

---

**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 September 30, 2020

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

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

Commission File Number: 001-34778



**QEP RESOURCES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**87-0287750**  
(I.R.S. Employer  
Identification No.)

**1050 17<sup>th</sup> Street, Suite 800, Denver, Colorado 80265**  
(Address of principal executive offices)

**Registrant's telephone number, including area code (303) 672-6900**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	QEP	New York Stock Exchange

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

---

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

At September 30, 2020, there were 242,221,121 shares of the registrant's common stock, \$0.01 par value, outstanding.

---

---

**QEP Resources, Inc.**  
**Form 10-Q for the Quarter Ended September 30, 2020**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	<b><u>2</u></b>
ITEM 1. <u>FINANCIAL STATEMENTS</u>	<u>2</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019</u>	<u>2</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019</u>	<u>3</u>
<u>UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019</u>	<u>4</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019</u>	<u>5</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019</u>	<u>6</u>
<u>UNAUDITED NOTES ACCOMPANYING THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>26</u>
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>48</u>
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	<u>52</u>
<b><u>PART II. OTHER INFORMATION</u></b>	<b><u>52</u></b>
ITEM 1. <u>LEGAL PROCEEDINGS</u>	<u>52</u>
ITEM 1A. <u>RISK FACTORS</u>	<u>53</u>
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>58</u>
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>58</u>
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	<u>58</u>
ITEM 5. <u>OTHER INFORMATION</u>	<u>58</u>
ITEM 6. <u>EXHIBITS</u>	<u>59</u>
<b><u>SIGNATURES</u></b>	<b><u>60</u></b>

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**  
**QEP RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<b>REVENUES</b>	(in millions, except per share amounts)			
Oil and condensate, gas and NGL sales	\$ 175.8	\$ 305.6	\$ 515.9	\$ 875.8
Other revenues	1.4	1.8	1.6	7.1
Purchased oil and gas sales	0.6	0.1	6.7	1.4
Total Revenues	177.8	307.5	524.2	884.3
<b>OPERATING EXPENSES</b>				
Purchased oil and gas expense	0.8	0.1	8.2	1.5
Lease operating expense	35.5	38.3	104.5	135.5
Transportation and processing costs	12.4	18.0	38.2	38.8
Gathering and other expense	3.4	3.1	8.9	9.9
General and administrative	20.9	29.6	63.1	124.4
Production and property taxes	14.0	20.0	42.3	67.6
Depreciation, depletion and amortization	133.0	144.2	424.6	395.5
Impairment	—	—	—	5.0
Total Operating Expenses	220.0	253.3	689.8	778.2
Net gain (loss) from asset sales, inclusive of restructuring costs	0.1	(2.1)	3.8	2.5
OPERATING INCOME (LOSS)	(42.1)	52.1	(161.8)	108.6
Realized and unrealized gains (losses) on derivative contracts	(34.2)	87.4	317.0	(55.8)
Interest and other income (expense)	7.7	0.9	7.7	4.6
Gain (loss) from early extinguishment of debt	(7.4)	—	18.2	—
Interest expense	(28.4)	(32.8)	(89.8)	(100.0)
INCOME (LOSS) BEFORE INCOME TAXES	(104.4)	107.6	91.3	(42.6)
Income tax (provision) benefit	55.2	(26.6)	42.5	55.7
NET INCOME (LOSS)	\$ (49.2)	\$ 81.0	\$ 133.8	\$ 13.1
<b>Earnings (loss) per common share</b>				
Basic	\$ (0.20)	\$ 0.34	\$ 0.55	\$ 0.06
Diluted	\$ (0.20)	\$ 0.34	\$ 0.55	\$ 0.06
<b>Weighted-average common shares outstanding</b>				
Used in basic calculation	242.3	237.9	241.2	237.7
Used in diluted calculation	242.3	237.9	241.2	237.7

Refer to Notes accompanying the Condensed Consolidated Financial Statements.

**QEP RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Net income (loss)	\$ (49.2)	\$ 81.0	\$ 133.8	\$ 13.1
Other comprehensive income (loss), net of tax:				
Pension and other postretirement plans adjustments:				
Amortization of prior service costs	—	0.1	—	0.2
Amortization of actuarial losses <sup>(1)</sup>	0.1	—	0.5	0.1
Net curtailment <sup>(2)</sup>	—	—	—	(0.3)
Other comprehensive income (loss)	0.1	0.1	0.5	—
Comprehensive income (loss)	<u>\$ (49.1)</u>	<u>\$ 81.1</u>	<u>\$ 134.3</u>	<u>\$ 13.1</u>

<sup>(1)</sup> Presented net of income tax benefit of \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2020, respectively.

<sup>(2)</sup> Presented net of income tax benefit of \$0.1 million for the nine months ended September 30, 2019.

Refer to Notes accompanying the Condensed Consolidated Financial Statements.

**QEP RESOURCES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	September 30, 2020	December 31, 2019
(in millions)		
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 9.5	\$ 166.3
Accounts receivable, net	84.1	108.4
Income tax receivable	50.5	37.4
Fair value of derivative contracts	77.5	1.5
Prepaid expenses and other current assets	8.5	11.6
Total Current Assets	230.1	325.2
Property, Plant and Equipment (successful efforts method for oil and gas properties)		
Proved properties	9,812.9	9,574.9
Unproved properties	544.2	599.1
Gathering and other	165.5	164.2
Materials and supplies	16.9	15.6
Total Property, Plant and Equipment	10,539.5	10,353.8
Less Accumulated Depreciation, Depletion and Amortization		
Exploration and production	5,603.6	5,250.5
Gathering and other	68.5	61.0
Total Accumulated Depreciation, Depletion and Amortization	5,672.1	5,311.5
Net Property, Plant and Equipment	4,867.4	5,042.3
Fair value of derivative contracts	0.8	0.2
Operating lease right-of-use assets, net	52.7	56.8
Other noncurrent assets	85.7	53.3
TOTAL ASSETS	\$ 5,236.7	\$ 5,477.8
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Checks outstanding in excess of cash balances	\$ —	\$ 18.3
Accounts payable and accrued expenses	164.5	227.2
Production and property taxes	10.7	18.9
Interest payable	29.1	31.0
Fair value of derivative contracts	4.7	18.7
Current operating lease liabilities	22.6	18.0
Asset retirement obligations	7.1	6.0
Total Current Liabilities	238.7	338.1
Long-term debt	1,590.4	2,015.6
Deferred income taxes	440.0	274.5
Asset retirement obligations	94.8	94.9
Fair value of derivative contracts	6.7	0.5
Operating lease liabilities	35.4	44.8
Other long-term liabilities	32.1	48.8
Commitments and contingencies (Note 11)		
<b>EQUITY</b>		
Common stock – par value \$0.01 per share; 500.0 million shares authorized; 247.2 million and 242.1 million shares issued, respectively	2.5	2.4
Treasury stock – 5.0 million and 4.4 million shares, respectively	(56.7)	(55.4)
Additional paid-in capital	1,466.2	1,456.5
Retained earnings	1,398.6	1,269.6
Accumulated other comprehensive income (loss)	(12.0)	(12.5)
Total Common Shareholders' Equity	2,798.6	2,660.6
TOTAL LIABILITIES AND EQUITY	\$ 5,236.7	\$ 5,477.8

Refer to Notes accompanying the Condensed Consolidated Financial Statements.

**QEP RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
**(Unaudited)**

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
	(in millions)							
Balance at June 30, 2020	247.2	\$ 2.5	(4.9)	\$ (56.6)	\$ 1,463.3	\$1,447.8	\$ (12.1)	\$2,844.9
Net income (loss)	—	—	—	—	—	(49.2)	—	(49.2)
Share-based compensation	—	—	(0.1)	(0.1)	2.9	—	—	2.8
Change in pension and postretirement liability, net of tax	—	—	—	—	—	—	0.1	0.1
<b>Balance at September 30, 2020</b>	<b>247.2</b>	<b>\$ 2.5</b>	<b>(5.0)</b>	<b>\$ (56.7)</b>	<b>\$ 1,466.2</b>	<b>\$1,398.6</b>	<b>\$ (12.0)</b>	<b>\$2,798.6</b>
Balance at December 31, 2019	242.1	\$ 2.4	(4.4)	\$ (55.4)	\$ 1,456.5	\$1,269.6	\$ (12.5)	\$2,660.6
Net income (loss)	—	—	—	—	—	133.8	—	133.8
Cash dividends paid, \$0.02 per share	—	—	—	—	—	(4.8)	—	(4.8)
Share-based compensation	5.1	0.1	(0.6)	(1.3)	9.7	—	—	8.5
Change in pension and postretirement liability, net of tax	—	—	—	—	—	—	0.5	0.5
<b>Balance at September 30, 2020</b>	<b>247.2</b>	<b>\$ 2.5</b>	<b>(5.0)</b>	<b>\$ (56.7)</b>	<b>\$ 1,466.2</b>	<b>\$1,398.6</b>	<b>\$ (12.0)</b>	<b>\$2,798.6</b>
Balance at June 30, 2019	242.0	\$ 2.4	(4.1)	\$ (53.6)	\$ 1,446.3	\$1,308.6	\$ (14.4)	\$2,689.3
Net income (loss)	—	—	—	—	—	81.0	—	81.0
Cash dividends paid, \$0.02 per share	—	—	—	—	—	(4.8)	—	(4.8)
Share-based compensation	0.1	—	(0.2)	(1.2)	5.6	—	—	4.4
Change in pension and postretirement liability, net of tax	—	—	—	—	—	—	0.1	0.1
<b>Balance at September 30, 2019</b>	<b>242.1</b>	<b>\$ 2.4</b>	<b>(4.3)</b>	<b>\$ (54.8)</b>	<b>\$ 1,451.9</b>	<b>\$1,384.8</b>	<b>\$ (14.3)</b>	<b>\$2,770.0</b>
Balance at December 31, 2018	239.8	\$ 2.4	(3.1)	\$ (45.6)	\$ 1,431.9	\$1,376.5	(14.3)	\$2,750.9
Net income (loss)	—	—	—	—	—	13.1	—	13.1
Cash dividends paid, \$0.02 per share	—	—	—	—	—	(4.8)	—	(4.8)
Share-based compensation	2.3	—	(1.2)	(9.2)	20.0	—	—	10.8
Change in pension and postretirement liability, net of tax	—	—	—	—	—	—	—	—
<b>Balance at September 30, 2019</b>	<b>242.1</b>	<b>\$ 2.4</b>	<b>(4.3)</b>	<b>\$ (54.8)</b>	<b>\$ 1,451.9</b>	<b>\$1,384.8</b>	<b>\$ (14.3)</b>	<b>\$2,770.0</b>

Refer to Notes accompanying the Condensed Consolidated Financial Statements.

**QEP RESOURCES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Nine Months Ended September 30,	
	2020	2019
	(in millions)	
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 133.8	\$ 13.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	424.6	395.5
Deferred income taxes (benefit)	165.3	(61.2)
Impairment	—	5.0
Non-cash share-based compensation	9.3	16.2
Non-cash (gain) loss from warehouse inventory	0.7	—
Amortization of debt issuance costs and discounts	3.7	4.0
Net (gain) loss from asset sales, inclusive of restructuring costs	(3.8)	(2.5)
Gain from early extinguishment of debt	(18.2)	—
Unrealized (gains) losses on marketable securities	(1.1)	(2.8)
Unrealized (gains) losses on derivative contracts	(84.4)	29.0
Changes in operating assets and liabilities	(75.9)	(54.3)
Net Cash Provided by (Used in) Operating Activities	554.0	342.0
<b>INVESTING ACTIVITIES</b>		
Property acquisitions	(4.1)	(3.6)
Expenditures for property, plant and equipment, including exploratory well expense	(284.5)	(465.2)
Proceeds from disposition of assets	13.4	676.5
Net Cash Provided by (Used in) Investing Activities	(275.2)	207.7
<b>FINANCING ACTIVITIES</b>		
Checks outstanding in excess of cash balances	(18.3)	(13.9)
Long-term debt issuance costs paid	(0.5)	—
Repurchases and redemption of senior notes	(410.3)	—
Proceeds from credit facility	21.1	56.0
Repayments of credit facility	(21.1)	(486.0)
Treasury stock repurchases	(0.8)	(7.0)
Dividends paid	(4.8)	(4.8)
Net Cash Provided by (Used in) Financing Activities	(434.7)	(455.7)
Change in cash, cash equivalents and restricted cash <sup>(1)</sup>	(155.9)	94.0
Beginning cash, cash equivalents and restricted cash <sup>(1)</sup>	196.4	28.1
Ending cash, cash equivalents and restricted cash <sup>(1)</sup>	\$ 40.5	\$ 122.1
<b>Supplemental Disclosures:</b>		
Cash paid for interest, net of capitalized interest	\$ 88.2	\$ 94.1
Cash paid (refunds received) for income taxes, net	\$ (164.0)	\$ 5.0
Cash paid for amounts included in the measurement of lease liabilities	\$ 19.0	\$ 14.5
<b>Other Non-cash Activities:</b>		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 9.3	\$ 11.1
<b>Non-cash Investing Activities:</b>		
Capital expenditure accruals as of September 30, 2020 and 2019	\$ 32.3	\$ 55.3

<sup>(1)</sup> Refer to Cash, Cash Equivalents and Restricted Cash in Note 1 – Basis of Presentation.

Refer to Notes accompanying the Condensed Consolidated Financial Statements.



**QEP RESOURCES, INC.**  
**NOTES ACCOMPANYING THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 – Basis of Presentation**

**Nature of Business**

QEP Resources, Inc. (QEP or the Company) is an independent crude oil and natural gas exploration and production company with operations in two regions of the United States: the Southern Region (primarily in Texas) and the Northern Region (primarily in North Dakota). Unless otherwise specified or the context otherwise requires, all references to "QEP" or the "Company" are to QEP Resources, Inc. and its subsidiaries on a consolidated basis. QEP's corporate headquarters are located in Denver, Colorado and shares of QEP's common stock trade on the New York Stock Exchange (NYSE) under the ticker symbol "QEP".

**Basis of Presentation**

The interim Condensed Consolidated Financial Statements (financial statements) contain the accounts of QEP and its majority-owned or controlled subsidiaries. The financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States and with the instructions for Quarterly Reports on Form 10-Q and Regulation S-X. All intercompany accounts and transactions have been eliminated in consolidation.

The financial statements reflect all normal recurring adjustments and accruals that are, in the opinion of management, necessary for a fair statement of financial position and results of operations for the interim periods presented. Interim financial statements do not include all of the information and notes required by GAAP for annual consolidated financial statements. These 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 for the year ended December 31, 2019.

The preparation of the financial statements and Notes in conformity with GAAP requires that management make estimates and assumptions that affect revenues, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Actual results could differ from estimates. Further, these estimates and other factors, including those outside the Company's control, such as the impact of sustained lower commodity prices, could have a significant adverse impact to the Company's financial condition, results of operations and cash flows. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

Certain prior period balances on the Condensed Consolidated Balance Sheets (balance sheets) and Condensed Consolidated Statements of Cash Flows (statements of cash flows) have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the Company's net income (loss), earnings (loss) per share or retained earnings previously reported.

**Cash, Cash Equivalents and Restricted Cash**

Cash equivalents primarily consist of highly liquid investments in securities with original maturities of three months or less made through commercial bank accounts that result in available funds the next business day. Restricted cash are funds that are legally or contractually reserved for a specific purpose and therefore not available for immediate or general business use.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets to the amounts shown in the statements of cash flows:

	September 30,	
	2020	2019
	(in millions)	
Cash and cash equivalents	\$ 9.5	\$ 92.4
Restricted cash <sup>(1)</sup>	31.0	29.7
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 40.5</u>	<u>\$ 122.1</u>

<sup>(1)</sup> As of September 30, 2020 and 2019, the restricted cash balance is cash held in an escrow account related to a title dispute between outside parties in the Williston Basin. The restricted cash balance is recorded within "Other noncurrent assets" on the balance sheets.

### Income Tax

The tax legislation enacted in December 2017 reduced our federal corporate tax rate from 35% to 21% and eliminated the corporate Alternative Minimum Tax (AMT), allowing the Company to claim AMT refunds for AMT credits carried forward from prior tax years. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) enacted in March 2020 permitted the Company to carry back its net operating loss (NOL) generated in 2018 and 2019, creating additional AMT credits, and accelerate all of its AMT refunds. The Company received \$170.7 million of AMT credit refunds, inclusive of \$5.6 million in interest income, during the three months ended September 30, 2020 and \$73.9 million of AMT credit refunds in 2019. As of September 30, 2020, the Company expects to receive an additional \$81.0 million in AMT credit refunds due to additional NOL carrybacks relating to the 2018 and 2019 tax years. The NOLs that were generated are primarily due to the issuance of final regulations by the U.S Department of Treasury in July 2020 that relate to the deductibility of interest expense. Of the \$81.0 million in AMT credit refunds to be received, \$50.1 million is included in "Income taxes receivable" and \$30.9 million is included in "Other noncurrent assets" on the balance sheets as of September 30, 2020.

