

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 quarter ended September 30, 2008

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

For the transition period from \_\_\_ to \_\_\_

**QUESTAR MARKET RESOURCES, INC.**

(Exact name of registrant as specified in its charter)

**STATE OF UTAH**

(State or other jurisdiction of  
Incorporation or organization)

**000-30321**

(Commission File Number)

**87-0287750**

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

**180 East 100 South Street, P.O. Box 45601 Salt Lake City, Utah 84145-0601**

(Address of principal executive offices)

Registrant's telephone number, including area code **(801) 324-2600**

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On September 30, 2008, 4,309,427 shares of the registrant's common stock, \$1.00 par value, were outstanding. All shares are owned by Questar Corporation.

Registrant meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is filing this form with the reduced disclosure format.

**Questar Market Resources, Inc.**  
**Form 10-Q for the Quarter Ended September 30, 2008**

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS.

QUESTAR MARKET RESOURCES, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	3 Months Ended Sept. 30, 2008	2007 Restated	9 Months Ended Sept. 30, 2008	2007 Restated
(in millions)				
<b>REVENUES</b>				
From unaffiliated customers	<b>\$601.0</b>	\$384.6	<b>\$1,789.6</b>	\$1,248.2
From affiliated companies	<b>60.4</b>	39.0	<b>169.8</b>	129.8
<b>Total Revenues</b>	<b>661.4</b>	423.6	<b>1,959.4</b>	1,378.0
<b>OPERATING EXPENSES</b>				
Cost of natural gas and other products sold (excluding operating expenses shown separately)	<b>124.9</b>	95.1	<b>492.0</b>	367.7
Operating and maintenance	<b>63.1</b>	44.7	<b>182.8</b>	139.0
General and administrative	<b>18.4</b>	23.4	<b>66.5</b>	67.3
Production and other taxes	<b>41.9</b>	15.9	<b>120.0</b>	61.2
Depreciation, depletion and amortization	<b>104.9</b>	71.3	<b>288.9</b>	218.7
Exploration	<b>7.4</b>	1.6	<b>14.7</b>	6.7
Abandonment and impairment	<b>4.1</b>	2.3	<b>10.3</b>	6.4
Wexpro Agreement - oil income sharing	<b>1.8</b>	1.3	<b>6.1</b>	4.4
<b>Total Operating Expenses</b>	<b>366.5</b>	255.6	<b>1,181.3</b>	871.4
Net gain (loss) from asset sales	<b>58.7</b>	(0.3)	<b>58.1</b>	(0.3)
<b>Operating Income</b>	<b>353.6</b>	167.7	<b>836.2</b>	506.3
Interest and other income	<b>4.6</b>	2.9	<b>8.8</b>	6.2
Minority interest	<b>(2.4)</b>		<b>(6.9)</b>	
Income from unconsolidated affiliates	<b>0.8</b>	2.4	<b>1.2</b>	6.8
Net mark-to-market gain (loss) on basis-only swaps	<b>(22.5)</b>	9.0	<b>7.5</b>	14.2
Interest expense	<b>(18.0)</b>	(8.9)	<b>(49.0)</b>	(25.9)
<b>Income Before Income Taxes</b>	<b>316.1</b>	173.1	<b>797.8</b>	507.6
Income taxes	<b>118.5</b>	64.4	<b>298.8</b>	187.3
<b>Net Income</b>	<b>\$197.6</b>	\$108.7	<b>\$ 499.0</b>	\$ 320.3

See notes accompanying the consolidated financial statements

QUESTAR MARKET RESOURCES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	Sept. 30, 2008 (Unaudited)	Dec. 31, 2007
(in millions)		
<b>ASSETS</b>		
Current Assets		
Notes receivable from Questar		\$ 103.2
Accounts receivable, net	\$ 240.4	250.7
Accounts receivable from affiliates	29.1	18.3
Fair value of derivative contracts	233.5	78.1
Gas storage	16.3	23.2
Materials and supplies	94.4	33.2
Prepaid expenses and other	32.7	18.2
Total Current Assets	646.4	524.9
Property, plant and equipment	6,557.4	4,708.3
Accumulated depreciation, depletion and amortization	(1,823.5)	(1,567.7)
Net Property, Plant and Equipment	4,733.9	3,140.6
Investment in unconsolidated affiliates	30.4	52.8
Goodwill	60.2	60.9
Fair value of derivative contracts	60.1	7.8
Other noncurrent assets	25.3	19.4
Total Assets	\$5,556.3	\$3,806.4
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current Liabilities		
Checks outstanding in excess of cash balances	\$ 8.4	
Notes payable to Questar	17.3	\$ 118.9
Accounts payable and accrued expenses	455.1	353.9
Accounts payable to affiliates	15.7	13.0
Fair value of derivative contracts	10.2	9.3
Deferred income taxes – current	68.9	13.3
Total Current Liabilities	575.6	508.4
Long-term debt	1,174.1	499.3
Deferred income taxes	1,041.6	731.4
Asset retirement obligations	165.3	145.3
Fair value of derivative contracts	10.4	22.1
Other long-term liabilities	73.1	39.8
Minority interest	30.3	
<b>COMMON SHAREHOLDER'S EQUITY</b>		
Common stock	4.3	4.3
Additional paid-in capital	139.0	130.9
Retained earnings	2,179.9	1,693.9
Accumulated other comprehensive income	162.7	31.0
Total Common Shareholder's Equity	2,485.9	1,860.1
Total Liabilities and Common Shareholder's Equity	\$5,556.3	\$3,806.4

See notes accompanying the consolidated financial statements

QUESTAR MARKET RESOURCES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	9 Months Ended Sept. 30,	
	2008	2007
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income	<b>\$ 499.0</b>	\$ 320.3
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation, depletion and amortization	<b>290.0</b>	219.4
Deferred income taxes	<b>272.4</b>	130.8
Share-based compensation	<b>8.1</b>	6.5
Abandonment and impairment	<b>10.3</b>	6.4
Dry exploratory-well expense	<b>2.3</b>	(0.2)
Net (gain) loss from asset sales	<b>(58.1)</b>	0.3
Minority interest	<b>6.9</b>	
(Income) from unconsolidated affiliates	<b>(1.2)</b>	(6.8)
Distributions from unconsolidated affiliates	<b>0.4</b>	7.3
Net mark-to-market (gain) on basis-only swaps	<b>(7.5)</b>	(14.2)
Other	<b>0.9</b>	(0.6)
Changes in operating assets and liabilities	<b>(10.9)</b>	(16.1)
Net Cash Provided From Operating Activities	<b>1,012.6</b>	653.1
<b>INVESTING ACTIVITIES</b>		
Capital expenditures		
Property, plant and equipment	<b>(1,761.0)</b>	(645.7)
Dry exploratory-well expense	<b>(2.3)</b>	0.2
Other investments	<b>(11.5)</b>	(8.9)
Total Capital Expenditures	<b>(1,774.8)</b>	(654.4)
Proceeds from disposition of assets	<b>100.4</b>	4.2
Net Cash Used In Investing Activities	<b>(1,674.4)</b>	(650.2)
<b>FINANCING ACTIVITIES</b>		
Checks outstanding in excess of cash balances	<b>8.4</b>	19.2
Change in notes receivable from Questar	<b>103.2</b>	(10.1)
Change in notes payable to Questar	<b>(101.6)</b>	(17.2)
Long-term debt issued, net of issuance costs	<b>1,270.1</b>	
Long-term debt repaid	<b>(600.0)</b>	
Distribution to minority interest	<b>(6.3)</b>	
Other	<b>1.0</b>	
Dividends paid	<b>(13.0)</b>	(13.0)
Net Cash Provided From (Used In) Financing Activities	<b>661.8</b>	(21.1)
Change in cash and cash equivalents		(18.2)
Beginning cash and cash equivalents		18.2
Ending Cash and Cash Equivalents	<b>\$ -</b>	\$ -

