1776 LINCOLN STREET

DENVER, COLORADO 80203

303/861-8140

FAX 303/861-0934

ST. MARY LAND & EXPLORATION COMPANY

August 1, 2002

Letter of Comment No: 1
File Reference: 1101-SCU
Date Received: 08/01/02

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Recognition of Stock Option Expense

Gentlemen:

This Company acknowledges that grants of stock options are a form of employee compensation and should be recognized as an expense in the accurate accounting for corporate earnings. However, we feel three important conditions must attach to any ruling in this regard that may be made by your Board:

1. Any ruling must provide for a standard methodology with well-defined procedures for estimating variables, such as volatility, risk-free interest rate, etc. It is extremely important to have comparability among companies in implementation.

2. The Board must endorse a single mathematical model for measuring fair value. Presuming it is the Black-Scholes model, the Board must develop a theoretically valid procedure to adjust for the fact that the options are not freely traded, optionees are restricted from selling stock during "blackout" periods and, in some cases are restricted from selling optioned stock longer-term, as well as the fact that options may terminate shortly after termination of employment. Merely having companies arbitrarily estimate life in not acceptable.

3. Implementation should be on a prospective basis for newly granted options. Although this is not the best answer from a purely theoretical standpoint, it is important for businesses to be managed based on "rule of law" and that retroactive treatment of business practices creates added uncertainty unnecessarily.

Thank you for your consideration.

Very truly yours,

Mark A. Hellerstein
President and Chief Executive Officer