QEP's effective federal and state income tax rate was 52.9% during the third quarter of 2020 compared to a rate of 24.7% during the third quarter of 2019. The increase in the federal and state income tax rate was primarily driven by the impact of discrete items (unusual or infrequent items impacting the tax provision) and permanent differences recognized during the third quarter of 2020 and 2019. During the third quarter 2020 the effective rate was above the statutory rate due to discrete items recognized in the third quarter of 2020, including the remeasurement of deferred taxes due to NOL carrybacks under the CARES Act to a year with a higher federal tax rate, partially offset by a state tax payment. During the third quarter 2019 the rate was driven higher than the statutory rate by the recognition of a discrete item related to share-based compensation and a permanent difference related to the change in the estimated amount of non-deductible executive compensation.

QEP's effective federal and state income tax rate was negative 46.5% during the nine months ended September 30, 2020 compared to a rate of 130.8% during the nine months ended September 30, 2019. The decrease in the federal and state income tax rate was primarily driven by the impact of discrete items and permanent differences recognized during the nine months ended September 30, 2020 and 2019. During the first three quarters of 2020 the primary discrete item lowering the effective tax rate was the remeasurement of deferred taxes due to NOL carrybacks under the CARES Act to a year with a higher federal tax rate. The primary discrete items recognized during the nine months ended September 30, 2019 related to the remeasurement of deferred taxes associated with the sale of QEP's Haynesville/Cotton Valley assets in January 2019, share-based compensation adjustments and a permanent difference related to the estimated amount of non-deductible executive compensation.

### Impairment of Long-Lived Assets

During the nine months ended September 30, 2020, there were no impairment charges. During the nine months ended September 30, 2019, QEP recorded impairment charges of \$5.0 million related to an office building lease.

## Employee Benefits

QEP provides pension and other postretirement benefits to certain employees through three retiree benefit plans: the QEP Resources, Inc. Retirement Plan (the Pension Plan), the Supplemental Executive Retirement Plan (the SERP), and a postretirement medical plan (the Medical Plan). The Pension Plan is a closed, qualified, defined-benefit pension plan that is funded and provides pension benefits to certain QEP employees. The Pension Plan was amended in June 2015 and was frozen, such that active participants do not earn any additional accrued benefits on or after January 1, 2016. The SERP is a nonqualified retirement plan that is unfunded and provides postretirement benefits to certain QEP employees. The Medical Plan is a self-insured plan. It is unfunded and provides other postretirement benefits including certain health care and life insurance benefits for certain retired QEP employees.

During the nine months ended September 30, 2020, the Company made contributions of \$11.5 million to its retiree benefit plans (including \$4.0 million to the Pension Plan and \$7.5 million to the SERP) and expects to contribute an additional \$2.3 million during the remainder of 2020 (including \$2.2 million to the SERP and \$0.1 million to the Medical Plan). Contributions to the Pension Plan increase plan assets whereas contributions to the SERP and Medical Plan are used to fund current benefit payments.

The Company recognizes service costs related to SERP and Medical Plan benefits on the Condensed Consolidated Statements of Operations (statements of operations) within "General and administrative" expense. All other expenses related to the Pension Plan, SERP and Medical Plan are recognized on the statements of operations within "Interest and other income (expense)".

QEP also offers a nonqualified, unfunded deferred compensation wrap plan (Wrap Plan) to certain individuals. The Wrap Plan provides participants with certain tax planning benefits as well as supplemental funds for retirement and allows participants to defer the receipt of various types of compensation. Participants are able to select from a variety of investment options, including mutual funds and phantom QEP shares. As of September 30, 2020 and December 31, 2019, the Wrap Plan obligations for participants' future benefits were \$25.0 million and \$26.8 million, respectively, and are included in "Other long-term liabilities" on the balance sheets. The Company established a trust (Rabbi Trust) to hold the investments associated with the Wrap Plan (other than phantom QEP shares) and to pay Wrap Plan obligations as they arise. As of September 30, 2020 and December 31, 2019, the marketable securities held in the Rabbi Trust were \$23.6 million and \$23.1 million, respectively, and are included in "Other noncurrent assets" on the balance sheets.

Changes in the fair value of Wrap Plan obligations and marketable securities are recorded as "Deferred compensation mark-to-market adjustments" and "Unrealized gain/loss on marketable securities" within "General and administrative" and "Interest and other income (expense)", respectively, on the statements of operations. "Deferred compensation mark-to-market adjustments" and "Unrealized gain/loss on marketable securities" for the three and nine months ended September 30, 2020 and 2019, respectively, are summarized in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
			(in millions)	
Deferred compensation mark-to-market adjustments	\$ 0.5	\$ (3.1)	\$ (2.7)	\$ 0.6
Unrealized (gain)/loss on marketable securities	(1.1)	(0.1)	(1.1)	(2.8)

Refer to Note 6 – Fair Value Measurements for information on the fair value measurement of the marketable securities held in the Rabbi Trust and the Wrap Plan obligations.

## Recent Accounting Developments

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) - Measurement of credit losses on financial instruments*, which requires a company immediately recognize management's current estimated credit losses ("CECL") for all financial instruments that are not accounted for at fair value through net income. Previously, credit losses on financial assets were only required to be recognized when they were incurred. The Company adopted ASU 2016-13 on January 1, 2020. The guidance did not have a significant impact on the financial statements or notes accompanying the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair value measurement (Topic 820) - Disclosure framework - Changes to the disclosure requirements for fair value measurement*, which modifies the disclosure requirements on fair value

measurements in Topic 820. The Company adopted ASU 2018-13 on January 1, 2020. The guidance did not have a significant impact on the financial statements or notes accompanying the financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform*, which provides temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate (LIBOR). The amendment provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. This amendment is effective upon issuance and expires on December 31, 2022. The Company is currently assessing the impact of the LIBOR transition and this ASU on the Company's financial statements.

## **Note 2 – Revenue**

### **Revenue Recognition**

QEP recognizes revenue from the sale of oil and condensate, gas and NGL in the period that the performance obligations are satisfied. QEP's performance obligations are satisfied when the customer obtains control of product, when QEP has no further obligations to perform related to the sale, when the transaction price has been determined and when collectability is probable. The sale of oil and condensate, gas and NGL are made under contracts with customers, which typically include consideration that is based on pricing tied to local indices and volumes delivered in the current month. Reported revenues include estimates for the two most recent months using published commodity price indices and volumes supplied by field operators. Performance obligations under our contracts with customers are typically satisfied at a point in time through monthly delivery of oil and condensate, gas and/or NGL. Our contracts with customers typically require payment for oil and condensate, gas and NGL sales within 30 days following the calendar month of delivery.

QEP's oil and condensate is typically sold at specific delivery points under contract terms that are common in the industry. QEP's gas and NGL are also sold under contract types that are common in the industry; however, under these contracts, the gas and its components, including NGL, may be sold to a single purchaser or the residue gas and NGL may be sold to separate purchasers. Regardless of the contract type, the terms of these contracts compensate QEP for the value of the residue gas and NGL constituent components at market prices for each product. QEP also purchases and resells oil and gas primarily to fulfill volume commitments when production does not fulfill contractual commitments and to capture additional margin from subsequent sales of third party purchases. QEP recognizes revenue from these resale activities in the period that the performance obligations are satisfied.

The following tables present QEP's revenues that are disaggregated by revenue source and by geographic area. Transportation and processing costs in the following table are not all of the transportation and processing costs that QEP incurs, only the costs that are netted against revenues pursuant to ASC Topic 606, *Revenue Recognition*.

	Oil and condensate sales	Gas sales	NGL sales	Transportation and processing costs included in revenue	Oil and condensate, gas and NGL sales, as reported
(in millions)					
<b>Three Months Ended September 30, 2020</b>					
<b><u>Northern Region</u></b>					
Williston Basin	\$ 58.6	\$ 3.3	\$ 4.1	\$ (9.4)	\$ 56.6
Other Northern	—	—	—	—	—
<b><u>Southern Region</u></b>					
Permian Basin	110.7	6.0	9.1	(6.6)	119.2
Other Southern	—	—	—	—	—
Total oil and condensate, gas and NGL sales	<u>\$ 169.3</u>	<u>\$ 9.3</u>	<u>\$ 13.2</u>	<u>\$ (16.0)</u>	<u>\$ 175.8</u>

Three Months Ended September 30, 2019					
<b><u>Northern Region</u></b>					
Williston Basin	\$ 88.9	\$ 5.5	\$ 2.4	\$ (7.0)	\$ 89.8
Other Northern	—	0.1	0.1	—	0.2
<b><u>Southern Region</u></b>					
Permian Basin	209.9	3.4	9.4	(7.2)	215.5
Other Southern	—	0.1	—	—	0.1
Total oil and condensate, gas and NGL sales	<u>\$ 298.8</u>	<u>\$ 9.1</u>	<u>\$ 11.9</u>	<u>\$ (14.2)</u>	<u>\$ 305.6</u>

	Oil and condensate sales	Gas sales	NGL sales	Transportation and processing costs included in revenue	Oil and condensate, gas and NGL sales, as reported
(in millions)					
<b>Nine Months Ended September 30, 2020</b>					
<b><u>Northern Region</u></b>					
Williston Basin	\$ 173.2	\$ 10.9	\$ 8.1	\$ (27.3)	\$ 164.9
Other Northern	0.1	1.2	—	—	1.3
<b><u>Southern Region</u></b>					
Permian Basin	334.5	12.5	21.0	(18.3)	349.7
Other Southern	—	—	—	—	—
Total oil and condensate, gas and NGL sales	<u>\$ 507.8</u>	<u>\$ 24.6</u>	<u>\$ 29.1</u>	<u>\$ (45.6)</u>	<u>\$ 515.9</u>

Nine Months Ended September 30, 2019					
<b><u>Northern Region</u></b>					
Williston Basin	\$ 306.3	\$ 25.5	\$ 15.6	\$ (26.0)	\$ 321.4
Other Northern	0.9	0.4	0.1	—	1.4
<b><u>Southern Region</u></b>					
Permian Basin	526.7	7.4	27.4	(14.7)	546.8
Other Southern	0.1	6.1	—	—	6.2
Total oil and condensate, gas and NGL sales	<u>\$ 834.0</u>	<u>\$ 39.4</u>	<u>\$ 43.1</u>	<u>\$ (40.7)</u>	<u>\$ 875.8</u>

### **Note 3 – Acquisitions and Divestitures**

#### ***Acquisitions***

During the nine months ended September 30, 2020 and 2019, QEP acquired various oil and gas properties, which primarily included proved leasehold acreage in the Permian Basin for an aggregate purchase price of \$4.1 million and \$3.6 million, respectively, subject to post-closing purchase price adjustments.

#### ***Divestitures***

During the nine months ended September 30, 2020, QEP received proceeds of \$13.4 million and recorded a pre-tax gain on sale of \$3.8 million, primarily related to the divestiture of certain properties outside its main operating areas. Gains and losses on divestitures of properties are reported on the statements of operations within "Net gain (loss) from asset sales, inclusive of restructuring costs".

#### ***Haynesville/Cotton Valley Divestiture***

In January 2019, QEP sold its Haynesville/Cotton Valley assets (Haynesville Divestiture), and during the year ended December 31, 2019, reached final settlement on asserted environmental and title defects and received aggregate net cash proceeds of \$633.9 million. QEP recorded a total net pre-tax loss on sale, including restructuring costs of \$4.0 million. During the three and nine months ended September 30, 2019, QEP recorded \$0.3 million and \$1.0 million of pre-tax loss on sale, respectively, within "Net gain (loss) from asset sales, inclusive of restructuring costs" on the statements of operations.

During the three and nine months ended September 30, 2019, QEP accounted for revenues and expenses related to Haynesville/Cotton Valley, including the pre-tax loss on sale of \$0.3 million and \$1.0 million, respectively, as income from continuing operations on the statements of operations because the Haynesville Divestiture did not cause a strategic shift for the Company and therefore did not qualify as discontinued operations. During the three months ended September 30, 2019, QEP recorded net loss before income taxes related to the divested Haynesville/Cotton Valley properties of \$0.2 million, which includes the pre-tax loss on sale of \$0.3 million.

#### ***Other Divestitures***

In addition to the Haynesville Divestiture, during the nine months ended September 30, 2019, QEP received net cash proceeds of \$42.6 million and recorded a pre-tax gain on sale of \$3.5 million, primarily related to the divestiture of properties outside its main operating areas.

These gains and losses were recorded within "Net gain (loss) from asset sales, inclusive of restructuring costs" on the statements of operations.

### **Note 4 – Earnings Per Share**

Basic earnings (loss) per share (EPS) are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS includes the potential increase in the number of outstanding shares that could result from the exercise of in-the-money stock options. QEP's unvested restricted share awards are included in weighted-average basic common shares outstanding because, once the shares are granted, the restricted share awards are considered issued and outstanding, the historical forfeiture rate is minimal and the restricted share awards are eligible to receive dividends.

Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of earnings (loss) per share pursuant to the two-class method. The Company's unvested restricted share awards contain non-forfeitable dividend rights and participate equally with common stock with respect to dividends issued or declared. However, the Company's unvested restricted share awards do not have a contractual obligation to share in losses of the Company. The Company's unexercised stock options do not contain rights to dividends. Under the two-class method, the earnings used to determine basic earnings (loss) per common share are reduced by an amount allocated to participating securities. When the Company records a net loss, none of the loss is allocated to the participating securities since the securities are not obligated to share in Company losses. Use of the two-class method has an insignificant impact on the calculation of basic and diluted earnings (loss) per common share. For the three months ended September 30, 2020, the Company was in a net loss position, therefore, all potentially dilutive securities were anti-dilutive.

The following is a reconciliation of the components of basic and diluted shares used in the EPS calculation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Weighted-average basic common shares outstanding	242.3	237.9	241.2	237.7
Potential number of shares issuable upon exercise of in-the-money stock options under the Long-Term Stock Incentive Plan	—	—	—	—
Average diluted common shares outstanding	242.3	237.9	241.2	237.7

#### Note 5 – Asset Retirement Obligations

QEP records asset retirement obligations (ARO) associated with the retirement of tangible, long-lived assets. The Company's ARO liability applies primarily to abandonment costs associated with oil and gas wells and certain other properties. The fair values of such costs are estimated by Company personnel based on abandonment costs of similar assets and depreciated over the life of the related assets. Revisions to the ARO estimates result from changes in expected cash flows or material changes in estimated asset retirement costs or estimated lives. The ARO liability is adjusted each period through an accretion calculation using a credit-adjusted risk-free interest rate.

The balance sheet line items of QEP's ARO liability are presented in the table below:

Balance Sheet line item	Asset Retirement Obligations	
	September 30, 2020	December 31, 2019
	(in millions)	
<b>Current:</b>		
Asset retirement obligations, current liability	\$ 7.1	\$ 6.0
<b>Long-term:</b>		
Asset retirement obligations	94.8	94.9
Total ARO Liability	\$ 101.9	\$ 100.9

The following is a reconciliation of the changes in the Company's ARO for the period specified below:

	Asset Retirement Obligations	
	(in millions)	
ARO liability at January 1, 2020	\$	100.9
Accretion		2.9
Additions		1.1
Revisions		(0.5)
Liabilities related to assets sold		(1.4)
Liabilities settled		(1.1)
ARO liability at September 30, 2020	\$	101.9

## Note 6 – Fair Value Measurements

QEP measures and discloses fair values in accordance with the provisions of ASC 820, *Fair Value Measurements and Disclosures*. This guidance defines fair value in applying GAAP, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 also establishes a fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets 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.

QEP has determined that its commodity derivative instruments are Level 2. The Level 2 fair value of commodity derivative contracts (refer to Note 7 – Derivative Contracts for more information) is based on market prices posted on the respective commodity exchange on the last trading day of the reporting period and industry standard discounted cash flow models. QEP primarily applies the market approach for recurring fair value measurements and maximizes its use of observable inputs and minimizes its use of unobservable inputs. QEP considers bid and ask prices for valuing the majority of its assets and liabilities measured and reported at fair value. In addition to using market data, QEP makes assumptions in valuing its assets and liabilities, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The Company's policy is to recognize transfers between levels at the end of the reporting period.