See notes accompanying the consolidated financial statements

QUESTAR MARKET RESOURCES, INC.  
 NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

**Note 1 – Nature of Business**

Questar Market Resources, Inc. (Market Resources or the Company) is a natural gas-focused energy company, a wholly owned subsidiary of Questar Corporation (Questar) and the Questar primary growth driver. Market Resources is a subholding company with three major lines of business – gas and oil exploration and production, midstream field services, and energy marketing – which are conducted through four principal subsidiaries:

- Questar Exploration and Production Company (Questar E&P) acquires, explores for, develops and produces natural gas, oil, and NGL;
- Wexpro Company (Wexpro) manages, develops and produces cost-of-service reserves for gas utility affiliate, Questar Gas Company (Questar Gas);
- Questar Gas Management Company (Gas Management) provides midstream field services including natural gas-gathering and processing services for affiliates and third parties; and
- Questar Energy Trading Company (Energy Trading) markets equity and third-party gas and oil, provides risk-management services, and owns and operates an underground gas-storage reservoir.

Market Resources operates in the Rocky Mountain and Midcontinent regions of the United States of America and is headquartered in Salt Lake City, Utah. Principal offices are located in Denver, Colorado; Oklahoma City, Oklahoma; Tulsa, Oklahoma; and Rock Springs, Wyoming.

**Note 2 – Basis of Presentation of Interim Consolidated Financial Statements**

The interim consolidated financial statements contain the accounts of Market Resources and its majority-owned or controlled subsidiaries. The consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) and with the instructions for quarter reports on Form 10-Q and Regulations S-X and S-K. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements reflect all normal, recurring adjustments and accruals that are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. Interim consolidated financial statements do not include all of the information and notes required by GAAP for audited annual consolidated financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K as amended for the year ended December 31, 2007. Certain reclassifications were made to prior-period financial statements to conform with the current presentation. Affiliate Rendezvous Gas Services was consolidated during the first quarter of 2008 as a result of a step acquisition caused by disproportionate ownership.

The preparation of the consolidated financial statements and notes in conformity with GAAP requires that management make estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from estimates. The results of operations for the nine months ended September 30, 2008, are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

**Note 3 – Restatement**

The accompanying Consolidated Statements of Income and Note 5 – Operations by Line of Business have been restated to correct for errors related to intercompany elimination of natural gas and crude oil sales between Questar E&P and Energy Trading. The restatement did not impact net income, operating income, the Condensed Consolidated Balance Sheets or the Condensed Consolidated Statement of Cash Flows. The following table shows the information being amended:

	3 Months Ended Sept. 30, 2007		9 Months Ended Sept. 30, 2007	
	Restated	Originally Reported	Restated	Originally Reported
(in millions)				
<b>Consolidated Statements of Income</b>				
Revenues- from unaffiliated customers	\$384.6	\$372.8	\$1,248.2	\$1,191.3



Total Revenues	423.6	411.8	1,378.0	1,321.1
Cost of natural gas and other products sold	95.1	83.3	367.7	310.8
Total Operating Expenses	255.6	243.8	871.4	814.5

#### Note 5 – Operations by Line of Business

Revenues from Unaffiliated Customers – Energy Trading	\$101.0	\$ 89.2	\$ 391.0	\$ 334.1
Total Revenues from Unaffiliated Customers	384.6	372.8	1,248.2	1,191.3

#### Note 4 – Share-Based Compensation

Questar issues stock options and restricted shares to certain Market Resources' officers and employees under its Long-Term Stock Incentive Plan (LTSIP). Share-based compensation expense for the nine months ended September 30, 2008, was \$8.1 million in 2008 compared with \$6.5 million in 2007. Stock-option transactions under the terms of the LTSIP are summarized below:

	Options Outstanding	Price Range	Weighted-average Price
Balance at January 1, 2008	1,323,614	\$7.50 – \$41.08	\$17.57
Exercised	(79,954)	7.50 – 17.55	11.53
Employee transfers	(58,210)	7.50 – 14.01	12.39
<b>Balance at September 30, 2008</b>	<b>1,185,450</b>	<b>\$7.50 – \$41.08</b>	<b>\$18.09</b>

Range of exercise prices	Options Outstanding			Options Exercisable		Nonvested Options	
	Number outstanding at Sept. 30, 2008	Weighted-average remaining term in years	Weighted-average exercise price	Number exercisable at Sept. 30, 2008	Weighted-average exercise price	Number nonvested at Sept. 30, 2008	Weighted-average exercise price
\$ 7.50 - \$ 8.50	121,616	1.1	\$ 7.83	121,616	\$ 7.83		
11.48 - 11.98	366,842	3.4	11.71	366,842	11.71		
13.56 - 17.55	436,992	4.0	13.78	436,992	13.78		
\$38.57 - \$41.08	260,000	4.5	39.15			260,000	\$39.15
	<b>1,185,450</b>	<b>3.6</b>	<b>\$18.09</b>	<b>925,450</b>	<b>\$12.18</b>	<b>260,000</b>	<b>\$39.15</b>

Restricted-share grants typically vest in equal installments over a three to four year period from the grant date. Several grants vest in a single installment after a specified period. The weighted-average vesting period of nonvested restricted shares at September 30, 2008, was 19 months. Transactions involving restricted shares in the LTSIP are summarized below:

	Restricted Shares	Price Range	Weighted-average Price
Balance at January 1, 2008	563,178	\$17.45 – \$56.65	\$39.40
Granted	229,540	45.43 – 70.13	54.73
Distributed	(169,648)	17.45 – 55.42	34.04
Forfeited	(17,768)	25.50 – 70.13	45.82
Employee transfers	(866)	17.45 – 36.75	26.92
<b>Balance at September 30, 2008</b>	<b>604,436</b>	<b>\$23.34 – \$70.13</b>	<b>\$46.56</b>

#### Note 5 – Operations by Line of Business

Market Resources' major lines of business include gas and oil exploration and production (Questar E&P and Wexpro), midstream field services (Gas Management) and energy marketing (Energy Trading). Line-of-business information is presented according to senior management's basis for evaluating performance including differences in the nature of products, services and regulation. Following is a summary of operations by line of business:

