				
Interest income	154	540	257	1,364
Interest expense	(3,750)	(1,549)	(9,803)	(2,928)
Income before income taxes	94,387	64,076	157,949	144,207
Income tax expense	(35,152)	(23,996)	(58,764)	(53,601)
Net income	\$ 59,235	\$ 40,080	\$ 99,185	\$ 90,606
Basic weighted-average common shares outstanding	63,583	57,082	60,316	57,157
Diluted weighted-average common shares outstanding	65,120	66,950	65,015	67,145
Basic net income per common share	\$ 0.93	\$ 0.70	\$ 1.64	\$ 1.59
Diluted net income per common share	\$ 0.91	\$ 0.61	\$ 1.54	\$ 1.38

The accompanying notes are an integral part of these consolidated financial statements.

ST. MARY LAND & EXPLORATION COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (UNAUDITED)

(In thousands, except share amounts)