Certain of the Company's commodity derivative instruments are valued using industry standard models that consider various inputs, including quoted forward prices for commodities, time value, volatility, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable prices at which transactions are executed in the marketplace. The determination of fair value for derivative assets and liabilities also incorporates nonperformance risk for counterparties and for QEP. Derivative contract fair values are reported on a net basis to the extent a legal right of offset with the counterparty exists.

QEP has determined that the marketable securities held in the Rabbi Trust and the Wrap Plan obligations are Level 1. The fair value of the marketable securities in the Rabbi Trust is based on actively traded mutual funds. The Wrap Plan obligations, which represent the underlying liabilities to the participants in the Wrap Plan, are recorded at amounts due to participants, based on the fair value of participants' selected investments, including both actively traded mutual funds and phantom QEP shares. Refer to Note 1 – Basis of Presentation for additional information.



The fair value of financial assets and liabilities at September 30, 2020 and December 31, 2019, is shown in the table below:

	Fair Value Measurements				
	Gross Amounts of Assets and Liabilities				Net Amounts Presented on the Balance Sheets
	Level 1	Level 2	Level 3	Netting Adjustments <sup>(1)</sup>	
	(in millions)				
<b>Financial Assets</b>	<b>September 30, 2020</b>				
Fair value of derivative contracts – short-term	\$ —	\$ 89.0	\$ —	\$ (11.5)	\$ 77.5
Fair value of derivative contracts – long-term	—	0.9	—	(0.1)	0.8
Fair value of Rabbi Trust marketable securities	23.6	—	—	—	23.6
Total financial assets	<u>\$ 23.6</u>	<u>\$ 89.9</u>	<u>\$ —</u>	<u>\$ (11.6)</u>	<u>\$ 101.9</u>
<b>Financial Liabilities</b>					
Fair value of derivative contracts – short-term	\$ —	\$ 16.2	\$ —	\$ (11.5)	\$ 4.7
Fair value of derivative contracts – long-term	—	6.8	—	(0.1)	6.7
Fair value of Wrap Plan obligations	25.0	—	—	—	25.0
Total financial liabilities	<u>\$ 25.0</u>	<u>\$ 23.0</u>	<u>\$ —</u>	<u>\$ (11.6)</u>	<u>\$ 36.4</u>
	December 31, 2019				
<b>Financial Assets</b>					
Fair value of derivative contracts – short-term	\$ —	\$ 1.5	\$ —	\$ —	\$ 1.5
Fair value of derivative contracts – long-term	—	0.2	—	—	0.2
Fair value of Rabbi Trust marketable securities	23.1	—	—	—	23.1
Total financial assets	<u>\$ 23.1</u>	<u>\$ 1.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 24.8</u>
<b>Financial Liabilities</b>					
Fair value of derivative contracts – short-term	\$ —	\$ 18.7	\$ —	\$ —	\$ 18.7
Fair value of derivative contracts – long-term	—	0.5	—	—	0.5
Fair value of Wrap Plan obligations	26.8	—	—	—	26.8
Total financial liabilities	<u>\$ 26.8</u>	<u>\$ 19.2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46.0</u>

<sup>(1)</sup> The Company nets its derivative contract assets and liabilities outstanding with the same counterparty on the balance sheets for the contracts that contain netting provisions. Refer to Note 7 – Derivative Contracts for additional information regarding the Company's derivative contracts.

The following table discloses the fair value and related carrying amount of certain financial instruments not disclosed in other notes to the financial statements:

	Carrying Amount	Level 1 Fair Value	Carrying Amount	Level 1 Fair Value
	September 30, 2020		December 31, 2019	
	(in millions)			
<b>Financial Liabilities</b>				
Total debt outstanding	\$ 1,590.4	\$ 1,128.4	\$ 2,015.6	\$ 2,029.4

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and checks outstanding in excess of cash balances approximate fair value. The fair value of fixed-rate long-term debt is based on the trading levels and dollar prices for the Company's debt at the end of the quarter. At times when the Company has outstanding debt under the credit facility, the

carrying amount of variable-rate long-term debt approximates fair value because the floating interest rate paid on such debt is set for periods of one month or less.

The initial measurement of ARO at fair value is calculated using discounted cash flow techniques and is based on internal estimates of future retirement costs associated with property, plant and equipment. Significant Level 3 inputs used in the calculation of ARO includes plugging costs and reserve lives. A reconciliation of the Company's ARO is presented in Note 5 – Asset Retirement Obligations.

### ***Nonrecurring Fair Value Measurements***

The provisions of the fair value measurement standard are also applied to the Company's nonrecurring measurements. The Company reviews its proved oil and gas properties and operating lease right-of-use assets for potential impairment at least annually and when events and changes in circumstances indicate that the carrying amount of such property may not be recoverable. If impairment is indicated, the fair value of property is measured utilizing the income approach and utilizing inputs that are primarily based upon internally developed cash flow models discounted at an appropriate weighted average cost of capital. In addition, the signing of a purchase and sale agreement could also trigger an impairment of proved properties. For assets subject to a purchase and sale agreement, the terms of the purchase and sale agreement are used as an indicator of fair value. If a range is estimated for the amount of future cash flows, the fair value of property is measured utilizing a probability-weighted approach in which the likelihood of possible outcomes is taken into consideration. Given the unobservable nature of the inputs, fair value calculations associated with long-term operating lease right-of-use assets and proved oil and gas property impairments are considered Level 3 within the fair value hierarchy. During the nine months ended September 30, 2020, the Company did not have an impairment charge. During the nine months ended September 30, 2019, the Company recorded impairment charges of \$5.0 million related to an office building lease.

Acquisitions of proved and unproved properties are also measured at fair value on a nonrecurring basis. The Company utilizes a discounted cash flow model to estimate the fair value of acquired property as of the acquisition date, which utilizes the following inputs to estimate future net cash flows: (i) estimated quantities of oil and condensate, gas and NGL reserves; (ii) estimates of future commodity prices; and (iii) estimated production rates, and future operating and development costs, which are based on the Company's historic experience with similar properties. In some instances, market comparable information of recent transactions is used to estimate fair value of unproved acreage. Due to the unobservable characteristics of the inputs, the fair value of the acquired properties is considered Level 3 within the fair value hierarchy. Refer to Note 3 – Acquisitions and Divestitures for more information on the fair value of acquired properties.

### **Note 7 – Derivative Contracts**

QEP has established policies and procedures for managing commodity price volatility through the use of derivative instruments. In the normal course of business, QEP uses commodity price derivative instruments to reduce the impact of potential downward movements in commodity prices on cash flow, returns on capital investment, and other financial results. However, these instruments typically limit gains from favorable price movements. The volume of production subject to commodity derivative instruments and the mix of the instruments are frequently evaluated and adjusted by management in response to changing market conditions. QEP may enter into commodity derivative contracts for up to 100% of forecasted production, but generally, QEP enters into commodity derivative contracts for approximately 50% to 75% of its forecasted annual production by the end of the first quarter of each fiscal year. QEP does not enter into commodity derivative contracts for speculative purposes.

QEP uses commodity derivative instruments known as fixed-price swaps, basis swaps or costless collars to realize a known price or price range for a specific volume of production delivered into a regional sales point. QEP's commodity derivative instruments do not require the physical delivery of oil or gas between the parties at settlement. All transactions are settled in cash with one party paying the other for the net difference in prices, multiplied by the contract volume, for the settlement period. Oil price derivative instruments are typically structured as NYMEX fixed-price swaps based at Cushing, Oklahoma. QEP also enters into oil price derivative swaps that use Intercontinental Exchange, Inc. (ICE) Brent or regional price indices as the reference price. In addition, QEP enters into oil basis swaps to achieve a fixed-price swap for a portion of its oil sales at prices that reference specific regional index prices. Gas price derivative instruments are typically structured as fixed-price swaps or collars at NYMEX Henry Hub or regional price indices.

QEP does not currently have any commodity derivative instruments that have margin requirements or collateral provisions that would require payments prior to the scheduled settlement dates. QEP's commodity derivative contract counterparties are typically financial institutions and energy trading firms with investment-grade credit ratings. QEP routinely monitors and manages its exposure to counterparty risk by requiring specific minimum credit standards for all counterparties, actively monitoring counterparties' public credit ratings and avoiding the concentration of credit exposure by transacting with multiple counterparties. The Company has master-netting agreements with some counterparties that allow the offsetting of receivables and payables in a default situation.

#### Derivative Contracts – Production

The following table presents QEP's volumes and average prices for its commodity derivative swap contracts as of September 30, 2020:

Year	Index	Total Volumes (in millions)	Average Swap Price per Unit	
<b>Oil sales</b>			(bbls)	(\$/bbl)
2020	NYMEX WTI	3.9	\$	57.60
2020	Argus WTI Midland	0.4	\$	57.30
2021 (January - June)	NYMEX WTI	5.0	\$	44.78
2021 (July - December)	NYMEX WTI	5.0	\$	42.22
<b>Gas sales</b>			(MMbtu)	(\$/MMbtu)
2020	IF Waha <sup>(1)</sup>	3.7	\$	0.97
2020	NYMEX HH	2.8	\$	2.20
2021	IF Waha <sup>(1)</sup>	18.2	\$	1.92
2021	NYMEX HH	9.1	\$	2.44

<sup>(1)</sup> **IF Waha** Index pricing reported in Platts' Inside FERC's Gas Market Report, reflects the weighted average price of Natural Gas transactions at the Waha Hub in west Texas on the first day of the month.

QEP uses oil basis swaps, combined with NYMEX WTI fixed-price swaps, to achieve fixed price swaps for the location at which it physically sells its production. The following table presents details of QEP's oil basis swaps as of September 30, 2020:

Year	Index	Basis	Total Volumes (in millions)	Weighted-Average Differential	
<b>Oil sales</b>			(bbls)		(\$/bbl)
2020	NYMEX WTI	Argus WTI Midland	1.8	\$	0.22
2021	NYMEX WTI	Argus WTI Midland	4.4	\$	0.99

The following table presents QEP's volumes and average prices for its commodity derivative costless oil collars as of September 30, 2020:

Year	Index	Total Volumes (in millions)	Average Price Floor		Average Price Ceiling	
		(bbls)	(\$/bbl)		(\$/bbl)	
2021	NYMEX WTI	0.4	\$	40.00	\$	49.20

The effects of the change in fair value and settlement of QEP's derivative contracts recorded in "Realized and unrealized gains (losses) on derivative contracts" on the statements of operations are summarized in the following table:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019 <sup>(1)</sup>
<b>Derivative contracts</b>				
<b>Realized gains (losses) on commodity derivative contracts</b>				
	(in millions)			
Oil derivative contracts	\$ 70.3	\$ (4.9)	\$ 233.1	\$ (23.9)
Gas derivative contracts	(0.7)	—	(0.5)	(2.9)
Realized gains (losses) on commodity derivative contracts	69.6	(4.9)	232.6	(26.8)
<b>Unrealized gains (losses) on commodity derivative contracts</b>				
Oil derivative contracts	(91.7)	92.3	105.0	(30.5)
Gas derivative contracts	(12.1)	—	(20.6)	(0.3)
Unrealized gains (losses) on commodity derivative contracts	(103.8)	92.3	84.4	(30.8)
Total realized and unrealized gains (losses) on commodity derivative contracts related to production	\$ (34.2)	\$ 87.4	\$ 317.0	\$ (57.6)
<b>Derivatives associated with Haynesville Divestiture</b>				
<b>Unrealized gains (losses) on commodity derivative contracts</b>				
Gas derivative contracts	—	—	—	1.8
Unrealized gains (losses) on commodity derivative contracts related to divestitures	\$ —	\$ —	\$ —	\$ 1.8
Total realized and unrealized gains (losses) on commodity derivative contracts	\$ (34.2)	\$ 87.4	\$ 317.0	\$ (55.8)

<sup>(1)</sup> During the nine months ended September 30, 2019, the unrealized gains (losses) on commodity derivative contracts related to the Haynesville Divestiture were comprised of derivatives included as part of the Haynesville/Cotton Valley purchase and sale agreement, which were subsequently novated to the buyer upon the closing of the sale in January 2019. Refer to Note 3 – Acquisitions and Divestitures for more information. The unrealized gains (losses) on commodity derivatives associated with the Haynesville Divestiture are offset by an equal amount recorded within "Net gain (loss) from asset sales, inclusive of restructuring costs" on the statements of operations.

#### Note 8 – Leases

QEP enters into contractual lease arrangements to rent office space, compressors, generators, drilling rigs and other equipment from third-party lessors. QEP records a net operating lease right-of-use (ROU) asset and operating lease liability on the balance sheets for all operating leases with a contract term in excess of 12 months. ROU assets represent QEP's right to use an underlying asset for the lease term and lease liabilities represent QEP's obligation to make future lease payments arising from the lease. Operating lease ROU assets and liabilities are recorded at commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheets. The Company recognizes lease expense for these short-term leases on a straight-line basis over the lease term. With the exception of generators, QEP does not account for lease components separately from the non-lease components. The contractual consideration provided under QEP's leased generators is allocated between lease components, such as equipment, and non-lease components, such as maintenance service fees, based on estimated costs from the vendor. QEP uses its incremental borrowing rate at commencement date of the contract in calculating the present value of future lease payments. The incremental borrowing rate is calculated using a risk-free interest rate adjusted for QEP's risk. The operating lease ROU asset also includes any lease incentives received in the recognition of the present value of future lease payments. Certain of QEP's leases may also include escalation clauses or options to extend or terminate the lease. These options are included in the present value recorded for the leases when it is reasonably certain that QEP will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

QEP determines if an arrangement is a lease at inception of the contract and records the resulting operating lease asset on the balance sheets as "Operating lease right-of-use assets, net" with offsetting liabilities recorded as "Current operating lease

liabilities” and “Operating lease liabilities.” QEP recognizes a lease in the financial statements when the arrangement either explicitly or implicitly involves property, plant, or equipment (PP&E), the contract terms are dependent on the use of the PP&E, and QEP has the ability or right to operate the PP&E or to direct others to operate the PP&E and receive the majority of the economic benefits of the assets. As of September 30, 2020, QEP does not have any financing leases.

Lease costs represent the straight-line lease expense of ROU assets and short-term leases. The components of lease cost are classified as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Lease Cost included in the Condensed Consolidated Balance Sheets</b>	(in millions)			
Property, Plant and Equipment acquisitions <sup>(1)</sup>	\$ 2.1	\$ 2.5	\$ 9.2	\$ 11.3
	(in millions)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Lease Cost included in the Condensed Consolidated Statement of Operations</b>	(in millions)			
Lease operating expense	\$ 3.4	\$ 2.9	\$ 8.8	\$ 9.0
Gathering and other expense	1.9	2.0	5.7	5.8
General and administrative	1.5	1.3	4.5	4.5
<b>Total lease cost</b>	<b>\$ 8.9</b>	<b>\$ 8.7</b>	<b>\$ 28.2</b>	<b>\$ 30.6</b>

<sup>(1)</sup> Represents short-term lease capital expenditures related to drilling rigs for the three and nine months ended September 30, 2020 and 2019. These costs are capitalized as a part of "Proved properties" on the balance sheets.

Lease term and discount rate related to the Company's leases are as follows:

	September 30, 2020	September 30, 2019
Weighted-average remaining lease term (years)	3.5	3.4
Weighted-average discount rate	7.2 %	7.7 %

As of September 30, 2020 and December 31, 2019, the maturity analysis for long-term operating leases under the scope of ASC 842 is as follows:

<u>Year</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	(in millions)	
2020	\$ 6.8	\$ 22.3
2021	25.0	20.4
2022	17.0	15.9
2023	11.4	10.6
2024	2.3	1.4
After 2024	2.6	2.4
Less: Interest <sup>(1)</sup>	(7.1)	(10.2)
Present value of lease liabilities <sup>(2)</sup>	<u>\$ 58.0</u>	<u>\$ 62.8</u>

<sup>(1)</sup> Calculated using the estimated interest rate for each lease.

<sup>(2)</sup> As of September 30, 2020 and December 31, 2019, of the total present value of lease liabilities, \$22.6 million and \$18.0 million, was recorded in "Current operating lease liabilities", respectively, and \$35.4 million and \$44.8 million was recorded in "Operating lease liabilities", respectively, on the balance sheets.

### Note 9 – Restructuring

In February 2018, QEP's Board of Directors (Board) approved certain strategic and financial initiatives. In February 2019, QEP's Board commenced a comprehensive review of strategic alternatives to maximize shareholder value. In connection with these activities, QEP has incurred various restructuring costs associated with contractual termination benefits including severance, accelerated vesting of share-based compensation and other expenses. The termination benefits are accounted for under ASC 712, *Compensation – Nonretirement Postemployment Benefits* and ASC 718, *Compensation – Stock Compensation*.