	3 Months Ended Sept. 30, 2008	2007 Restated	9 Months Ended Sept. 30, 2008	2007 Restated
(in millions)				
<b>Revenues from Unaffiliated Customers</b>				
Questar E&P	\$381.0	\$233.2	\$1,030.1	\$ 702.0
Wexpro	12.0	6.0	28.8	17.4
Gas Management	73.8	44.4	209.1	137.8
Energy Trading and other	134.2	101.0	521.6	391.0
<b>Total</b>	<b>\$601.0</b>	<b>\$384.6</b>	<b>\$1,789.6</b>	<b>\$1,248.2</b>
<b>Revenues from Affiliated Companies</b>				
Wexpro	\$ 54.7	\$35.6	\$153.4	\$118.4
Gas Management	6.1	3.7	17.4	12.1
Energy Trading and other	229.2	99.4	713.3	343.6
Subtotal	290.0	138.7	884.1	474.1
Intercompany eliminations	(229.6)	(99.7)	(714.3)	(344.3)
<b>Total</b>	<b>\$ 60.4</b>	<b>\$ 39.0</b>	<b>\$ 169.8</b>	<b>\$ 129.8</b>
<b>Operating Income</b>				
Questar E&P	\$272.4	\$120.0	\$ 611.2	\$ 357.0
Wexpro	29.7	22.4	83.3	66.3
Gas Management	42.6	20.2	113.5	61.8
Energy Trading and other	8.9	5.1	28.2	21.2
<b>Total</b>	<b>\$353.6</b>	<b>\$167.7</b>	<b>\$ 836.2</b>	<b>\$ 506.3</b>
<b>Net Income</b>				
Questar E&P	\$146.8	\$ 76.4	\$ 360.1	\$ 220.3
Wexpro	20.4	14.8	55.4	43.4
Gas Management	24.5	13.3	64.7	40.6
Energy Trading and other	5.9	4.2	18.8	16.0
<b>Total</b>	<b>\$197.6</b>	<b>\$108.7</b>	<b>\$ 499.0</b>	<b>\$ 320.3</b>

	Sept. 30, 2008	Dec. 31, 2007
(in millions)		
<b>Identifiable Assets</b>		
Questar E&P	\$4,010.9	\$2,524.5
Wexpro	584.9	481.1
Gas Management	790.0	494.2
Energy Trading and other	170.5	306.6
<b>Total</b>	<b>\$5,556.3</b>	<b>\$3,806.4</b>

## Note 6 – Asset Retirement Obligations (ARO)

The Company ARO applies primarily to plugging and abandonment costs associated with gas and oil wells and certain other properties. The fair value of abandonment costs are estimated and depreciated over the life of the related assets. Revisions to estimates of ARO result from changes in expected cash flows. The ARO liability is adjusted to present value each period through an accretion calculation using a credit-adjusted risk-free interest rate. Changes in ARO were as follows:

	2008	2007
	(in millions)	
ARO liability at January 1,	\$145.3	\$128.3
Accretion	7.0	6.0
Liabilities incurred	13.6	6.1
Revisions	1.5	1.4
Liabilities settled	(2.1)	(1.6)
ARO Liability at Sept. 30,	\$165.3	\$140.2

## Note 7 – Fair-Value Measures

Beginning in 2008, Market Resources adopted the effective provisions of Statement of Financial Accounting Standards (SFAS) 157 “Fair-Value Measures.” SFAS 157 defines fair value in applying GAAP, establishes a framework for measuring fair value and expands disclosures about fair-value measurements. SFAS 157 does not change existing guidance as to whether or not an instrument is carried at fair value. Also, the new standard establishes a fair-value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position Financial Accounting Standard 157-2 “Partial Deferral of the Effective Date of Statement 157,” which delays the effective date for nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed at fair value in the financial statements on a recurring basis. For Market Resources, the delayed provisions of SFAS 157 go into effect in the first quarter of 2009. The adoption of SFAS 157 did not have a significant effect on the Company’s financial position or results of operations.

The Company enters into commodity-price derivative arrangements that do not require collateral deposits. The fair value of these derivative contracts is based on market prices posted on the NYMEX. At September 30, 2008, counterparties under the derivative contracts were banks and energy-trading firms with investment-grade credit ratings. The following table discloses the Level 2 fair value of derivative contracts at September 30, 2008.

Level 2	Sept. 30, 2008
	(in millions)
<b>Assets</b>	
Fair value of derivative contracts – short term	\$ 233.5
Fair value of derivative contracts - long term	60.1
<b>Liabilities</b>	
Fair value of derivative contracts – short term	10.2
Fair value of derivative contracts - long term	10.4

## Note 8 – Questar E&P Property Acquisitions and Divestitures

On February 29, 2008, Questar E&P acquired natural gas development properties in northwest Louisiana for an aggregate purchase price of \$652.1 million effective January 1, 2008. The acquisition was accounted for as a purchase and, accordingly, the results of operations of the properties were included in net income from the closing date of the acquisition. After recording deferred income taxes of \$13.1 million, the purchase price allocated to proved properties was \$570.9 million and to unproved properties was \$81.2 million. The transaction was initially funded with short-term bank debt.

In conjunction with the acquisition of the Louisiana properties, the Company identified certain outside-operated producing properties and leaseholds in the Gulf Coast region of south Texas for divestiture. These properties contributed 2.8 Bcfe to Questar E&P net production in the first nine months of 2008. For income tax purposes, the Company structured a portion of the purchase of the Louisiana properties and the July 31, 2008, sale of the south Texas properties as a reverse like-kind exchange of property under Section 1031 of the Internal Revenue Code of 1986, as amended. In the third quarter of 2008, the Company recognized a pre-tax gain on the sale of the Texas properties of approximately \$58.7 million.

## Note 9 – Financings

In March 2008, Market Resources filed a shelf registration with the Securities and Exchange Commission (SEC) to sell up to \$700 million of debt securities and to use the net proceeds to repay bank borrowings and to finance certain capital expenditures as well as for general corporate purposes, including working capital. In April 2008, Market Resources sold \$450 million of 10-year notes with a 6.8% interest rate. In March 2008, Market Resources also entered into a new \$800 million five-year revolving-credit facility. The net proceeds from the sale of the notes and funds borrowed under the revolving-credit facility were used to reduce short-term bank debt described in Note 8. In an October 2008 filing with the SEC, Market Resources increased the unused portion of its March 2008 shelf registration from \$250 million to \$300 million. Timing of any future offering under the expanded shelf registration will depend on conditions in the financial markets.

## Note 10 – Capitalized Exploratory Well Costs

Net changes in capitalized exploratory well costs are as follows and exclude amounts that were capitalized and subsequently expensed in the period:

	2008
	(in millions)
Balance at Jan. 1,	\$ 1.5
Capitalized exploratory well costs charged to expense	(1.5)
Balance at Sept. 30,	\$ -

## Note 11 – Comprehensive Income

Comprehensive income is the sum of net income as reported in the Consolidated Statements of Income and other comprehensive income (loss). Other comprehensive income (loss) includes changes in the market value of gas- and oil-price derivatives. Changes in the market value of derivatives during the period result from contracts realized or otherwise settled, changes in energy prices and new derivative contracts. Comprehensive income is shown below:

	3 Months Ended Sept. 30,		9 Months Ended Sept. 30,	
	2008	2007	2008	2007
	(in millions)			
Net income	\$ 197.6	\$108.7	\$499.0	\$320.3
Other comprehensive (loss)				
Net unrealized gain (loss) on derivatives	1,024.4	69.9	211.9	(45.6)
Income taxes	(388.1)	(26.5)	(80.2)	17.1
Net Other Comprehensive Income (Loss)	636.3	43.4	131.7	(28.5)
Total Comprehensive Income	\$ 833.9	\$152.1	\$630.7	\$291.8

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following information updates the discussion of Market Resources' financial condition provided in its 2007 Form 10-K filing and analyzes the changes in the results of operations between the three- and nine-month periods ended September 30, 2008 and 2007. For definitions of commonly used gas and oil terms found in this report on Form 10-Q, please refer to the "Glossary of Commonly Used Terms" provided in the Company's 2007 Form 10-K.