There were no restructuring costs recognized during the three months ended September 30, 2020. Restructuring costs recognized are summarized below:

	Total recognized	Recognized in "General and administrative"	Recognized in "Net (gain) loss from asset sales, inclusive of restructuring costs"	Recognized in "Interest and other (income) expense"
(in millions)				
<b>Nine Months Ended September 30, 2020</b>				
Termination benefits	\$ 1.0	\$ 1.0	\$ —	\$ —
Accelerated share-based compensation	0.5	0.5	—	—
Retention expense (including share-based compensation)	0.4	0.4	—	—
Total restructuring costs	<u>\$ 1.9</u>	<u>\$ 1.9</u>	<u>\$ —</u>	<u>\$ —</u>

Three Months Ended September 30, 2019				
Termination benefits	\$ 4.3	\$ 4.3	\$ —	\$ —
Accelerated share-based compensation	1.6	1.6	—	—
Retention expense (including share-based compensation)	4.5	4.5	—	—
Pension and Medical Plan curtailment	—	—	—	—
Total restructuring costs	<u>\$ 10.4</u>	<u>\$ 10.4</u>	<u>\$ —</u>	<u>\$ —</u>

Nine Months Ended September 30, 2019				
Termination benefits	\$ 11.0	\$ 10.9	\$ 0.1	\$ —
Office lease termination costs	0.6	0.6	—	—
Accelerated share-based compensation	11.3	9.8	1.5	—
Retention expense (including share-based compensation)	15.4	15.4	—	—
Pension and Medical Plan curtailment	(0.4)	—	(0.2)	(0.2)
Total restructuring costs	<u>\$ 37.9</u>	<u>\$ 36.7</u>	<u>\$ 1.4</u>	<u>\$ (0.2)</u>

	Costs recognized from inception through September 30, 2020 <sup>(1)</sup>	Total remaining costs expected to be incurred
(in millions)		
Termination benefits	\$ 45.6	\$ —
Office lease termination costs	1.6	—
Accelerated share-based compensation	24.1	—
Retention expense (including share-based compensation)	38.7	—
Pension and Medical Plan curtailment	1.3	—
Total restructuring costs	<u>\$ 111.3</u>	<u>\$ —</u>

<sup>(1)</sup> Represents costs incurred since February 2018 when QEP's Board approved certain strategic and financial initiatives.

The following table is a reconciliation of QEP's restructuring liability, which is included within "Accounts payable and accrued expenses" on the balance sheets.

	Restructuring liability					Total
	Termination benefits	Office lease termination costs	Accelerated share-based compensation	Retention expense	Pension curtailment	
	(in millions)					
Balance at December 31, 2019	\$ 1.2	\$ —	\$ —	\$ 6.5	\$ —	\$ 7.7
Costs incurred and charged to expense	1.0	—	0.5	0.4	—	1.9
Costs paid or otherwise settled	(2.2)	—	(0.5)	(6.9)	—	(9.6)
Balance at September 30, 2020	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

#### Note 10 – Debt

As of the indicated dates, QEP's long-term debt outstanding consisted of the following:

	September 30, 2020	December 31, 2019
	(in millions)	
Revolving Credit Facility due 2022	\$ —	\$ —
6.875% Senior Notes due 2021	—	382.4
5.375% Senior Notes due 2022	465.1	500.0
5.25% Senior Notes due 2023	636.8	650.0
5.625% Senior Notes due 2026	500.0	500.0
Less: unamortized discount and unamortized debt issuance costs	(11.5)	(16.8)
Total long-term debt outstanding	<u>\$ 1,590.4</u>	<u>\$ 2,015.6</u>

Of the total debt outstanding on September 30, 2020, the 5.375% Senior Notes due October 1, 2022 and the 5.25% Senior Notes due May 1, 2023, will mature within the next five years. In addition, the revolving credit facility matures on September 1, 2022.

#### Credit Facility

In June 2020, QEP entered into the Eighth Amendment to its credit agreement, which, among other things, reduced the aggregate principal amount of commitments to \$850.0 million, requires the Company's material subsidiaries to guarantee the obligations under the credit agreement as well as certain swap obligations and modified the leverage ratio and present value financial covenants, such that they only pertain to net priority guaranteed debt (primarily consisting of borrowings under the credit facility and letters of credit). The amended credit agreement also provides the ability to use up to \$500.0 million of loan proceeds to repurchase outstanding senior notes, provides the ability to issue subsidiary guarantees of up to \$500.0 million of unsecured debt, with such guarantees being subordinated to the obligations under the credit agreement, and may limit the Company's ability to make certain restricted payments, including dividends. The amended credit agreement, which matures on September 1, 2022, provides for borrowings at short-term interest rates and contains customary covenants and restrictions and contains financial covenants (that are defined in the credit agreement) that limit the amount of debt the Company can incur and may limit the amount available to be drawn under the credit facility including: (i) a minimum liquidity amount of at least \$100.0 million (ii) a net priority guaranteed leverage ratio under which net priority guaranteed debt may not exceed 2.50 times consolidated EBITDAX (as defined in the credit agreement), and (iii) a present value coverage ratio under which the present value of the Company's proved reserves must exceed net priority guaranteed debt by at least 1.50 times. At September 30, 2020 and December 31, 2019, QEP was in compliance with the covenants under its credit agreement. During the nine months ended September 30, 2020, the Company recorded a \$1.5 million loss associated with the write-off of non-cash deferred financing costs as part of amending the credit facility and recorded the loss within "Gain (loss) from early extinguishment of debt" on the statements of operations.

During the nine months ended September 30, 2020, QEP's weighted average interest rate on borrowings under its credit facility was 2.60%. As of September 30, 2020, QEP had no borrowings outstanding and \$11.9 million in letters of credit outstanding under the credit facility. As of December 31, 2019, QEP had no borrowings outstanding and \$2.9 million in letters of credit outstanding under the credit facility.



### **Senior Notes**

At September 30, 2020, the Company had \$1,601.9 million in principal amount of senior notes outstanding with maturities ranging from October 1, 2022 to March 1, 2026, and coupons ranging from 5.25% to 5.625%. The senior notes pay interest semi-annually, are unsecured senior obligations and rank equally with all of QEP's other existing and future senior unsecured indebtedness. QEP may redeem some or all of its senior notes at any time before their maturity at a redemption price based on a make-whole amount plus accrued and unpaid interest to the date of redemption. The indentures governing QEP's senior notes contain customary events of default and covenants that may limit QEP's ability to, among other things, place liens on its property or assets. During the nine months ended September 30, 2020, QEP repurchased, at a discount, \$107.1 million in principal amount of its 6.875% Senior Notes due March 1, 2021, \$34.9 million in principal amount of its 5.375% Senior Notes due October 1, 2022 and \$13.2 million in principal amount of its 5.25% Senior Notes due May 1, 2023, resulting in a \$27.1 million gain from early extinguishment of debt. In addition, during the third quarter of 2020, QEP redeemed the remaining \$275.3 million in principal amount of its 6.875% Senior Notes due March 1, 2021, resulting in a loss on early extinguishment of debt of \$7.4 million. In total, during the nine months ended September 30, 2020, the Company recorded a \$19.7 million net gain in "Gain (loss) from early extinguishment of debt" on the statements of operations related to the repurchase and redemption of senior notes.

### **Note 11 – Commitments and Contingencies**

The Company is involved in various commercial and regulatory claims, litigation and other legal proceedings that arise in the ordinary course of its business. In each reporting period, the Company assesses these claims in an effort to determine the degree of probability and range of possible loss for potential accrual in its financial statements. In accordance with ASC 450, *Contingencies*, an accrual is recorded for a material loss contingency when its occurrence is probable and damages are reasonably estimable based on the anticipated most likely outcome or the minimum amount within a range of possible outcomes.

Legal proceedings are inherently unpredictable and unfavorable resolutions can occur. Assessing contingencies is highly subjective and requires judgment about uncertain future events. When evaluating contingencies related to legal proceedings, the Company may be unable to estimate losses due to a number of factors, including potential defenses, the procedural status of the matter in question, the presence of complex legal and/or factual issues and the ongoing discovery and/or development of information important to the matter.

*Mandan, Hidatsa and Arikara Nation ("MHA Nation") Title Dispute* – In June 2018, the MHA Nation notified QEP of its position that QEP has no valid lease covering certain minerals underlying the Missouri and Little Missouri Riverbeds on the Fort Berthold Reservation in North Dakota. The MHA Nation also passed a resolution purporting to rescind those portions of QEP's IMDA lease covering the disputed minerals underlying the Missouri River. In May 2020, the Office of the Solicitor of the United States Department of the Interior issued an opinion finding that the State of North Dakota, not the MHA Nation, is the legal owner of the minerals underlying the Missouri River. QEP holds leases granted by the State of North Dakota covering the majority of QEP's producing tracts underlying the Missouri River. The MHA Nation has filed actions in two federal courts seeking to overturn the May 2020 opinion.

*Overriding Royalty Interest Litigation* – In July 2019, owners of small overriding royalty interests in certain wells in the South Antelope oil and gas field in North Dakota filed suit against QEP, alleging QEP has improperly taken deductions for post-production expenses.

In many cases, the Company is unable to make an estimate of the range of reasonably possible loss related to its contingencies. To the extent that the Company can reasonably estimate losses for contingencies where the risk of material loss (in excess of accruals, if any) is reasonably possible, the Company estimates such losses to be in a range of zero to approximately \$10.0 million, in the aggregate.

### **Note 12 – Share-Based and Long-Term Incentive Compensation**

In 2018, QEP's Board and QEP's shareholders approved the QEP Resources, Inc. 2018 Long-Term Incentive Plan (LTIP), which replaced the 2010 Long-Term Stock Incentive Plan (LTSIP) and provides for the issuance of up to 10.0 million shares such that the Board may grant long-term incentive compensation. QEP issues restricted share awards, restricted cash awards and restricted share units under its LTSIP or LTIP and awards performance share units under its Cash Incentive Plan (CIP) to certain officers, employees and non-employee directors. Grants issued prior to May 15, 2018 were under the LTSIP and grants issued on or after May 15, 2018 are under the LTIP. QEP recognizes the expense over the vesting periods for stock options, restricted share awards, restricted cash awards, restricted share units and performance share units. There were 3.6 million shares available for future grants under the LTIP at September 30, 2020.

Share-based compensation expense is generally recognized within "General and administrative" expense on the statements of operations and is summarized in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020 <sup>(1)</sup>	2019 <sup>(2)</sup>	2020 <sup>(1)</sup>	2019 <sup>(2)</sup>
	(in millions)			
<b>Non-cash share-based compensation</b>				
Stock options	\$ —	\$ —	\$ —	\$ 0.3
Restricted share awards	2.9	5.0	9.3	15.9
Total non-cash share-based compensation	2.9	5.0	9.3	16.2
<b>Cash share-based compensation</b>				
Restricted cash awards	0.5	—	1.2	—
Performance share units	0.5	(0.9)	0.5	4.6
Restricted share units	—	—	—	0.2
Total cash share-based compensation	1.0	(0.9)	1.7	4.8
Total share-based compensation expense	\$ 3.9	\$ 4.1	\$ 11.0	\$ 21.0

<sup>(1)</sup> During the three months ended September 30, 2020, the Company did not incur any costs related to accelerated vesting. During the nine months ended September 30, 2020 the Company incurred \$0.5 million of share-based compensation expense related to the acceleration of vesting that occurred as part of the restructuring program and is included in the table above. Refer to Note 9 – Restructuring for additional information.

<sup>(2)</sup> During the three and nine months ended September 30, 2019, the Company recorded \$1.6 million and \$11.3 million, respectively, of share-based compensation expense related to the acceleration of vesting that occurred as part of the restructuring program. Of the \$11.3 million recorded during the nine months ended September 30, 2019, \$1.5 million was recorded in "Net gain (loss) from asset sales, inclusive of restructuring costs" on the statement of operations and the remaining \$9.8 million is included in the table above. Refer to Note 9 – Restructuring for additional information.

### Stock Options

During the nine months ended September 30, 2020, QEP did not issue stock options to its employees. In periods when QEP granted stock options, the Company historically used the Black-Scholes-Merton mathematical model to estimate the fair value of stock option awards at the date of grant. Fair value calculations rely upon subjective assumptions used in the mathematical model and may not be representative of future results. The Black-Scholes-Merton model is intended for calculating the value of options not traded on an exchange. The Company utilized the "simplified" method to estimate the expected term of the stock options granted as there was limited historical exercise data available in estimating the expected term of the stock options. QEP used a historical volatility method to estimate the fair value of stock option awards, and the risk-free interest rate was based on the yield on U.S. Treasury strips with maturities similar to those of the expected term of the stock options. The stock options typically vest in equal installments over three years from the grant date and are exercisable immediately upon vesting through the seventh anniversary of the grant date. To fulfill options exercised, QEP either reissues treasury stock or issues new shares. The Company recognizes forfeitures of stock options as they occur.

Stock option transactions under the terms of the LTSIP are summarized below:

	Options Outstanding	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2019	1,802,387	\$ 20.87		
<b>Forfeited</b>	<b>(311,203)</b>	<b>30.08</b>		
<b>Outstanding at September 30, 2020</b>	<b>1,491,184</b>	<b>\$ 18.94</b>	<b>2.02</b>	<b>\$ —</b>
<b>Options Exercisable at September 30, 2020</b>	<b>1,491,184</b>	<b>\$ 18.94</b>	<b>2.02</b>	<b>\$ —</b>
<b>Unvested Options at September 30, 2020</b>	<b>—</b>	<b>\$ —</b>	<b>0</b>	<b>\$ —</b>

During the nine months ended September 30, 2020 there were no exercises of stock options. The Company recognized \$1.1 million and \$1.0 million of income tax expense during the nine months ended September 30, 2020 and 2019, respectively, for the cancellation of options during the period. As of September 30, 2020, there was no unrecognized compensation expense related to stock options granted under the LTSIP. Refer to Note 9 – Restructuring for additional information.

#### **Restricted Share Awards**

Restricted share award grants typically vest in equal installments over three years from the grant date. The grant date fair value is determined based on the closing bid price of the Company's common stock on the grant date. The Company recognizes restricted share forfeitures as they occur. The total fair value of restricted share awards that vested during the nine months ended September 30, 2020 and 2019 was \$2.5 million and \$29.6 million, respectively. The Company recognized \$2.3 million and \$2.1 million of income tax expense during the nine months ended September 30, 2020 and 2019, respectively, for shares that were either vested or forfeited during the period. The weighted-average grant date fair value of restricted share awards was \$2.10 per share and \$7.79 per share for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, \$10.1 million of unrecognized compensation expense related to restricted share awards granted under the LTSIP and LTIP is expected to be recognized over a weighted-average vesting period of 2.12 years.

Transactions involving restricted share awards under the terms of the LTSIP and LTIP are summarized below:

	Restricted Share Awards Outstanding	Weighted-Average Grant Date Fair Value (per share)
Unvested balance at December 31, 2019	2,845,033	\$ 8.67
<b>Granted</b>	<b>5,080,589</b>	<b>2.10</b>
<b>Vested</b>	<b>(1,383,618)</b>	<b>9.26</b>
<b>Forfeited</b>	<b>(97,718)</b>	<b>4.91</b>
<b>Unvested balance at September 30, 2020</b>	<b>6,444,286</b>	<b>\$ 3.42</b>

#### **Restricted Cash Awards**

Beginning in March 2020, QEP issued restricted cash awards under its LTIP to certain employees. Restricted cash award grants vest in equal installments over three years from the grant date. The Company recognizes restricted cash forfeitures as they occur. There were no restricted cash awards granted or outstanding during the nine months ended September 30, 2019. As of September 30, 2020, \$2.1 million of unrecognized compensation expense related to restricted cash awards granted under the LTIP is expected to be recognized over a weighted-average vesting period of 2.50 years.

Transactions involving restricted cash awards under the terms of the LTIP are summarized below:

	Restricted Cash Awards Outstanding
Unvested balance at December 31, 2019	\$ —
Granted	3,249,925
Vested	(7,000)
Forfeited	(64,750)
<b>Unvested balance at September 30, 2020</b>	<b>\$ 3,178,175</b>

### **Performance Share Units**

The payouts associated with performance share units under the CIP are dependent upon the Company's total shareholder return compared to a group of its peers over three years. The awards are denominated in share units and have historically been paid in cash. The Company has the option to settle earned awards in cash or shares of common stock under the Company's LTIP; however, as of September 30, 2020, the Company expects to settle all awards under the CIP in cash. These awards are classified as liabilities and are included within "Other long-term liabilities" on the balance sheets. Because these awards are dependent upon the Company's total shareholder return and stock price, they are remeasured at fair value at the end of each reporting period. The Company paid \$0.3 million and \$12.1 million, respectively, for vested performance share units during the nine months ended September 30, 2020 and 2019. The weighted-average grant date fair value of the performance share units granted during the nine months ended September 30, 2020 and 2019 was \$2.17 and \$7.93 per share, respectively. As of September 30, 2020, \$2.1 million of unrecognized compensation cost, which represents the unvested portion of the fair market value of performance shares granted, is expected to be recognized over a weighted-average vesting period of 2.11 years. Refer to Note 9 – Restructuring for additional information.

Transactions involving performance share units under the terms of the CIP are summarized below:

	Performance Share Units Outstanding	Weighted-Average Grant Date Fair Value (per share)
Unvested balance at December 31, 2019	625,922	\$ 9.04
<b>Granted</b>	<b>1,926,026</b>	<b>2.17</b>
<b>Vested and paid</b>	<b>(96,734)</b>	<b>13.06</b>
<b>Unvested balance at September 30, 2020</b>	<b>2,455,214</b>	<b>\$ 3.56</b>

### **Restricted Share Units**

Employees may elect to defer their grants of restricted share awards and these deferred awards are designated as restricted share units. Restricted share units vest over three years and are deferred into the Company's Wrap Plan at the time of grant. These awards are ultimately paid in cash when distributed from the deferred compensation plan. They are classified as liabilities in "Other long-term liabilities" on the balance sheets and are measured at fair value at the end of each reporting period. The weighted-average grant date fair value of the restricted share units was \$2.08 and \$7.90 per share for the nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020, there was less than \$0.1 million of unrecognized compensation cost, which represents the unvested portion of the fair market value of restricted share units granted. Refer to Note 9 – Restructuring for additional information.

Transactions involving restricted share units under the terms of the LTSIP and LTIP are summarized below:

	Restricted Share Units Outstanding	Weighted-Average Grant Date Fair Value (per share)
Unvested balance at December 31, 2019	34,393	\$ 8.16
<b>Granted</b>	<b>76,083</b>	<b>2.08</b>
<b>Vested and paid</b>	<b>(26,770)</b>	<b>8.20</b>
<b>Unvested balance at September 30, 2020</b>	<b>83,706</b>	<b>\$ 2.62</b>

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide the reader of the financial statements with a narrative from the perspective of management on the financial condition, results of operations, liquidity and certain other factors that may affect the Company's operating results. MD&A should be read in conjunction with the financial statements and related Notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following information updates the discussion of QEP's financial condition provided in its Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K) and analyzes the changes in the results of operations between the three and nine months ended September 30, 2020 and 2019. For definitions of commonly used oil and gas terms found in this Quarterly Report on Form 10-Q, please refer to the "Glossary of Terms" provided in the 2019 Form 10-K.

## OVERVIEW

QEP Resources, Inc. is an independent crude oil and natural gas exploration and production company with operations in two regions of the United States: the Southern Region (primarily in Texas) and the Northern Region (primarily in North Dakota). Unless otherwise specified or the context otherwise requires, all references to "QEP" or the "Company" are to QEP Resources, Inc. and its subsidiaries on a consolidated basis. QEP's corporate headquarters are located in Denver, Colorado and shares of QEP's common stock trade on the New York Stock Exchange (NYSE) under the ticker symbol "QEP".

As a result of the reduction of the Company's operational footprint in 2019 following the Board's comprehensive review of strategic alternatives and determination to move forward as an independent company, QEP reassessed its organizational needs and significantly reduced its general and administrative expense to ensure its cost structure is competitive with industry peers.

As a part of the strategic initiatives and reduction in general and administrative expense, QEP has incurred costs associated with contractual termination benefits, including severance, accelerated vesting of share-based compensation and other expenses. Refer to Note 3 – Acquisitions and Divestitures and Note 9 – Restructuring in Part 1, Item I of this Quarterly Report on Form 10-Q for more information.

The Company continues to focus on reducing its operating costs, per well drilling costs, general and administrative costs and managing its liquidity. We believe our plan to generate Free Cash Flow (FCF) (a non-GAAP financial measure defined and reconciled below) on an annual basis will allow us to further strengthen our balance sheet and continue returning capital to shareholders.

## Financial and Operating Highlights

During the three months ended September 30, 2020, QEP:

- Generated a net loss of \$49.2 million, or \$0.20 per diluted share;
- Reported Adjusted EBITDA (a non-GAAP financial measure defined and reconciled below) of \$160.4 million;
- Reduced general and administrative expenses by 29% compared to the third quarter of 2019;
- Received \$170.7 million in Alternative Minimum Tax (AMT) credit refunds due to changes enacted by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), inclusive of \$5.6 million in interest income;
- Redeemed the remaining \$275.3 million in principal amount of the 2021 Senior Notes; and
- Recorded an additional income tax receivable of \$81.0 million for AMT credit refunds related to net operating loss (NOL) carrybacks due to changes enacted by the CARES Act.

During the nine months ended September 30, 2020, QEP:

- Generated net income of \$133.8 million, or \$0.55 per diluted share;
- Reported Adjusted EBITDA (a non-GAAP financial measure defined and reconciled below) of \$491.6 million;
- Reported cash provided by operating activities of \$554.0 million;
- Reported Free Cash Flow (a non-GAAP measure defined and reconciled below) of \$162.0 million;
- Lowered lease operating expense by \$31.0 million, or 23%, compared to the first three quarters of 2019;
- Reduced general and administrative expenses by 49% compared to the first three quarters of 2019; and
- Reduced principal amount of outstanding debt by \$430.5 million.

## Outlook

The novel coronavirus disease (COVID-19) has created unprecedented challenges for our industry, customers and employees. Throughout the global pandemic, the Company has continued to take actions suggested by the Centers for Disease Control and Prevention as well as state and local governments in the areas in which the Company operates to protect the core of its business and to ensure the health and safety of its employees, business partners and communities. Starting in March 2020, the Company instituted various measures, including remote working and business travel restrictions, and we remain engaged with our business and community partners on how we can assist them during this time. The Company continues to evaluate safeguards and has implemented procedures and policies to help protect the health and safety of the portion of the workforce whose jobs

cannot be completed remotely, including those who run our field operations. We continue to monitor the guidelines and recommendations provided by the relevant authorities, and we will continue to ensure we are implementing the suggested protocols to help reduce the spread of the virus.

As a result of lower demand caused by the COVID-19 pandemic and resulting oversupply of crude oil, the future prices of crude oil continue to be at low levels. In light of market conditions, during the first three quarters of 2020 the Company took significant steps to proactively manage its cash flow and preserve liquidity by suspending completion operations in the Permian Basin until the fourth quarter of 2020. In the Williston Basin, we have completed all operated development activity for the year. While these decisions will result in lower 2020 oil production, the Company believes that it will be able to maintain positive cash flow and protect its balance sheet, with the ultimate goal of protecting shareholder returns over the long term. Although the Company has already significantly reduced activity, we are prepared to reduce activity further for an extended period if necessary. The Company has utilized the slowdown to improve on its peer leading operations and will continue to reduce expenses and per well costs to the lowest and most efficient cost structure possible.

Due to the Company's derivative positions, temporary suspension of completion operations and the continued initiative in reducing drilling and completion costs, the Company expects to generate FCF in 2020 despite the current market conditions. In addition to generating FCF, changes enacted under the CARES Act have created significant income tax refunds for the Company. During the nine months ended September 30, 2020, the Company received \$170.7 million in AMT credit refunds, inclusive of \$5.6 million in interest income, and at September 30, 2020, the Company recorded an additional \$81.0 million income tax receivable for AMT credit refunds, of which, \$50.1 million is expected to be received in the next 12 months. The Company expects that the generation of FCF, cash on hand, the AMT credit refund and, as needed, borrowings made under its revolving credit facility, will be sufficient to meet its liquidity needs for the next 12 months.

The Company believes that the overall reduction of global spending on new development projects, especially in the U.S., will cause a reduction in the global oil supply, and that the eventual recovery from the COVID-19 pandemic will cause demand to be more in line with previously anticipated levels and, consequently, cause oil prices to recover. As a result of the actions taken, and continuing to be taken, and the expected stabilization of the global economy, the Company expects to emerge in a stronger position.

Based on current commodity prices, we expect to be able to fund our planned capital program for 2020 with cash on hand and cash flow from operating activities. The mid-point of our total capital expenditures (excluding property acquisitions) for 2020 is expected to be approximately \$340.0 million, a decrease of over 40% from both our 2019 capital expenditures and our original 2020 guidance. We continuously evaluate our level of drilling and completion activity in light of commodity prices, drilling results and changes in our operating and development costs and will adjust our capital investment program based on such evaluations. See "Cash Flow from Investing Activities" for further discussion of our capital expenditures.

## **Factors Affecting Results of Operations**

### ***Supply, Demand, Market Risk and their Impact on Oil Prices***

In the third quarter of 2020, the average price of WTI crude oil dropped 26% from the third quarter of 2019. Crude oil prices were negatively impacted by a variety of factors affecting current and expected supply and demand dynamics, including: the COVID-19 pandemic and related shut-down of various sectors of the global economy, which has resulted in a significant reduction in global demand for crude oil; continued U.S. supply growth driven by advances in drilling and completion technologies; and the delay of an agreement in early 2020 on production levels by members of the Organization of Petroleum Exporting Countries (OPEC) and other oil producing countries, resulting in increased supply in the global market. Other factors impacting the supply and demand of our products include weather conditions, pipeline capacity constraints, inventory storage levels, basis differentials, export capacity, strength of the U.S. dollar as well as other factors, the majority of which are outside of our control. While OPEC and other oil producing countries have reduced production levels, and U.S. production has declined, a significant crude oil price recovery is not expected until global supply matches current lower levels of demand caused by the factors mentioned above, including the COVID-19 pandemic. The Company cannot predict if or when commodity prices will stabilize or at what levels.

Changes in the market prices for oil directly impact many aspects of QEP's business, including its financial condition, revenues, results of operations, planned drilling and completion activity and related capital expenditures, its proved undeveloped (PUD) reserves conversion rate, liquidity, rate of growth, costs of goods and services required to drill, complete and operate wells, and the carrying value of its oil and gas properties. The decline in the price of crude oil negatively impacted our oil revenue during the third quarter of 2020 but the value of our realized oil derivatives portfolio increased significantly, helping to offset the negative impact. Additionally, the volatility in commodity prices has impacted the Company's stock price and the fair value of the Company's debt securities, all of which impact our financial and operating results. Due to the changes in our drilling plans,

we expect that our 2020 PUD conversion rate will be lower than originally anticipated. Our future drilling plans, including our level of expenditures for the development of our oil reserves, total PUD reserves, operations and financial condition may be materially and adversely affected by declines in future oil prices.

QEP's producing properties are primarily located in the Permian and Williston basins. As a result of our lack of diversification in asset type and limited geographic diversification, any delays or interruptions of production caused by factors such as governmental regulation, transportation capacity constraints, curtailment of production or interruption of transportation, price fluctuations, natural disasters or shutdowns of the pipelines connecting our production to refineries, including the potential shutdown of the Dakota Access Pipeline, would have a significantly greater impact on our results of operations than if we possessed more diverse assets and locations.

#### ***Global Geopolitical and Macroeconomic Factors***

QEP continues to monitor the global economy, including global economic issues impacted by COVID-19; political and civil unrest; oil producing countries' oil production and policies regarding production quotas; actions taken by the United States Congress and the President of the United States; the U.S. federal budget deficit; changes in regulatory oversight policy; the impact of regulations and public and financial market sentiment regarding environmental, social and governance matters; commodity price volatility; tariffs on goods we use in our operations or on the products we sell; the impact of a potential increase in interest rates; volatility in various global currencies; and other factors. A dramatic decline in regional or global economic conditions, a major recession or depression, regional political instability, economic sanctions, war, or other factors beyond the control of QEP have had, and could continue to have, a significant impact on short-term and long-term oil and condensate, gas and NGL supply, demand and prices and the Company's ability to continue its planned drilling programs which could materially impact the Company's financial position, results of operations and cash flow from operations. Disruption to the global oil supply system, political and/or economic instability, fluctuations in currency values, and/or other factors could trigger additional volatility in oil prices.

Due to continued global economic uncertainty and the corresponding volatility of commodity prices, QEP continues to focus on maintaining a sufficient liquidity position to ensure financial flexibility. QEP uses commodity derivatives to reduce the volatility of the prices QEP receives for a portion of its production and to partially protect cash flow and returns on invested capital from a drop in commodity prices. Generally, QEP intends to enter into commodity derivative contracts for approximately 50% to 75% of its forecasted annual production by the end of the first quarter of each fiscal year. Gains on settled derivatives offset a large portion of the impact of the recent decline in oil prices on our oil revenues. There can be no assurances that we will be able to add derivative positions to cover the balance of our forecasted production for 2021 at favorable prices. See Part 1, Item 3 – "Quantitative and Qualitative Disclosures about Market Risk-Commodity Price Risk Management" for further details on QEP's commodity derivatives transactions.

#### ***Potential for Future Asset Impairments***

The carrying values of the Company's properties are sensitive to declines in oil, gas and NGL prices as well as increases in various development and operating costs and expenses and, therefore, are at risk of impairment. When an indicator of impairment is identified, the Company uses a cash flow model to assess its proved oil and gas properties and operating lease right-of-use assets for impairment. The cash flow model includes numerous assumptions, including estimates of future oil and condensate, gas and NGL production, estimates of future prices for production that are based on the price forecast that management uses to make investment decisions, including estimates of basis differentials, future operating costs, transportation expenses, production taxes, and development costs that management believes are consistent with its price forecast, and discount rates. Management also considers a number of other factors, including the forward curve for future oil and gas prices, and developments in regional transportation infrastructure when developing its estimate of future prices for production. All inputs for the cash flow model are evaluated at each date of estimate.

We base our estimates on projected financial information that we believe to be reasonably likely to occur. An assessment of the sensitivity of our capitalized costs to changes in the assumptions in our cash flow calculations is not practicable, given the numerous assumptions (e.g., future oil, gas and NGL prices; production and reserves; pace and timing of development drilling plans; timing of capital expenditures; operating costs; drilling and development costs; and inflation and discount rates) that can materially affect our estimates. Unfavorable adjustments to some of the above listed assumptions would likely be offset by favorable adjustments in other assumptions. For example, the impact of sustained reduced oil, gas and NGL prices on future undiscounted cash flows would likely be offset by lower drilling and development costs and lower operating costs. The signing of a purchase and sale agreement could also cause the Company to recognize an impairment of proved properties. For assets subject to a purchase and sale agreement, the terms of the purchase and sale agreement are used as an indicator of fair value.

During the nine months ended September 30, 2020, the Company recorded no impairment charges. During the nine months ended September 30, 2019, QEP recorded impairment charges of \$5.0 million related to an office building lease.

We could be at risk for proved and unproved property and operating lease right-of-use asset impairments if current market conditions persist for an extended period of time, we experience negative changes in estimated reserve quantities or the forward oil and gas prices decline from September 30, 2020 levels. The actual amount of impairment incurred, if any, for oil and gas properties will depend on a variety of factors including, but not limited to: subsequent forward price curve changes, the additional risk-adjusted value of probable and possible reserves associated with our properties, weighted-average cost of capital, operating cost estimates and future capital expenditure estimates.

#### ***Income Tax***

The tax legislation enacted in December 2017 reduced our federal corporate tax rate from 35% to 21% and eliminated the corporate AMT, allowing the Company to claim AMT refunds for AMT credits carried forward from prior tax years. The CARES Act enacted in March 2020 permitted the Company to carry back its NOL generated in 2018 and 2019, creating additional AMT credits, and accelerate all of its AMT refunds. The Company received \$170.7 million of AMT credit refunds, inclusive of \$5.6 million in interest income, during the three months ended September 30, 2020 and \$73.9 million of AMT credit refunds in 2019. As of September 30, 2020, the Company expects to receive an additional \$81.0 million in AMT credit refunds due to additional NOL carrybacks relating to the 2018 and 2019 tax years. The NOLs that were generated are primarily due to the issuance of final regulations by the U.S. Department of Treasury in July 2020 that relate to the deductibility of interest expense. Of the \$81.0 million in AMT credit refunds to be received, \$50.1 million is included in "Income taxes receivable" and \$30.9 million is included in "Other noncurrent assets" on the balance sheets as of September 30, 2020.