### RESULTS OF OPERATIONS

Following are comparisons of net income by line of business:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
	(in millions)					
Exploration and Production						
Questar E&P	\$146.8	\$ 76.4	\$70.4	\$360.1	\$220.3	\$139.8

Wexpro	20.4	14.8	5.6	55.4	43.4	12.0
Midstream Field Services – Gas Management	24.5	13.3	11.2	64.7	40.6	24.1
Energy Marketing – Energy Trading and other	5.9	4.2	1.7	18.8	16.0	2.8
Net Income	\$197.6	\$108.7	\$88.9	\$499.0	\$320.3	\$178.7

## EXPLORATION AND PRODUCTION

### Questar E&P

Following is a summary of Questar E&P financial and operating results:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
(in millions)						
<b>Operating Income</b>						
<b>REVENUES</b>						
Natural gas sales	\$308.4	\$188.9	\$119.5	\$832.8	\$583.9	\$248.9
Oil and NGL sales	71.2	43.1	28.1	193.0	114.2	78.8
Other	1.4	1.2	0.2	4.3	3.9	0.4
Total Revenues	381.0	233.2	147.8	1,030.1	702.0	328.1
<b>OPERATING EXPENSES</b>						
Operating and maintenance	32.3	22.3	10.0	90.5	65.0	25.5
General and administrative	11.5	14.9	(3.4)	41.8	42.9	(1.1)
Production and other taxes	27.6	11.9	15.7	86.6	42.7	43.9
Depreciation, depletion and amortization	84.4	59.3	25.1	232.6	179.0	53.6
Exploration	7.4	1.6	5.8	14.7	6.7	8.0
Abandonment and impairment	4.1	2.3	1.8	10.3	6.4	3.9
Natural gas purchases		0.6	(0.6)	0.5	2.0	(1.5)
Total Operating Expenses	167.3	112.9	54.4	477.0	344.7	132.3
Net gain (loss) from asset sales	58.7	(0.3)	59.0	58.1	(0.3)	58.4
Operating Income	\$272.4	\$120.0	\$152.4	\$611.2	\$357.0	\$254.2
<b>Operating Statistics</b>						
<b>Production volumes</b>						
Natural gas (Bcf)	40.4	29.2	11.2	111.0	91.0	20.0
Oil and NGL (MMbbl)	0.8	0.8		2.4	2.2	0.2
Total production (Bcfe)	45.3	33.9	11.4	125.4	104.3	21.1
Average daily production (MMcfe)	492.1	368.6	123.5	457.6	382.2	75.4
<b>Average realized price, net to the well (including hedges)</b>						
Natural gas (per Mcf)	\$7.64	\$6.47	\$1.17	\$7.50	\$6.42	\$1.08
Oil and NGL (per bbl)	\$87.34	\$54.95	\$32.39	\$80.41	\$51.51	\$28.90

Questar E&P reported net income of \$146.8 million in the third quarter of 2008, up 92% from \$76.4 million in the 2007 quarter. Net income for the first nine months of 2008 rose 63% to \$360.1 million compared to \$220.3 million a year earlier. Higher realized natural gas, crude oil and NGL prices and growing production more than offset an 18% increase in year-to-date average production costs.

Questar E&P production volumes totaled 45.3 Bcfe in the third quarter of 2008, a 34% increase compared to the year-earlier period. For the first nine months of 2008 production volumes increased to 125.4 Bcfe, a 20% increase compared to the year-earlier period. Natural gas is Questar E&P's primary focus and comprised approximately 89% of 2008 production on an energy-equivalent basis. A comparison of natural gas-equivalent production by major operating area is shown in the following table:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
	(in Bcfe)					
Pinedale Anticline	15.4	11.4	4.0	41.2	35.0	6.2
Uinta Basin	6.9	6.1	0.8	19.7	18.7	1.0
Rockies Legacy	5.1	3.8	1.3	15.0	13.2	1.8
Rocky Mountain Total	27.4	21.3	6.1	75.9	66.9	9.0
Midcontinent	17.9	12.6	5.3	49.5	37.4	12.1
Total Questar E&P	45.3	33.9	11.4	125.4	104.3	21.1

Questar E&P production from the Pinedale Anticline in western Wyoming grew 18% to 41.2 Bcfe in the first nine months of 2008 as a result of ongoing development drilling. Historically, Pinedale seasonal access restrictions imposed by the Bureau of Land Management have limited the ability to drill and complete wells during the mid-November to early May period.

In the Uinta Basin, year-to-date net production grew 5% to 19.7 Bcfe in 2008 as the Company completed and turned 39 new wells to sales in 2008. Third quarter production volumes were adversely impacted by connection of new, deep, high-pressure wells to the existing gathering infrastructure. Connection of the new deep wells resulted in high gathering-system pressure that negatively impacted production from existing shallower and lower producing-pressure Wasatch/Mesaverde wells. Gathering infrastructure improvements are underway to address the situation, but right-of-way permitting issues could delay installation until early 2009.

Rockies Legacy production for the first nine months of 2008 was 15.0 Bcfe, 1.8 Bcfe higher than the year-ago period. Increased production volumes were driven by new wells and the acquisition of additional interests in the Wamsutter area of the Green River Basin in Wyoming, and increased production from outside-operated oil wells in the Williston Basin in North Dakota. Questar E&P Rockies Legacy properties include all Rocky Mountain region properties except the Pinedale Anticline and the Uinta Basin.

Production in the Midcontinent was 49.5 Bcfe for the first nine months of 2008, a 32% increase over the 2007 period. Midcontinent production growth was driven by the first quarter 2008 acquisition of new natural gas development properties in northwest Louisiana, ongoing infill-development drilling in the Elm Grove field in northwest Louisiana, continued development of the Granite Wash/Atoka/Morrow play in the Texas Panhandle, and production from new outside-operated Woodford Shale horizontal gas wells in the Anadarko Basin in central Oklahoma.

Realized prices for natural gas, oil and NGL at Questar E&P were higher when compared to the prior year. In the first nine months of 2008, the weighted-average realized natural gas price for Questar E&P (including the impact of hedging) was \$7.50 per Mcf compared to \$6.42 per Mcf for the same period in 2007, a 17% increase. Realized oil and NGL prices in the first nine months of 2008 averaged \$80.41 per bbl, compared with \$51.51 per bbl during the prior year period, a 56% increase. A regional comparison of average realized prices, including hedges, is shown in the following table:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
<b>Natural gas (per Mcf)</b>						
Rocky Mountains	\$ 7.03	\$ 5.86	\$ 1.17	\$ 6.91	\$ 5.85	\$ 1.06
Midcontinent	8.55	7.47	1.08	8.42	7.41	1.01
Volume-weighted average	7.64	6.47	1.17	7.50	6.42	1.08
<b>Oil and NGL (per bbl)</b>						
Rocky Mountains	\$86.64	\$54.89	\$31.75	\$81.46	\$51.72	\$29.74
Midcontinent	88.59	55.06	33.53	78.87	51.09	27.78
Volume-weighted average	87.34	54.95	32.39	80.41	51.51	28.90

Questar may hedge up to 100% of forecasted production from proved reserves to lock in acceptable returns on invested capital and to protect cash flow and net income from a decline in commodity prices. Also, Questar E&P uses basis-only swaps to protect cash flows and net income from widening natural gas-price basis differentials that may result from capacity constraints on regional gas pipelines. Questar E&P hedged or pre-sold approximately 82% of gas production in the first nine months of 2008 and hedged or pre-sold 73% of gas production in the comparable 2007 period. Hedging decreased Questar E&P gas revenues by \$12.6 million in the first nine months of 2008 and increased revenues \$174.1 million for the same period in

2007. Approximately 51% of 2008 and 62% of 2007 Questar E&P oil production was hedged or pre-sold through the first nine months of each year. Oil

hedged reduced oil revenues by \$37.0 million in 2008 and \$6.2 million in 2007. The mark-to-market effect of basis-only swaps is reported in the Consolidated Statements of Income after operating income. Derivative positions as of September 30, 2008, are summarized in Item 3 of Part I in this Quarterly Report on Form 10-Q.