#### ***Acquisitions and Divestitures***

QEP's strategy is to generate FCF, and it believes its inventory of identified drilling locations provides a solid base to achieve this strategy, but it will continue to evaluate and potentially acquire properties in its operating areas to add additional development opportunities and facilitate the drilling of long lateral wells.

#### ***Acquisitions***

During the nine months ended September 30, 2020 and 2019, QEP acquired various oil and gas properties, which primarily included proved acreage in the Permian Basin for an aggregate purchase price of \$4.1 million and \$3.6 million, respectively, subject to post-closing purchase price adjustments.

#### ***Divestitures***

During the nine months ended September 30, 2020, QEP received net cash proceeds of \$13.4 million and recorded a net pre-tax gain on sale of \$3.7 million, primarily related to the divestiture of properties outside its main operating areas.

In January 2019, QEP sold its Haynesville/Cotton Valley assets (Haynesville Divestiture) and during the year ended December 31, 2019, reached final settlement on asserted environmental and title defects and received aggregate net cash proceeds of \$633.9 million. QEP recorded a total net pre-tax loss, including restructuring costs, of \$4.0 million. During the three and nine months ended September 30, 2019, QEP recorded \$0.3 million and \$1.0 million of pre-tax loss on sale, respectively, within "Net gain (loss) from asset sales, inclusive of restructuring costs" on the statements of operations. Refer to Note 3 – Acquisitions and Divestitures in Part 1, Item I of this Quarterly Report on Form 10-Q for more information.

In addition to the Haynesville Divestiture, during the nine months ended September 30, 2019, QEP recorded net cash proceeds of \$42.6 million and recorded a net pre-tax gain on sale of \$3.5 million related to the divestiture of properties outside our main operating areas.

#### ***Multi-Well Pad Drilling and Completion***

To reduce the costs of well location construction and rig mobilization and demobilization and to obtain other efficiencies, QEP utilizes multi-well pad drilling, where practical. For example, in the Permian Basin, QEP utilizes "tank-style" development, in which we simultaneously develop multiple subsurface targets by drilling and completing all wells in a given "tank" before any individual well is turned to production. We believe this approach maximizes the economic recovery of oil and condensate through the simultaneous development of multiple subsurface targets, while improving capital efficiency through shared surface facilities, which we believe will reduce per-unit operating costs and result in expanded operating margins and improve our returns on invested capital. Because wells drilled on a pad are not completed and brought into production until all wells on the pad are drilled and the drilling rig is moved from the location, multi-well pad drilling delays the completion of wells, the commencement of production from new wells, and may negatively affect production from existing offset wells. In addition, existing wells that offset new wells being completed by QEP or offset operators may need to be temporarily shut-in during the completion process. Such delays and well shut-ins have caused and may continue to cause volatility in QEP's quarterly operating results. In addition, delays in completion of wells may impact the timing of planned conversions of PUD reserves to proved developed reserves.



### Uncertainties Related to Claims

QEP is currently subject to claims that could adversely impact QEP's liquidity, operating results and capital expenditures for a particular reporting period, including, but not limited to those described in Note 11 – Commitments and Contingencies, in Item 1 of Part I of this Quarterly Report on Form 10-Q. Given the uncertainties involved in these matters, QEP is unable to predict the ultimate outcomes.

### Critical Accounting Estimates

QEP's significant accounting policies are described in Item 7 of Part II of its 2019 Form 10-K. The Company's financial statements are prepared in accordance with GAAP. The preparation of the Company's financial statements requires management to make assumptions and estimates that affect the reported results of operations and financial position. QEP's accounting policies on oil and gas reserves, successful efforts accounting for oil and gas operations, impairment of long-lived assets and income taxes, among others, may involve a high degree of complexity and judgment on the part of management. Further, these estimates and other factors, including those outside of the Company's control, such as the impact of sustained lower commodity prices, could have a significant adverse impact to the Company's financial condition, results of operations and cash flows.

### Drilling, Completion and Production Activities

The following table presents operated and non-operated wells in the process of being drilled or waiting on completion as of September 30, 2020:

	Drilling Rigs	Operated				Non-operated			
		Drilling		Waiting on completion		Drilling		Waiting on completion	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Northern Region</b>									
Williston Basin	—	—	—	4	2.9	—	—	16	2.4
<b>Southern Region</b>									
Permian Basin <sup>(1)</sup>	2	11	9.6	46	41.8	—	—	1	0.1

<sup>(1)</sup> Six of the eleven gross operated wells that were being drilled in the Permian Basin represented wells for which intermediate casing had been set as of September 30, 2020. Three of the eleven gross operated wells that were being drilled in the Permian Basin represented wells for which surface casing had been set as of September 30, 2020.

Delays in completion of wells could impact planned conversions of PUD reserves to proved developed reserves and volatility in QEP's quarterly operating results. QEP had 50 gross operated wells waiting on completion as of September 30, 2020.

The following table presents the number of operated wells in the process of being drilled or waiting on completion at September 30, 2020 and operated wells completed and turned to sales (put on production) for the nine months ended September 30, 2020:

Well Progress	Permian Basin		Williston Basin	
	As of September 30, 2020			
	Gross	Net	Gross	Net
Drilling	11	9.6	—	—
Waiting on completion	46	41.8	4	2.9
Put on production	36	34.4	2	1.5

The following table presents the number of operated and non-operated wells completed and turned to sales (put on production) for the three and nine months ended September 30, 2020:

	Operated Put on Production				Non-operated Put on Production				
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended		
	September 30, 2020		September 30, 2020		September 30, 2020		September 30, 2020		
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
<b>Northern Region</b>									
Williston Basin	2	1.5	2	1.5	5	1.0	10	1.0	
<b>Southern Region</b>									
Permian Basin	—	—	36	34.4	3	0.3	3	0.3	

## RESULTS OF OPERATIONS

### Net Income

QEP generated a net loss during the third quarter of 2020 of \$49.2 million, or \$0.20 per diluted share, compared to net income of \$81.0 million, or \$0.34 per diluted share, in the third quarter of 2019. The \$130.2 million decrease in net income in the third quarter of 2020 compared to 2019 was primarily due to a \$196.1 million increase in unrealized derivative losses, partially offset by a \$81.8 million increase in income tax benefits.

During the first three quarters of 2020, QEP generated net income of \$133.8 million, or \$0.55 per diluted share, compared to net income of \$13.1 million or \$0.06 per diluted share, in the first three quarters of 2019. The \$120.7 million increase in net income in the first three quarters of 2020 compared to 2019 was primarily due to a \$113.4 million increase in unrealized derivative gains.

See below for additional discussion regarding the components of net income (loss) for each of the periods presented.

### Adjusted EBITDA (Non-GAAP)

Management defines Adjusted EBITDA (a non-GAAP measure) as earnings before interest, income taxes, depreciation, depletion and amortization (EBITDA), adjusted to exclude changes in fair value of derivative contracts, exploration expenses, gains and losses from asset sales, impairment, gains or losses from early extinguishment of debt and certain other items. Management uses Adjusted EBITDA to evaluate QEP's financial performance and trends, make operating decisions and allocate resources. Management believes the measure is useful supplemental information for investors because it eliminates the impact of certain nonrecurring, non-cash and/or other items that management does not consider as indicative of QEP's performance from period to period. QEP's Adjusted EBITDA may be determined or calculated differently than similarly titled measures of other companies in our industry, which could reduce the usefulness of this non-GAAP financial measure when comparing our performance to that of other companies.

Below is a reconciliation of net income (loss) (the most comparable GAAP measure) to Adjusted EBITDA. This non-GAAP measure should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(in millions)			
Net income (loss)	\$ (49.2)	\$ 81.0	\$ 133.8	\$ 13.1
Interest expense	28.4	32.8	89.8	100.0
Interest and other (income) expense	(7.7)	(0.9)	(7.7)	(4.6)
Income tax provision (benefit)	(55.2)	26.6	(42.5)	(55.7)
Depreciation, depletion and amortization	133.0	144.2	424.6	395.5
Unrealized (gains) losses on derivative contracts	103.8	(92.3)	(84.4)	29.0
(Gain)/loss from early extinguishment of debt	7.4	—	(18.2)	—
Net (gain) loss from asset sales, inclusive of restructuring costs	(0.1)	2.1	(3.8)	(2.5)
Impairment	—	—	—	5.0
Adjusted EBITDA	<u>\$ 160.4</u>	<u>\$ 193.5</u>	<u>\$ 491.6</u>	<u>\$ 479.8</u>

In the third quarter of 2020, Adjusted EBITDA decreased to \$160.4 million compared to \$193.5 million in the third quarter of 2019, primarily due to a \$129.8 million decrease in oil, gas, and NGL sales, which was due to a 29% decrease in average field-level equivalent prices and a 16% decrease in total oil equivalent production volumes, partially offset by a \$74.5 million increase in realized derivative gains, a \$8.7 million reduction in general and administrative expenses, a \$6.0 million decrease in production and property taxes and a \$5.6 million reduction in transportation and processing costs.

In the first three quarters of 2020, Adjusted EBITDA increased to \$491.6 million compared to \$479.8 million in the first three quarters of 2019, primarily due to a \$259.4 million increase in realized derivative gains, a \$61.3 million decrease in general and administrative expenses, a \$31.0 million decrease in lease operating costs and a \$25.3 million reduction in production and property taxes, partially offset by a \$359.9 million decrease in oil, gas and NGL sales, primarily due to a 37% decrease in average field-level prices.

#### Free Cash Flow (Non-GAAP)

Management defines Free Cash Flow as Adjusted EBITDA plus certain non-cash items that are included in Net Cash Provided by (Used in) Operating Activities but excluded from Adjusted EBITDA less interest expense, excluding amortization of debt issuance costs and discounts, and accrued property, plant and equipment capital expenditures. Management believes that this measure is useful to management and investors for analysis of the Company's ability to repay debt, fund acquisitions or repurchase stock.

Below is a reconciliation of Net Cash Provided by (Used in) Operating Activities (the most comparable GAAP measure) to Free Cash Flow. This non-GAAP measure should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP.

	Nine Months Ended September 30,	
	2020	2019
(in millions)		
<b>Cash Flow Information:</b>		
Net Cash Provided by (Used in) Operating Activities	\$ 554.0	\$ 342.0
Net Cash Provided by (Used in) Investing Activities	(275.2)	207.7
Net Cash Provided by (Used in) Financing Activities	(434.7)	(455.7)
<b>Free Cash Flow</b>		
Net Cash Provided by (Used in) Operating Activities	\$ 554.0	\$ 342.0
Amortization of debt issuance costs and discounts	(3.7)	(4.0)
Interest expense	89.8	100.0
Unrealized (gains) losses on marketable securities	1.1	2.8
Interest and other income (expense)	(7.7)	(4.6)
Deferred income taxes (benefit)	(165.3)	61.2
Income tax provision (benefit)	(42.5)	(55.7)
Non-cash share-based compensation	(9.3)	(16.2)
Non-cash gain (loss) from warehouse inventory	(0.7)	—
Changes in operating assets and liabilities	75.9	54.3
Adjusted EBITDA	\$ 491.6	\$ 479.8
Non-cash share-based compensation	9.3	16.2
Non-cash (gain) loss from warehouse inventory	0.7	—
Interest expense, excluding amortization of debt issuance costs and discounts	(86.1)	(96.0)
Accrued property, plant and equipment capital expenditures	(253.5)	(466.0)
Free Cash Flow	\$ 162.0	\$ (66.0)

In the first three quarters of 2020, the Company generated FCF of \$162.0 million compared to an outspend of \$66.0 million in the first three quarters of 2019, primarily due to a \$212.5 million decrease in accrued property, plant and equipment capital expenditures, primarily driven by suspending completion activity until the fourth quarter of 2020 and by peer leading drilling and completion costs in the Permian Basin, an \$11.8 million increase in Adjusted EBITDA, and a \$9.9 million decrease in interest expense, excluding amortization of debt issuance costs and discounts.

## Revenue

The following table presents our revenues disaggregated by revenue source.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Oil and condensate, gas and NGL sales, as presented	\$ 175.8	\$ 305.6	\$ (129.8)	\$ 515.9	\$ 875.8	\$ (359.9)
Transportation and processing costs included in revenue <sup>(1)</sup>	16.0	14.2	1.8	45.6	40.7	4.9
Oil and condensate, gas and NGL sales, as adjusted <sup>(2)</sup>	<u>\$ 191.8</u>	<u>\$ 319.8</u>	<u>\$ (128.0)</u>	<u>\$ 561.5</u>	<u>\$ 916.5</u>	<u>\$ (355.0)</u>
Oil and condensate sales	\$ 169.3	\$ 298.8	\$ (129.5)	\$ 507.8	\$ 834.0	\$ (326.2)
Gas sales	9.3	9.1	0.2	24.6	39.4	(14.8)
NGL sales	13.2	11.9	1.3	29.1	43.1	(14.0)
Oil and condensate, gas and NGL sales, as adjusted <sup>(2)</sup>	<u>\$ 191.8</u>	<u>\$ 319.8</u>	<u>\$ (128.0)</u>	<u>\$ 561.5</u>	<u>\$ 916.5</u>	<u>\$ (355.0)</u>

<sup>(1)</sup> Depending on the terms of the contract, a portion of the total transportation and processing costs incurred by the Company are deducted from revenue. Refer to the Operating Expenses section below for a reconciliation of total transportation and processing costs.

<sup>(2)</sup> Oil and condensate, gas and NGL sales (the most comparable GAAP measure) as presented on the statements of operations is reconciled to oil and condensate, gas and NGL sales, as adjusted (a non-GAAP measure). Management excludes costs deducted from revenue to reflect total revenue associated with its production prior to deducting any expenses. Management believes that this non-GAAP measure is useful supplemental information for investors as it is reflective of the total revenue generated from its wells for the period. This non-GAAP measure should be considered by the reader in addition to, but not instead of, the financial measure prepared in accordance with GAAP. Refer to Note 2 – Revenue in Part I, Item I of this Quarterly Report on Form 10-Q.

## Revenue, Volume and Price Variance Analysis

The following table shows volume and price related changes for each of QEP's adjusted production-related revenue categories for the three and nine months ended September 30, 2020, compared to the three and nine months ended September 30, 2019:

	Oil and condensate	Gas	NGL	Total
	(in millions)			
<b><i>Oil and condensate, gas and NGL sales, as adjusted</i></b>				
Three months ended September 30, 2019	\$ 298.8	\$ 9.1	\$ 11.9	\$ 319.8
Changes associated with volumes <sup>(1)</sup>	(64.4)	(0.1)	(0.8)	(65.3)
Changes associated with prices <sup>(2)</sup>	(65.1)	0.3	2.1	(62.7)
<b>Three months ended September 30, 2020</b>	<u>\$ 169.3</u>	<u>\$ 9.3</u>	<u>\$ 13.2</u>	<u>\$ 191.8</u>
<b><i>Oil and condensate, gas and NGL sales, as adjusted</i></b>				
Nine months ended September 30, 2019	\$ 834.0	\$ 39.4	\$ 43.1	\$ 916.5
Changes associated with volumes <sup>(1)</sup>	(40.9)	(0.6)	0.8	(40.7)
Changes associated with prices <sup>(2)</sup>	(285.3)	(14.2)	(14.8)	(314.3)
<b>Nine months ended September 30, 2020</b>	<u>\$ 507.8</u>	<u>\$ 24.6</u>	<u>\$ 29.1</u>	<u>\$ 561.5</u>

- (1) The revenue variance attributed to the change in volume is calculated by multiplying the change in volume from the three and nine months ended September 30, 2020, as compared to the three and nine months ended September 30, 2019, by the average field-level price for the three and nine months ended September 30, 2019.
- (2) The revenue variance attributed to the change in price is calculated by multiplying the change in average field-level price from the three and nine months ended September 30, 2020, as compared to the three and nine months ended September 30, 2019, by the respective volumes for the three and nine months ended September 30, 2020. Pricing changes are driven by changes in commodity average field-level prices, excluding the impact from commodity derivatives.