Questar E&P production costs (the sum of depreciation, depletion and amortization expense, lease-operating expense, general and administrative expense, allocated interest expense and production taxes) per Mcfe of production increased 12% to \$3.79 per Mcfe in the third quarter of 2008 versus \$3.38 per Mcfe in 2007. Year-to-date production costs per Mcfe increased \$0.60 or 18% in 2008 compared to the 2007 period. Questar E&P production costs are summarized in the following table:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
	(per Mcfe)					
Depreciation, depletion and amortization	<b>\$1.86</b>	\$1.75	\$0.11	<b>\$1.86</b>	\$1.72	\$0.14
Lease operating expense	<b>0.71</b>	0.66	0.05	<b>0.72</b>	0.62	0.10
General and administrative expense	<b>0.25</b>	0.44	(0.19)	<b>0.33</b>	0.41	(0.08)
Allocated interest expense	<b>0.35</b>	0.18	0.17	<b>0.34</b>	0.18	0.16
Production taxes	<b>0.62</b>	0.35	0.27	<b>0.69</b>	0.41	0.28
<b>Total Production Costs</b>	<b>\$3.79</b>	\$3.38	\$0.41	<b>\$3.94</b>	\$3.34	\$0.60

Production volume-weighted average depreciation, depletion and amortization per Mcfe (DD&A rate) increased due to higher costs for drilling, completion and related services, increased cost of steel casing, other tubulars and wellhead equipment. The DD&A rate also increased due to the ongoing depletion of older, lower-cost reserves and the increasing component of Questar E&P production derived from recently acquired, higher-cost fields in the Midcontinent. Lease operating expense per Mcfe increased due to higher costs of materials and consumables, increased produced-water disposal costs and increased well-workover activity. General and administrative expense per Mcfe decreased as a result of increased production and lower expenses due primarily to reduced legal costs. Allocated interest expense per Mcfe of production increased primarily due to financing costs related to the first quarter 2008 acquisition of natural gas development properties in northwest Louisiana. Production taxes per Mcfe were higher due to higher natural gas and oil sales prices in the 2008 periods. Production taxes are based on a percentage of sales prices before the impact of hedges.

Questar E&P exploration expense increased \$5.8 million or 363% in the third quarter of 2008 compared to 2007. Abandonment and impairment expense increased \$1.8 million, or 78% in 2008 compared to 2007. For the first nine months of 2008, Questar E&P exploration expense increased \$8.0 million or 119% compared to 2007. Abandonment and impairment expense increased \$3.9 million, or 61% in 2008 compared to 2007.

In the third quarter of 2008, Questar E&P sold certain outside-operated producing properties and leaseholds in the Gulf Coast region of south Texas and recognized a pre-tax gain of approximately \$58.7 million. These properties contributed 2.8 Bcfe to Questar E&P net production in the first nine months of 2008.

## Major Questar E&P Operating Areas

### *Pinedale Anticline*

As of September 30, 2008, Market Resources (including both Questar E&P and Wexpro) operated and had working interests in 312 producing wells on the Pinedale Anticline compared to 237 at September 30, 2007. Of the 312 producing wells, Questar E&P has working interests in 290 wells, overriding royalty interests in an additional 21 Wexpro-operated wells, and no interest in one well operated by Wexpro. Wexpro has working interests in 98 of the 312 producing wells.

In 2005, the Wyoming Oil and Gas Conservation Commission (WOGCC) approved 10-acre-density drilling for Lance Pool wells on about 12,700 acres of Market Resources 18,208-acre (gross) Pinedale leasehold. The area approved for increased density corresponds to the currently estimated productive limits of Market Resources core acreage in the field. At December 31, 2007, Questar E&P had booked 355 proved undeveloped locations on a combination of 10- and 20-acre density and reported estimated net proved reserves at Pinedale of 1,033.9 Bcfe, or 55% of Questar E&P total proved reserves. The Company continues to evaluate development on five-acre density at Pinedale. In January 2008, the WOGCC approved five-acre-density drilling for Lance Pool wells on about 4,200 gross acres of Market Resources Pinedale leasehold. If five-acre-density development is appropriate for a majority of its leasehold, the Company currently estimates up to 1,500 additional wells will be required to fully develop the Lance Pool on its acreage.



On September 12, 2008, the United States Bureau of Land Management issued a Record of Decision (ROD) on the Final Supplemental Environmental Impact Statement (FSEIS) for long-term development of natural gas resources in the Pinedale Anticline Project Area (PAPA). Under the FSEIS ROD, Questar E&P and Wexpro will be allowed to drill and complete wells year-round in one of the five Concentrated Development Areas in the PAPA. The ROD contains additional requirements and restrictions on development of the PAPA.

### **Uinta Basin**

As of September 30, 2008, Questar E&P had an operating interest in 895 gross producing wells in the Uinta Basin of eastern Utah, compared to 846 at September 30, 2007. At December 31, 2007, Questar E&P had booked 123 proved undeveloped locations and reported estimated net proved reserves in the Uinta Basin of 301.2 Bcfe or 16% of Questar E&P total proved reserves. Uinta Basin proved reserves are found in a series of vertically stacked, laterally discontinuous reservoirs at depths of 5,000 feet to deeper than 18,000 feet. Questar E&P owns interests in over 250,000 gross leasehold acres in the Uinta Basin.

### **Rockies Legacy**

The remainder of Questar E&P Rocky Mountain region leasehold interests, productive wells and proved reserves are distributed over a number of fields and properties managed as the Company Rockies Legacy division. Most of the properties are located in the Greater Green River Basin of western Wyoming. In aggregate, Rockies Legacy properties comprised 158.6 Bcfe or 9% of Questar E&P total proved reserves at December 31, 2007. Exploration and development activity for 2008 includes wells in the San Juan, Paradox, Powder River, Green River, Vermillion and Williston Basins.

### **Midcontinent**

Questar E&P Midcontinent properties are distributed over a large area, including the Anadarko Basin of Oklahoma and the Texas Panhandle, the Arkoma Basin of Oklahoma and western Arkansas, and the Ark-La-Tex region of Arkansas, Louisiana, and Texas. With the exception of northwest Louisiana and the Granite Wash play in the Texas Panhandle and the emerging Woodford Shale play in western Oklahoma, Questar E&P Midcontinent leasehold interests are fragmented, with no significant concentration of property interests. In aggregate, Midcontinent properties comprised 373.9 Bcfe or 20% of Questar E&P total proved reserves at December 31, 2007.

Questar E&P continues infill-development drilling in northwest Louisiana and as of September 30, 2008, had 13 operated rigs drilling in the project area. As of September 30, 2008, Questar E&P operated or had working interests in 463 producing wells in northwest Louisiana compared to 302 at September 30, 2007.

### **Wexpro**

Wexpro reported net income of \$20.4 million in the third quarter of 2008 compared to \$14.8 million in the 2007 quarter, a 38% increase. For the first nine months of 2008, net income was \$55.4 million compared to \$43.4 million a year earlier. Wexpro results benefited from a higher average investment base compared to the prior-year period. Pursuant to the Wexpro Agreement, Wexpro recovers its costs and receives an unlevered after-tax return of approximately 19% to 20% on its investment in commercial wells and related facilities – adjusted for working capital and reduced for deferred income taxes and depreciation (investment base). The Wexpro investment base at September 30, 2008, was \$374.9 million, an increase of \$90.3 million or 32% since September 30, 2007.

### **MIDSTREAM FIELD SERVICES – Questar Gas Management**

Following is a summary of Gas Management financial and operating results:

	3 Months Ended Sept. 30,			9 Months Ended Sept. 30,		
	2008	2007	Change	2008	2007	Change
	(in millions)					
<b>Operating Income</b>						
<b>REVENUES</b>						
Gathering	\$41.7	\$26.7	\$15.0	\$112.5	\$83.1	\$29.4
Processing	38.2	21.4	16.8	114.0	66.8	47.2
Total Revenues	79.9	48.1	31.8	226.5	149.9	76.6
<b>OPERATING EXPENSES</b>						
Operating and maintenance	24.8	18.6	6.2	76.1	61.8	14.3
General and administrative	4.6	4.2	0.4	15.3	11.4	3.9
Production and other taxes	0.9	0.2	0.7	1.7	0.9	0.8



Depreciation, depletion and amortization	7.0	4.9	2.1	19.9	14.0	5.9
Total Operating Expenses	37.3	27.9	9.4	113.0	88.1	24.9
Operating Income	\$42.6	\$20.2	\$22.4	\$113.5	\$61.8	\$51.7
<b>Operating Statistics</b>						
Natural gas gathering volumes (in millions of MMBtu)						
For unaffiliated customers	57.6	43.1	14.5	163.6	127.0	36.6
For affiliated customers	46.4	28.3	18.1	121.7	97.2	24.5
Total Gas Gathering Volumes	104.0	71.4	32.6	285.3	224.2	61.1
Gas gathering revenue (per MMBtu)	\$0.31	\$0.32	(\$0.01)	\$0.31	\$0.31	\$ -
Natural gas processing volumes						
NGL sales (MMgal)	19.7	16.5	3.2	65.9	54.5	11.4
NGL sales price (per gal)	\$1.53	\$1.00	\$0.53	\$1.38	\$0.94	\$0.44
Fee-based processing volumes (in millions of MMBtu)						
For unaffiliated customers	27.9	14.2	13.7	70.3	34.9	35.4
For affiliated customers	29.6	19.5	10.1	80.6	62.8	17.8
Total Fee-Based Processing Volumes	57.5	33.7	23.8	150.9	97.7	53.2
Fee-based processing (per MMBtu)	\$0.14	\$0.14	\$ -	\$0.14	\$0.15	(\$0.01)

Gas Management, which provides gas-gathering and processing-services, grew net income 84% to \$24.5 million in the third quarter of 2008 compared to \$13.3 million in the same period of 2007. Net income was \$64.7 million in the first nine months of 2008 compared to \$40.6 million in the 2007 period. Net income growth was driven by higher gathering and processing margins.

Total gathering margins (revenues minus direct gathering expenses) for the third quarter of 2008 increased 94% to \$31.3 million compared to \$16.1 million in 2007 and for the first nine months of 2008 increased 74% to \$87.1 million compared to \$50.2 million in 2007. Gathering volumes increased 32.6 million MMBtu, or 46% to 104.0 million MMBtu in the third quarter of 2008 and 61.1 million MMBtu, or 27% to 285.3 million MMBtu in the first nine months of 2008 compared to the 2007 periods. Rendezvous Gas Services, formerly an unconsolidated affiliate, was consolidated with Gas Management beginning in 2008 and accounted for 8.8 million MMBtu in the third quarter and 28.8 million MMBtu in the first nine months of the increased volumes. Rendezvous Gas Services provides gas gathering services for the Pinedale and Jonah producing areas of Wyoming. Expanding Pinedale production, new projects serving third parties in the Uinta Basin and the consolidation of Rendezvous Gas Services contributed to a 29% increase in third-party volumes in the first nine months of 2008.

Total processing margins (revenues minus direct plant expenses and processing plant-shrink) for the third quarter of 2008 increased 77% to \$23.7 million compared to \$13.4 million in 2007 and for the nine months of 2008 increased 67% to \$63.2 million compared to \$37.8 million in the first nine months of 2007. Fee-based gas processing volumes were 57.5 million MMBtu in the third quarter of 2008, a 71% increase compared to the 2007 quarter and 150.9 million MMBtu in the first nine months of 2008, a 54% increase compared to the first nine months of 2007. For the third quarter of 2008, fee-based gas processing revenues increased 66% or \$3.1 million, while frac spread from keep-whole processing increased 68% or \$7.4 million. Fee-based gas processing revenues increased 49% or \$7.0 million in the first nine month comparison, while frac spread from keep-whole processing increased 62% or \$18.1 million. Approximately 74% of Gas Management's net operating revenue (revenue minus processing plant t-shrink) for the first nine months of 2008 was derived from fee-based contracts, down from 77% in the 2007 period.

Gas Management may use forward sales contracts to reduce margin volatility associated with keep-whole contracts. Forward sales contracts reduced first nine month NGL revenues by \$1.4 million in 2008 and by \$1.6 million in 2007.

### ENERGY MARKETING – Questar Energy Trading

Energy Trading net income was \$5.9 million in the third quarter of 2008, an increase of 40% compared to the year-earlier period. Higher natural gas-price volatility combined with higher marketing margins led to the increase from the 2007 quarter. For the first nine months of 2008, net income was \$18.8 million, an 18% increase compared to the first nine months of 2007. Higher marketing margins related to gas-price volatility in the Rockies during the first quarter of 2008 drove the increase in net income in the first nine months of 2008. The marketing margin (gross revenues less costs for gas and oil purchases, transportation and gas storage), for the first nine months totaled \$28.3 million for 2008 compared to \$24.7 million for the 2007 period, a 15% increase. The marketing margin for the third quarter of 2008 was \$9.2 million, a 42% increase from the 2007 period. Revenues from



unaffiliated customers were \$521.6 million in the first nine months of 2008 compared to \$391.0 million in the 2007 period, a 33% increase, primarily the result of higher natural gas prices. The weighted-average natural gas sales price increased 68% in 2008 to \$7.22 per MMBtu, compared to \$4.29 per MMBtu for the 2007 period.

## **Consolidated Results after Operating Income**

### ***Interest expense***

Interest expense rose 102% in the third quarter of 2008 and 89% in the first nine months of 2008 compared to a year earlier periods due primarily to financing activities associated with the purchase of natural gas development properties in northwest Louisiana. Interest rates on the intercompany loans based on Questar's commercial-paper borrowings increased during the last half of September 2008 reflecting increased liquidity pressures generally experienced by financial markets. Questar maintains committed credit lines with banks to provide liquidity when commercial markets are illiquid.