### ***Production and Pricing***

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
<b><i>Total production volumes (Mboe)</i></b>						
<b><u>Northern Region</u></b>						
Williston Basin	2,680.6	2,722.5	(41.9)	8,173.7	9,061.9	(888.2)
Other Northern	0.1	19.4	(19.3)	7.1	65.1	(58.0)
<b><u>Southern Region</u></b>						
Permian Basin	4,376.2	5,658.5	(1,282.3)	14,776.1	14,293.2	482.9
Haynesville/Cotton Valley	—	(0.4)	0.4	—	310.5	(310.5)
Other Southern	0.1	4.0	(3.9)	3.9	14.3	(10.4)
Total production	<u>7,057.0</u>	<u>8,404.0</u>	<u>(1,347.0)</u>	<u>22,960.8</u>	<u>23,745.0</u>	<u>(784.2)</u>
<b><i>Total equivalent prices (per Boe)</i></b>						
Average field-level equivalent price	\$ 27.17	\$ 38.06	\$ (10.89)	\$ 24.46	\$ 38.60	\$ (14.14)
Commodity derivative impact	9.86	(0.59)	10.45	10.13	(1.13)	11.26
Net realized equivalent price	<u>\$ 37.03</u>	<u>\$ 37.47</u>	<u>\$ (0.44)</u>	<u>\$ 34.59</u>	<u>\$ 37.47</u>	<u>\$ (2.88)</u>

*Oil and Condensate Volumes and Prices*

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Oil and condensate production volumes (Mbbbl)</b>						
<b>Northern Region</b>						
Williston Basin	1,643.2	1,700.3	(57.1)	5,149.5	5,719.7	(570.2)
Other Northern	0.4	12.1	(11.7)	(1.7)	36.1	(37.8)
<b>Southern Region</b>						
Permian Basin	2,803.7	3,956.5	(1,152.8)	9,976.8	10,144.9	(168.1)
Other Southern	—	1.6	(1.6)	0.3	3.7	(3.4)
Total production	4,447.3	5,670.5	(1,223.2)	15,124.9	15,904.4	(779.5)
<b>Average field-level oil prices (per bbl)</b>						
Northern Region	\$ 35.63	\$ 51.92	\$ (16.29)	\$ 33.67	\$ 53.38	\$ (19.71)
Southern Region	\$ 39.49	\$ 53.03	\$ (13.54)	\$ 33.53	\$ 51.91	\$ (18.38)
Average field-level price	\$ 38.07	\$ 52.70	\$ (14.63)	\$ 33.58	\$ 52.44	\$ (18.86)
Commodity derivative impact	15.82	(0.87)	16.69	15.41	(1.50)	16.91
Net realized price	\$ 53.89	\$ 51.83	\$ 2.06	\$ 48.99	\$ 50.94	\$ (1.95)

Oil and condensate revenues decreased \$129.5 million, or 43%, in the third quarter of 2020 compared to the third quarter of 2019, due to lower average field-level prices and lower aggregate oil and condensate production volumes. Average field-level oil prices decreased 28% in the third quarter of 2020 compared to the third quarter of 2019, primarily driven by a decrease in average NYMEX-WTI oil prices, partially offset by a \$0.81 per bbl, or 22%, decrease in the basis differential relative to the average NYMEX-WTI oil price for the comparable periods. The net realized price for the third quarter of 2020 was \$53.89 per barrel, which included a \$15.82 per barrel positive impact from our settled derivative contracts. The net realized price was 4% higher than the \$51.83 per barrel net realized price in the third quarter of 2019 primarily due to the increase in settled derivative contracts, offset by the significant decline in the average field-level price. The 22% decrease in production volumes was primarily driven by a decrease in production in the Permian and Williston basins due to reduced drilling and the suspension of completion activity in 2020 in response to market conditions.

Oil and condensate revenues decreased \$326.2 million, or 39%, in the first three quarters of 2020 compared to the first three quarters of 2019, due to lower average field-level prices and lower aggregate oil and condensate production volumes. Average field-level oil prices decreased 36% in the first three quarters of 2020 compared to the first three quarters of 2019, primarily driven by a decrease in average NYMEX-WTI oil prices, partially offset by a \$0.13 per bbl, or 3%, decrease in the basis differential relative to the average NYMEX-WTI oil price for the comparable periods. The net realized price for the first three quarters of 2020 was \$48.99 per barrel, which included a \$15.41 per barrel positive impact from our settled derivative contracts. The net realized price was 4% lower than the \$50.94 net realized price per barrel in the first three quarters of 2019 due to the significant decline in the average field-level price, partially offset by the impact from our settled derivative contracts. The 5% decrease in production volumes was primarily driven by a decrease in production in the Williston and Permian basins due reduced drilling and the suspension of completion activity in 2020 in response to market conditions.

## Gas Volumes and Prices

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
<b>Gas production volumes (Bcf)</b>						
<b>Northern Region</b>						
Williston Basin	2.8	3.3	(0.5)	8.5	10.6	(2.1)
Other Northern	—	—	—	0.1	0.1	—
<b>Southern Region</b>						
Permian Basin	5.0	4.8	0.2	15.4	11.9	3.5
Haynesville/Cotton Valley	—	—	—	—	1.9	(1.9)
Other Southern	—	0.1	(0.1)	—	0.1	(0.1)
Total production	7.8	8.2	(0.4)	24.0	24.6	(0.6)
<b>Average field-level gas prices (per Mcf)</b>						
Northern Region	\$ 1.13	\$ 1.72	\$ (0.59)	\$ 1.39	\$ 2.41	\$ (1.02)
Southern Region	\$ 1.19	\$ 0.71	\$ 0.48	\$ 0.81	\$ 0.98	\$ (0.17)
Average field-level price	\$ 1.17	\$ 1.13	\$ 0.04	\$ 1.02	\$ 1.61	\$ (0.59)
Commodity derivative impact	(0.10)	—	(0.10)	(0.02)	(0.12)	0.10
Net realized price	\$ 1.07	\$ 1.13	\$ (0.06)	\$ 1.00	\$ 1.49	\$ (0.49)

Gas revenues increased \$0.2 million, or 2%, in the third quarter of 2020 compared to the third quarter of 2019, due to higher average field-level prices, partially offset by lower gas production volumes. Average field-level gas prices increased 4% in the third quarter of 2020 compared to the third quarter of 2019, primarily driven by a \$0.42 per Mcf, or 34%, decrease in regional basis differentials, partially offset by a decrease in average NYMEX-HH gas spot prices in comparable periods. Production volumes decreased 5% in the third quarter of 2020 compared to the third quarter of 2019, primarily due to a decrease in production in the Williston Basin due to the suspension of completion activity in 2020 in response to market conditions, partially offset by increased production in the Permian Basin.

Gas revenues decreased \$14.8 million, or 38%, in the first three quarters of 2020 compared to the first three quarters of 2019, due to lower average field-level prices and lower gas production volumes. Average field-level gas prices decreased 37% in the first three quarters of 2020 compared to the first three quarters of 2019, primarily driven by a decrease in average NYMEX-HH gas spot prices, partially offset by a \$0.17 per Mcf, or 16%, decrease in regional basis differentials relative to the average NYMEX-HH gas price in comparable periods. Production volumes decreased 2% in the first three quarters of 2020 compared to the first three quarters of 2019, primarily due to the suspension of completion activity in the Williston Basin in response to market conditions and the Haynesville Divestiture. These production decreases were partially offset by increased production in the Permian Basin.



*NGL Volumes and Prices*

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
<i>NGL production volumes (Mbbbl)</i>						
<b>Northern Region</b>						
Williston Basin	550.3	472.1	78.2	1,585.4	1,577.5	7.9
Other Northern	0.1	0.7	(0.6)	0.6	1.1	(0.5)
<b>Southern Region</b>						
Permian Basin	736.8	909.9	(173.1)	2,234.5	2,168.4	66.1
Other Southern	(0.1)	0.3	(0.4)	0.3	0.8	(0.5)
Total production	<u>1,287.1</u>	<u>1,383.0</u>	<u>(95.9)</u>	<u>3,820.8</u>	<u>3,747.8</u>	<u>73.0</u>
<i>Average field-level NGL prices (per bbl)</i>						
Northern Region	\$ 7.51	\$ 5.26	\$ 2.25	\$ 5.11	\$ 9.92	\$ (4.81)
Southern Region	\$ 12.26	\$ 10.38	\$ 1.88	\$ 9.40	\$ 12.65	\$ (3.25)
Average field-level price	\$ 10.23	\$ 8.63	\$ 1.60	\$ 7.62	\$ 11.50	\$ (3.88)
Commodity derivative impact	—	—	—	—	—	—
Net realized price	<u>\$ 10.23</u>	<u>\$ 8.63</u>	<u>\$ 1.60</u>	<u>\$ 7.62</u>	<u>\$ 11.50</u>	<u>\$ (3.88)</u>

NGL revenues increased \$1.3 million, or 11%, during the third quarter of 2020 compared to the third quarter of 2019, due to higher average field-level prices, partially offset by lower NGL production volumes. The 19% increase in NGL prices during the third quarter of 2020 compared to the third quarter of 2019 was primarily driven by an increase in propane, ethane and other NGL component prices. The 7% decrease in NGL production volumes was primarily due to reduced drilling and the suspension of completion activity in 2020 in response to market conditions, and a decreased amount of the ethane recovered as NGL in the Permian Basin, partially offset by increased ethane recovered as NGL in the Williston Basin.

NGL revenues decreased \$14.0 million, or 32%, during the first three quarters of 2020 compared to the first three quarters of 2019, due to lower average field-level prices, partially offset by higher NGL production volumes. The 34% decrease in NGL prices during the first three quarters of 2020 compared to the first three quarters of 2019 was primarily driven by a decrease in propane, ethane and other NGL component prices. The 2% increase in NGL production volumes was primarily driven by increased NGL recoveries in the Permian Basin.

## Operating Expenses

The following table presents QEP production costs and production costs on a per unit of production basis:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Lease operating expense	\$ 35.5	\$ 38.3	\$ (2.8)	\$ 104.5	\$ 135.5	\$ (31.0)
Adjusted transportation and processing costs <sup>(1)</sup>	28.4	32.2	(3.8)	83.8	79.5	4.3
Production and property taxes	14.0	20.0	(6.0)	42.3	67.6	(25.3)
Total production costs	\$ 77.9	\$ 90.5	\$ (12.6)	\$ 230.6	\$ 282.6	\$ (52.0)
	(per Boe)					
Lease operating expense	\$ 5.03	\$ 4.56	\$ 0.47	\$ 4.55	\$ 5.71	\$ (1.16)
Adjusted transportation and processing costs <sup>(1)</sup>	4.04	3.83	0.21	3.65	3.34	0.31
Production and property taxes	1.98	2.38	(0.40)	1.84	2.85	(1.01)
Total production costs	\$ 11.05	\$ 10.77	\$ 0.28	\$ 10.04	\$ 11.90	\$ (1.86)

<sup>(1)</sup> Below are reconciliations of transportation and processing costs (the most comparable GAAP measure) as presented on the statements of operations and on a unit of production basis to adjusted transportation and processing costs. Adjusted transportation and processing costs includes transportation and processing costs that are reflected as part of "Oil and condensate, gas and NGL sales" on the statements of operations. Management adds these costs together to reflect the total operating costs associated with its production. Management believes that this non-GAAP measure is useful supplemental information for investors as it is reflective of the total production costs required to operate the wells for the period. This non-GAAP measure should be considered by the reader in addition to, but not instead of, the financial measure prepared in accordance with GAAP. Refer to Note 2 – Revenue in Part 1, Item I of this Quarterly Report on Form 10-Q.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Transportation and processing costs, as presented	\$ 12.4	\$ 18.0	\$ (5.6)	\$ 38.2	\$ 38.8	\$ (0.6)
Transportation and processing costs deducted from oil and condensate, gas and NGL sales	16.0	14.2	1.8	45.6	40.7	4.9
Adjusted transportation and processing costs	\$ 28.4	\$ 32.2	\$ (3.8)	\$ 83.8	\$ 79.5	\$ 4.3
	(per Boe)					
Transportation and processing costs, as presented	\$ 1.77	\$ 2.14	\$ (0.37)	\$ 1.66	\$ 1.63	\$ 0.03
Transportation and processing costs deducted from oil and condensate, gas and NGL sales	2.27	1.69	0.58	1.99	1.71	0.28
Adjusted transportation and processing costs	\$ 4.04	\$ 3.83	\$ 0.21	\$ 3.65	\$ 3.34	\$ 0.31

**Lease operating expense (LOE).** QEP's LOE decreased \$2.8 million, or 7%, in the third quarter of 2020 compared to the third quarter of 2019, primarily due to a decrease in workover activity in the Williston Basin, a decrease in water disposal costs in the Williston and Permian basins and continuing efforts to reduce operating expenses, partially offset by an increase in workover activity in the Permian Basin.

During the third quarter of 2020, LOE increased \$0.47 per Boe, or 10%, compared to the third quarter of 2019, primarily due to decreased production in the Permian and Williston basins, partially offset by continuing efforts to reduce operating expenses.

QEP's LOE decreased \$31.0 million, or 23%, in the first three quarters of 2020 compared to the first three quarters of 2019, primarily due to a decrease in workover activity in the Williston Basin and a decrease in maintenance and repair expenses, water disposal costs, power and fuel expenses and chemical expenses in the Williston and Permian basins as a result of continuing efforts to reduce operating expenses.

During the first three quarters of 2020, LOE decreased \$1.16 per Boe, or 20%, compared to the first three quarters of 2019, primarily due to continuing efforts to reduce operating expenses, despite decreased production in the Permian and Williston basins.

**Adjusted transportation and processing costs (non-GAAP).** Adjusted transportation and processing costs decreased \$3.8 million, or 12%, in the third quarter of 2020 compared to the third quarter of 2019. The decrease in expense was primarily due to the recognition of \$7.7 million of firm transportation expense in the third quarter of 2019 related to future obligations in an area in which the Company no longer has production operations as well as decreased production in the Permian and Williston basins, partially offset by an increase in gathering and processing rates in the Permian and Williston basins.

During the third quarter of 2020, adjusted transportation and processing costs increased \$0.21 per Boe, or 5%, compared to the third quarter of 2019. The increase was primarily due to increased gathering and processing rates in the Williston and Permian basins, partially offset by the recognition of \$7.7 million of firm transportation expense in the third quarter of 2019 related to future obligations in an area in which the Company no longer has production operations.

Adjusted transportation and processing costs increased \$4.3 million, or 5%, in the first three quarters of 2020 compared to the first three quarters of 2019. The increase in expense was primarily due to increased production in the Permian Basin and increased gathering and processing rates in the Williston Basin, partially offset by the recognition of \$7.7 million of firm transportation expense in the first three quarters of 2019 related to future obligations in an area in which the Company no longer has production operations, the Haynesville Divestiture and decreased production in the Williston Basin.

During the first three quarters of 2020, adjusted transportation and processing costs increased \$0.31 per Boe, or 9%, compared to the first three quarters of 2019. The increase was primarily due to increased gathering and processing rates in the Williston Basin, partially offset by the recognition of \$7.7 million of firm transportation expense in the first three quarters of 2019 related to future obligations in an area in which the Company no longer has production operations.

**Production and property taxes.** Production and property taxes decreased \$6.0 million, or 30%, in the third quarter of 2020 compared to the third quarter of 2019, primarily due to decreased revenues in the Williston and Permian basins and the related production taxes, partially offset by increased property tax expense.

During the third quarter of 2020, production and property taxes decreased \$0.40 per Boe, or 17%, compared to the third quarter of 2019, primarily due to a decrease in revenues and the associated production taxes in the Williston and Permian basins.

Production and property taxes decreased \$25.3 million, or 37%, in the first three quarters of 2020 compared to the first three quarters of 2019, primarily due to decreased revenues in the Williston and Permian basins and the related production taxes and decreased property tax expense.

During the first three quarters of 2020, production and property taxes decreased \$1.01 per Boe, or 35%, compared to the first three quarters of 2019, primarily due to a decrease in revenues and the associated production taxes in the Williston and Permian basins and lower property tax expense in the Permian Basin.

**Depreciation, depletion and amortization (DD&A).** DD&A expense decreased \$11.2 million in the third quarter of 2020 compared to the third quarter of 2019, primarily due to decreased production in the Permian and Williston basins, partially offset by higher DD&A rates in the Permian and Williston basins.

DD&A expense increased \$29.1 million in the first three quarters of 2020 compared to the first three quarters of 2019, primarily due to higher DD&A rates in the Permian and Williston basins and increased production in the Permian Basin. The increases in DD&A expense were partially offset by a decrease in production in the Williston Basin.

**Impairment expense.** During the third quarter of 2020 and 2019, there were no impairment charges.

During the first three quarters of 2020, there were no impairment charges. During the first three quarters of 2019, QEP recorded impairment charges of \$5.0 million, which related to impairment of an office building lease.