### ***Net mark-to-market gain on basis-only swaps***

The Company uses basis-only swaps to protect cash flows and net income from widening natural gas-price basis differentials that may result from capacity constraints on regional gas pipelines. The Company recognized a pre-tax net mark-to-market gain of \$7.5 million on natural gas basis-only swaps in the first nine months of 2008 compared to a \$14.2 million pre-tax gain in the first nine months of 2007.

### ***Income taxes***

The effective combined federal and state income tax rate was 37.5% in the first nine months of 2008 compared with 36.9% in the 2007 period.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Market Resources' primary market-risk exposure arises from changes in the market price for natural gas, oil and NGL, and volatility in interest rates. Energy Trading has long-term contracts for pipeline capacity and is obligated to pay for transportation services with no guarantee that it will be able to recover the full cost of these transportation commitments.

### **Commodity-Price Risk Management**

Market Resources uses gas- and oil-price-derivatives in the normal course of business to reduce, or hedge, the risk of adverse commodity-price movements. However, these same arrangements typically limit future gains from favorable price movements. Derivative contracts are currently in place for a significant share of Questar E&P-owned gas and oil production and a portion of Energy Trading gas- and oil-marketing transactions.

Market Resources has established policies and procedures for managing commodity-price risks through the use of derivatives. These policies and procedures are reviewed periodically by the Finance and Audit Committee of the Company's Board of Directors. Market Resources hedges natural gas and oil prices to support rate of return and cash-flow targets and protect earnings from downward movements in commodity prices. The volume of hedged production and the mix of derivative instruments are regularly evaluated and adjusted by management in response to changing market conditions. Market Resources may hedge up to 100% of forecast production from proved reserves when prices meet earnings and cash-flow objectives. Market Resources does not enter into derivative arrangements for speculative purposes.

Market Resources uses fixed-price swaps to realize a known price for a specific volume of production delivered into a regional sales point. A fixed-price swap is a derivative instrument that exchanges or "swaps" the "floating" or daily price of a specified volume of natural gas, oil or NGL, over a specified period, for a fixed price for the specified volume over the same period (typically three months or longer). In the normal course of business, the Company sells its equity natural gas, oil and NGL production to third parties at first-of-the-month or daily "floating" prices related to indices reported in industry publications. The fixed-price swap price is reduced by gathering costs and adjusted for product quality to determine the net-to-the-well price. Swap agreements do not require the physical transfer of gas between the parties at settlement. Swap transactions are settled in cash with one party paying the other for the net difference in prices, multiplied by the relevant volume, for the settlement period.

Market Resources enters into commodity-price derivative arrangements that do not have margin requirements or collateral provisions that would require funding prior to the scheduled cash settlement dates. The amount of credit available under these arrangements may vary depending on the credit ratings assigned to Market Resources' debt. Derivative-arrangement counterparties are normally banks and energy-trading firms with investment-grade credit ratings. The Company regularly monitors counterparty exposure, credit worthiness and performance.

Generally, derivative instruments are matched to equity gas and oil production, thus qualifying as cash-flow hedges. Changes in the fair value of cash-flow hedges are recorded on the Condensed Consolidated Balance Sheets and in accumulated other

comprehensive income (loss) until the underlying gas or oil is produced. Gas hedges are typically structured as fixed-price swaps into regional pipelines, locking in basis and hedge effectiveness. The ineffective portion of cash-flow hedges is immediately recognized in the determination of net income.

Market Resources uses natural gas basis-only swaps to manage the risk of widening-basis differentials in the Rocky Mountains. These contracts are marked to market with any change in the valuation recognized in the determination of net income.

A summary of the Market Resources derivative positions for equity production as of September 30, 2008, is shown below:

Time Periods	Rocky Mountains	Midcontinent	Total	Rocky Mountains	Midcontinent	Total
			Estimated			
			Gas (Bcf) fixed-price swaps		Average price per Mcf, net to the well	
<b>2008</b>						
Fourth quarter	20.5	13.2	33.7	\$7.05	\$8.32	\$7.55
<b>2009</b>						
First half	34.5	29.5	64.0	\$7.24	\$8.12	\$7.65
Second half	35.0	30.0	65.0	7.24	8.12	7.65
12 months	69.5	59.5	129.0	7.24	8.12	7.65
<b>2010</b>						
First half	6.7	26.2	32.9	\$6.88	\$8.09	\$7.84
Second half	6.8	26.6	33.4	6.88	8.09	7.84
12 months	13.5	52.8	66.3	6.88	8.09	7.84
			Estimated			
			Gas (Bcf) basis-only swaps		Average basis per Mcf vs. NYMEX	
<b>2008</b>						
Fourth quarter	0.9		0.9	\$1.83		\$1.83
<b>2009</b>						
First half	9.3	1.7	11.0	\$2.94	\$1.08	\$2.66
Second half	9.4	1.7	11.1	2.94	1.08	2.66
12 months	18.7	3.4	22.1	2.94	1.08	2.66
<b>2010</b>						
First half	30.2	5.0	35.2	\$3.39	\$0.96	\$3.05
Second half	30.7	5.1	35.8	3.39	0.96	3.05
12 months	60.9	10.1	71.0	3.39	0.96	3.05
<b>2011</b>						
First half	45.3		45.3	\$2.29		\$2.29
Second half	46.1		46.1	2.29		2.29
12 months	91.4		91.4	2.29		2.29

	Oil (Mbbbl) fixed-price swaps			Estimated		
				Average price per bbl, net to the well		
<b>2008</b>						
Fourth quarter	212	110	322	\$67.39	\$70.77	\$68.55
<b>2009</b>						
First half	217	145	362	\$60.55	\$66.55	\$62.95
Second half	221	147	368	60.55	66.55	62.95
12 months	438	292	730	60.55	66.55	62.95

As of September 30, 2008, Market Resources held commodity-price hedging contracts covering about 281.2 million MMBtu of natural gas, 1.1 million barrels of oil and basis-only swaps on an additional 185.4 Bcf of natural gas. A year earlier the Market Resources hedging contracts covered 252.5 million MMBtu of natural gas, 1.8 million barrels of oil, 14.5 million gallons of NGL and natural gas basis-only swaps on an additional 50.2 Bcf. Changes in the fair value of derivative contracts from December 31, 2007 to September 30, 2008 are presented below:

	Fixed-price Swaps	Basis-only Swaps	Total
(in millions)			
Net fair value of gas- and oil-derivative contracts outstanding at Dec. 31, 2007	\$ 50.7	\$ 3.8	\$ 54.5
Contracts realized or otherwise settled	(15.1)	0.5	(14.6)
Change in gas and oil prices on futures markets	143.8	4.0	147.8
Contracts added since Dec. 31, 2007	96.9	(11.6)	85.3
Contracts redesignated as fixed-price swaps	(14.6)	14.6	
<b>Net Fair Value Of Gas- and Oil-Derivative Contracts Outstanding at Sept. 30, 2008</b>	<b>\$261.7</b>	<b>\$11.3</b>	<b>\$273.0</b>

A table of the net fair value of gas- and oil-derivative contracts as of September 30, 2008, is shown below. About 82% of the contracts will settle in the next 12 months and the fair value of cash-flow hedges will be reclassified from other comprehensive income:

	Fixed-price Swaps	Basis-only Swaps	Total
(in millions)			
Contracts maturing by Sept. 30, 2009	\$211.8	\$11.5	\$223.3
Contracts maturing between Oct. 1, 2009 and Sept. 30, 2010	48.3	(18.2)	30.1
Contracts maturing between Oct. 1, 2010 and Sept. 30, 2011	1.6	20.9	22.5
Contracts maturing between Oct. 1, 2011 and Sept. 30, 2012		(2.9)	(2.9)
<b>Net Fair Value Of Gas- and Oil-Derivative Contracts Outstanding at Sept. 30, 2008</b>	<b>\$261.7</b>	<b>\$11.3</b>	<b>\$273.0</b>

The following table shows sensitivity of fair value of gas- and oil-derivative contracts and basis-only swaps to changes in the market price of gas and oil and basis differentials:

	2008	Sept. 30, 2007
(in millions)		
Net fair value – asset (liability)	\$273.0	\$172.9
Fair value if market prices of gas and oil and basis differentials decrease by 10%	443.9	326.1
Fair value if market prices of gas and oil and basis differentials increase by 10%	102.0	19.0

## **Interest-Rate Risk Management**

As of September 30, 2008, Market Resources had \$850 million of fixed-rate long-term debt and \$325 million of variable-rate long-term debt.

## **S&P Places Questar and its Subsidiaries On CreditWatch with Negative Implications**

On October 15, 2008, Standard & Poor's placed Questar and its subsidiaries on CreditWatch with negative implications. The rating actions resulted from Standard & Poor's reassessment of Questar's increasing proportion of operating income and capital spending from gas and oil exploration and production activities combined with the volatility of gas and oil prices. Standard & Poor's identified Questar's A-2 rated short-term debt, Market Resources' BBB+ rated long-term debt, Questar Pipeline's A- rated long-term debt and Questar Gas's A- rated long-term debt in the CreditWatch announcement.

## **Forward-Looking Statements**

This quarterly report may contain or incorporate by reference information that includes or is based upon "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, exploration efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Among factors that could cause actual results to differ materially are:

- the risk factors discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K as amended for the year ended December 31, 2007;
- general economic conditions, including the performance of financial markets and interest rates;
- changes in industry trends;
- changes in laws or regulations; and
- other factors, most of which are beyond the Company's control.

Market Resources undertakes no obligation to publicly correct or update the forward-looking statements in this quarterly report, in other documents, or on the Web site to reflect future events or circumstances. All such statements are expressly qualified by this cautionary statement.

## **ITEM 4T. CONTROLS AND PROCEDURES.**

### **Evaluation of Disclosure Controls and Procedures.**

In connection with the restatement discussed Note 3 to the consolidated financial statements, the Company's Chief Executive Officer and Chief Financial Officer have re-evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2008. They concluded, notwithstanding the restatement, that as of September 30, 2008, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company, including its consolidated subsidiaries, required to be included in the Company's reports filed or submitted under the Exchange Act. They also concluded that the procedures are effective and ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management including its principal executive and financial officers or persons performing similar functions as appropriate. They further conclude that such information allows timely decisions regarding required disclosure. In reaching this conclusion, the Company's Chief Executive Officer and Chief Financial Officer considered that the restatement did not impact net income, operating income, the Condensed Consolidated Balance Sheets or the Condensed Consolidated Statement of Cash Flows and that the significant deficiency was identified internally.

**Changes in Internal Controls.**

The Company has revised its procedures for valuing intercompany elimination of revenues and expenses in response to the significant deficiency noted above. There were no changes in the Company's internal controls over financial reporting that

occurred during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1A. RISK FACTORS.

***Recent disruptions in the financial markets could affect Questar's ability to obtain financing or refinance existing indebtedness on reasonable terms and may have other adverse effects.*** Widely-documented commercial-credit market disruptions have resulted in a tightening of credit markets in the United States. Liquidity in the global-credit markets has been severely contracted by these market disruptions making terms for certain financings less attractive, and in certain cases, have resulted in the unavailability of certain types of financing. As a result of ongoing credit-market turmoil, Questar or its subsidiaries may not be able to obtain debt financing, or refinance existing indebtedness on favorable terms, which could affect operations and financial performance

### ITEM 6. EXHIBITS.

The following exhibits are being filed as part of this report:

<u>Exhibit No.</u>	<u>Exhibits</u>
12.	Ratio of Earnings to Fixed Charges.
31.1.	Certification signed by C. B. Stanley, Questar Market Resources, Inc.'s Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.	Certification signed by S. E. Parks, Questar Market Resources, Inc.'s Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.	Certification signed by C. B. Stanley and S. E. Parks, Questar Market Resources, Inc.'s Chief Executive Officer and Chief Financial Officer, respectively, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUESTAR MARKET RESOURCES, INC.  
(Registrant)

October 30, 2008

/s/C. B. Stanley  
C. B. Stanley  
President and Chief Executive Officer

October 30, 2008

/s/S. E. Parks  
S. E. Parks  
Vice President and Chief Financial Officer

Exhibits List

Exhibits

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- 32. Certification signed by C. B. Stanley and S. E. Parks, Questar Market Resources, Inc.'s Chief Executive Officer and Chief Financial Officer, respectively, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit No. 12.

Questar Market Resources, Inc.  
Ratio of Earnings to Fixed Charges  
(Unaudited)

	9 Months Ended Sept 30,	
	2008	2007
	(dollars in millions)	
<b>Earnings</b>		
Income before income taxes	\$797.8	\$507.6
Less Company's share of earnings of equity investees	(1.2)	(6.8)
Plus distributions from equity investees	0.4	7.3
Plus interest expense	49.0	25.9
Plus interest portion of rental expense	1.4	1.1
	<b>\$847.4</b>	<b>\$535.1</b>
<b>Fixed Charges</b>		
Interest expense	\$ 49.0	\$ 25.9
Plus interest portion of rental expense	1.4	1.1
	<b>\$ 50.4</b>	<b>\$ 27.0</b>
<b>Ratio of Earnings to Fixed Charges</b>	<b>16.8</b>	<b>19.8</b>

For purposes of this presentation, earnings represent income before income taxes adjusted for fixed charges, earnings and distributions of equity investees. Income before income taxes includes Market Resources' share of pretax earnings of equity investees. Fixed charges consist of total interest charges (expensed and capitalized), amortization of debt issuance costs, and the interest portion of rental expense estimated at 50%.

CERTIFICATION

I, Charles B. Stanley, certify that:

1. I have reviewed this report of Questar Market Resources, Inc. on Form 10-Q for the period ended September 30, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 30, 2008

/s/ C. B. Stanley  
C. B. Stanley  
President and Chief Executive Officer



CERTIFICATION

I, S. E. Parks, certify that:

1. I have reviewed this report of Questar Market Resources, Inc. on Form 10-Q for the period ended September 30, 2008;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 30, 2008

/s/S. E. Parks

S. E. Parks

Vice President and Chief Financial Officer



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this report of Questar Market Resources, Inc. (the Company) on Form 10-Q for the period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the Report), C. B. Stanley, President and Chief Executive Officer of the Company, and S. E. Parks, Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

QUESTAR MARKET RESOURCES, INC.

October 30, 2008

/s/C. B. Stanley  
C. B. Stanley  
President and Chief Executive Officer

October 30, 2008

/s/S. E. Parks  
S. E. Parks  
Vice President and Chief Financial Officer