**General and administrative (G&A) expense.**

The following table presents detail about QEP's share-based compensation and deferred compensation components of QEP's total general and administrative expense, including the cash and non-cash components, for the three and nine months ended September 30, 2020 and 2019.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
(in millions)						
General and administrative (excluding share-based and deferred compensation)	\$ 16.5	\$ 28.6	\$ (12.1)	\$ 54.8	\$ 102.8	\$ (48.0)
General and administrative (share-based and deferred compensation):						
Cash share-based compensation <sup>(1)</sup>	1.0	(0.9)	1.9	1.7	4.8	(3.1)
Non-cash share-based compensation <sup>(1)</sup>	2.9	5.0	(2.1)	9.3	16.2	(6.9)
Deferred compensation mark-to-market adjustments <sup>(2)</sup>	0.5	(3.1)	3.6	(2.7)	0.6	(3.3)
Total General and administrative	\$ 20.9	\$ 29.6	\$ (8.7)	\$ 63.1	\$ 124.4	\$ (61.3)
(per Boe)						
General and administrative (excluding share-based and deferred compensation)	\$ 2.34	\$ 3.40	\$ (1.06)	\$ 2.39	\$ 4.33	\$ (1.94)
General and administrative (share-based and deferred compensation):						
Cash share-based compensation <sup>(1)</sup>	0.14	(0.11)	0.25	0.07	0.20	(0.13)
Non-cash share-based compensation <sup>(1)</sup>	0.41	0.59	(0.18)	0.41	0.68	(0.27)
Deferred compensation mark-to-market adjustments <sup>(2)</sup>	0.07	(0.37)	0.44	(0.12)	0.03	(0.15)
Total General and administrative	\$ 2.96	\$ 3.51	\$ (0.55)	\$ 2.75	\$ 5.24	\$ (2.49)

<sup>(1)</sup> Cash share-based compensation represents restricted cash awards, performance share units and restricted share units recorded under the Company's Long-Term Incentive Plan and Cash Incentive Plan. Non-cash share-based compensation represents stock options and restricted share awards recorded under the Company's Long-Term Incentive Plan. Refer to Note 12 – Share-Based and Long-Term Incentive Compensation, in Item I of Part I of this Quarterly Report on Form 10-Q for more information on share-based compensation.

<sup>(2)</sup> Deferred compensation mark-to-market adjustments represents mark-to-market adjustments of the Company's nonqualified, unfunded deferred compensation wrap plan (Wrap Plan). Refer to Note 1 – Basis of Presentation, in Item I of Part I of this Quarterly Report on Form 10-Q for more information on the Wrap Plan.

During the third quarter of 2020, G&A expense decreased \$8.7 million, or 29%, compared to the third quarter of 2019. During the third quarter of 2020 and 2019, QEP incurred less than \$0.1 million and \$10.0 million, respectively, in costs associated with the implementation of our strategic initiatives. Of the \$10.0 million incurred in the third quarter of 2019, \$10.4 million related to restructuring costs (refer to Note 9 – Restructuring, in Item I of Part I of this Quarterly Report on Form 10-Q). Excluding costs associated with the implementation of our strategic initiatives, G&A expense increased by \$1.4 million, or 7%, primarily due to a \$5.4 million increase in expense related to the increase in market value on the Wrap Plan and performance share units, partially offset by \$3.3 million lower labor, benefits and other associated costs as a result of the reduction in our workforce.

During the first three quarters of 2020, G&A expense decreased \$61.3 million, or 49%, compared to the first three quarters of 2019. During the first three quarters of 2020 and 2019, QEP incurred \$2.0 million and \$43.2 million, respectively, in costs associated with the implementation of our strategic initiatives, of which \$1.9 million and \$36.7 million, respectively, related to restructuring costs (refer to Note 9 – Restructuring, in Item I of Part I of this Quarterly Report on Form 10-Q). Excluding costs associated with the implementation of our strategic initiatives, G&A expense decreased by \$20.1 million, or 25%, primarily due to \$15.4 million lower labor, benefits and other associated costs as a result of the reduction in our workforce and a \$3.3 million decrease in expense related to the decrease in market value on the Wrap Plan.

**Net gain (loss) from asset sales, inclusive of restructuring costs.** During the third quarter of 2020, QEP recognized a gain on the sale of assets of \$0.1 million, primarily related to divestitures of properties outside our main operating areas. During the third quarter of 2019, QEP recognized a loss on the sale of assets of \$2.1 million, primarily related to a \$2.7 million loss on the sale of the corporate aircraft, partially offset by a \$0.9 million gain related to the divestiture of properties outside our main operating areas.

During the first three quarters of 2020, QEP recognized a gain on the sale of assets of \$3.8 million, primarily related to divestitures of properties outside our main operating areas. During the first three quarters of 2019, QEP recognized a gain on the sale of assets of \$2.5 million, primarily related to the \$3.5 million gain from the divestiture of other properties, partially offset by the loss on the sale of the corporate aircraft and a net pre-tax loss on sale of \$1.0 million related to our Haynesville Divestiture, which included \$1.4 million of restructuring costs (refer to Note 9 – Restructuring, in Item I of Part I of this Quarterly Report on Form 10-Q for more information).

### **Non-operating Expenses**

**Realized and unrealized gains (losses) on derivative contracts.** Gains and losses on derivative contracts are comprised of both realized and unrealized gains and losses on QEP's commodity derivative contracts, which are marked-to-market each quarter. During the third quarter of 2020, losses on commodity derivative contracts were \$34.2 million, of which \$103.8 million were unrealized losses and \$69.6 million were realized gains on settled derivative contracts. During the third quarter of 2019, gains on commodity derivative contracts were \$87.4 million, of which \$92.3 million were unrealized gains and \$4.9 million were realized losses on settled derivative contracts.

During the first three quarters of 2020, gains on commodity derivative contracts were \$317.0 million, of which \$84.4 million were unrealized gains and \$232.6 million were realized gains on settled derivative contracts. During the first three quarters of 2019, losses on commodity derivative contracts were \$55.8 million, of which \$30.8 million were unrealized losses, \$26.8 million were realized losses on settled derivative contracts and \$1.8 million were unrealized gains related to the Haynesville Divestiture (refer to Note 7 – Derivative Contracts, in Item I of Part I of the Quarterly Report on Form 10-Q for more information).

**Gain (loss) on early extinguishment of debt.** Loss on early extinguishment of debt increased by \$7.4 million during the third quarter of 2020 compared to the third quarter of 2019. The increase during the third quarter of 2020 was due to a \$7.4 million loss as a result of redeeming \$275.3 million in principal amount of our 2021 Senior Notes (Refer to Note 10 – Debt, in Item I of Part I of this Quarterly Report on Form 10-Q for more information).

Gain on early extinguishment of debt increased by \$18.2 million during the first three quarters of 2020 compared to the first three quarters of 2019. The increase during the first three quarters of 2020 was primarily due to a \$27.1 million gain as a result of senior note repurchases, partially offset by a \$7.4 million loss as a result of the redemption of the 2021 Senior Notes and a \$1.5 million loss associated with the write-off of non-cash deferred financing costs as part of amending the credit facility (Refer to Note 10 – Debt, in Item I of Part I of this Quarterly Report on Form 10-Q for more information).

**Interest and other income (expense).** Interest and other income (expense) increased by \$6.8 million, or 756%, during the third quarter of 2020 compared to the third quarter of 2019. The increase in income was primarily related to the receipt of \$5.6 million of interest income associated with the receipt of the AMT credit refunds and a \$1.0 million gain on the marketable securities associated with the Company's nonqualified, unfunded deferred compensation plan.

Interest and other income (expense) increased by \$3.1 million, or 67%, during the first three quarters of 2020 compared to the first three quarters of 2019. The increase in income was primarily related to the receipt of \$5.6 million of interest income associated with the receipt of the AMT credit refunds, partially offset by a \$1.7 million loss on the marketable securities associated with the Company's nonqualified, unfunded deferred compensation plan.

**Interest expense.** Interest expense decreased \$4.4 million, or 13%, during the third quarter of 2020 compared to the third quarter of 2019. The decrease was primarily related to decreased interest expense on senior notes due to debt repurchases.

Interest expense decreased \$10.2 million, or 10%, during the first three quarters of 2020 compared to the first three quarters of 2019. The decrease was primarily related to decreased interest expense on senior notes due to debt repurchases, a reduction of accrued interest on the Company's uncertain tax position that expired in the fourth quarter of 2019 and decreased borrowings under the credit facility.

**Income tax (provision) benefit.** Income tax expense decreased \$81.8 million to a benefit during the third quarter of 2020 compared to tax expense during the third quarter of 2019. The decrease in expense to a benefit was primarily the result of having a pre-tax loss during the third quarter of 2020 compared to pre-tax income in 2019. QEP's effective federal and state income tax rate was 52.9% during the third quarter of 2020 compared to a rate of 24.7% during the third quarter of 2019. The increase in the federal and state income tax rate was primarily driven by the impact of discrete items (unusual or infrequent items impacting the tax provision) and permanent differences recognized during the third quarter of 2020 and 2019. During the third quarter of 2020 the effective rate was above the statutory rate due to discrete items recognized in the third quarter of 2020, including the remeasurement of deferred taxes due to NOL carrybacks under the CARES Act to a year with a higher federal tax rate, partially offset by a state tax payment. During the third quarter of 2019 the rate was driven higher than the statutory rate by the recognition of a discrete item related to share-based compensation and a permanent difference related to the change in the estimated amount of non-deductible executive compensation.

Income tax benefit decreased \$13.2 million during the first three quarters of 2020 compared to the first three quarters of 2019. QEP's effective federal and state income tax rate was negative 46.5% during the first three quarters of 2020 compared to a rate of 130.8% during the first three quarters of 2019. The decrease in the federal and state income tax rate was primarily driven by the impact of discrete items and permanent differences recognized during the first three quarters of 2020 and 2019. During the first three quarters of 2020 the primary discrete items lowering the effective tax rate was the remeasurement of deferred taxes due to NOL carrybacks under the CARES Act to a year with a higher federal tax rate. The primary discrete items recognized during the nine months ended September 30, 2019 related to the remeasurement of deferred taxes associated with the Haynesville Divestiture, share-based compensation and a permanent difference related to the estimated amount of non-deductible executive compensation.

## LIQUIDITY AND CAPITAL RESOURCES

QEP strives to maintain sufficient liquidity to ensure financial flexibility, withstand commodity price volatility and fund its development projects, operations and capital expenditures and return capital to shareholders. The Company utilizes derivative contracts to reduce the financial impact of commodity price volatility and provide a level of certainty to the Company's cash flows. QEP generally funds its operations and planned capital expenditures with cash flow from its operating activities, cash on hand and borrowings under its revolving credit facility. QEP also periodically accesses debt and equity markets and sells properties to enhance its liquidity. In an effort to preserve our liquidity, in March 2020, the Board indefinitely suspended the payment of quarterly dividends. The Company expects that the annual generation of Free Cash Flow, cash on hand, AMT credit refunds and, as needed, borrowings made under its revolving credit facility, will be sufficient to fund its operations, capital expenditures, interest expense and debt maturities during the next 12 months. To the extent that the Company sells additional assets, the Company plans to use the proceeds to fund on-going operations, reduce debt and for general corporate purposes.

During the nine months ended September 30, 2020, QEP generated \$162.0 million of FCF, received cash proceeds of \$170.7 million from the AMT credit refunds and received \$13.4 million from the disposition of assets. The Company used the proceeds, as well as cash on hand, to repay \$430.5 million in principal amount of outstanding debt and for general corporate purposes.

As of September 30, 2020, the Company had \$9.5 million in cash and cash equivalents, no borrowings under its revolving credit facility and \$11.9 million in letters of credit outstanding. The Company estimates that as of September 30, 2020, it could borrow up to \$747.6 million under its credit facility and incur up to \$500.0 million of junior guaranteed indebtedness and remain in compliance with its financial covenants (as defined in the credit agreement). To the extent actual operating results, realized commodity prices, or uses of cash differ from the Company's assumptions, QEP's liquidity could be adversely affected. Further, we may from time to time seek to retire, amend or restructure some or all of our outstanding debt or debt agreements through cash purchases, exchanges, open market purchases, privately negotiated transactions, tender offers or otherwise. Such transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### Credit Facility

In June 2020, QEP entered into the Eighth Amendment to its credit agreement, which, among other things, reduced the aggregate principal amount of commitments to \$850.0 million, requires the Company's material subsidiaries to guarantee the obligations under the credit agreement as well as certain swap obligations and modified the leverage ratio and present value financial covenants, such that they only pertain to net priority guaranteed debt (primarily consisting of borrowings under the credit facility and letters of credit). The amended credit agreement also provides the ability to use up to \$500.0 million of loan proceeds to repurchase outstanding senior notes, provides the ability to issue subsidiary guarantees of up to \$500.0 million of unsecured debt, with such guarantees being subordinated to the obligations under the credit agreement, and may limit the Company's ability to make certain restricted payments, including dividends. The amended credit agreement, which matures on September 1, 2022, provides for borrowings at short-term interest rates and contains customary covenants and restrictions and contains financial covenants (that are defined in the credit agreement) that limit the amount of debt the Company can incur and may limit the amount available to be drawn under the credit facility including: (i) a minimum liquidity amount of at least \$100.0 million (ii) a net priority guaranteed leverage ratio under which net priority guaranteed debt may not exceed 2.50 times consolidated EBITDAX (as defined in the credit agreement), and (iii) a present value coverage ratio under which the present value of the Company's proved reserves must exceed net priority guaranteed debt by at least 1.50 times. At September 30, 2020 and December 31, 2019, QEP was in compliance with the covenants under its credit agreement. The Company recorded a \$1.5 million loss associated with the write-off of non-cash deferred financing costs as part of amending the credit facility and recorded the loss within "Gain (loss) from early extinguishment of debt" on the statements of operations.

During the nine months ended September 30, 2020, QEP's weighted average interest rate on borrowings under its credit facility was 2.60%. As of September 30, 2020, QEP had no borrowings outstanding and \$11.9 million in letters of credit outstanding under the credit facility. As of October 21, 2020, QEP had no borrowings outstanding and had \$13.1 million in letters of credit outstanding under the credit facility and was in compliance with the covenants under the credit agreement.

### Senior Notes

The Company's senior notes outstanding as of September 30, 2020 totaled a principal amount of \$1,601.9 million and are comprised of three issuances as follows:

- \$465.1 million 5.375% Senior Notes due October 2022;
- \$636.8 million 5.25% Senior Notes due May 2023; and
- \$500.0 million 5.625% Senior Notes due March 2026.

During the nine months ended September 30, 2020, QEP repurchased, at a discount, \$107.1 million in principal amount of its 6.875% Senior Notes due March 1, 2021, \$34.9 million in principal amount of its 5.375% Senior Notes due October 1, 2022, and \$13.2 million in principal amount of its 5.25% Senior Notes due May 1, 2023, resulting in a \$27.1 million gain from early extinguishment of debt. In addition, during the third quarter of 2020, QEP redeemed the remaining \$275.3 million in principal amount of its 6.875% Senior Notes due March 1, 2021, resulting in a loss on early extinguishment of debt of \$7.4 million. In total, during the nine months ended September 30, 2020, the Company recorded a \$19.7 million net gain in "Gain (loss) from early extinguishment of debt" on the statements of operations related to the repurchase and redemption of senior notes.

### Cash Flow from Operating Activities

Cash flows from operating activities are primarily affected by oil and condensate, gas and NGL production volumes and commodity prices (including the effects of settlements of the Company's derivative contracts) and by changes in working capital. QEP typically enters into commodity derivative transactions covering a substantial, but varying, portion of its anticipated future oil and gas production for the next 12 to 24 months.

Net cash provided by (used in) operating activities is presented below:

	Nine Months Ended September 30,		
	2020	2019	Change
	(in millions)		
Net income (loss)	\$ 133.8	\$ 13.1	\$ 120.7
Non-cash adjustments to net income (loss)	496.1	383.2	112.9
Changes in operating assets and liabilities	(75.9)	(54.3)	(21.6)
Net cash provided by (used in) operating activities	<u>\$ 554.0</u>	<u>\$ 342.0</u>	<u>\$ 212.0</u>

Net cash provided by operating activities was \$554.0 million during the first three quarters of 2020, which included \$133.8 million of net income, \$496.1 million of non-cash adjustments to net income and \$75.9 million in changes in operating assets and liabilities. Non-cash adjustments to net income of \$496.1 million primarily included DD&A expense of \$424.6 million and deferred income tax of \$165.3 million, partially offset by \$84.4 million of unrealized gains on derivative contracts and \$18.2 million of gains from early extinguishment of debt.

The changes in operating assets and liabilities of \$75.9 million primarily resulted from a decrease in accounts payable and accrued expenses of \$31.9 million, an increase in other asset balances of \$30.2 million, and an increase in income tax receivable of \$13.1 million.

Net cash provided by operating activities was \$342.0 million during the first three quarters of 2019, which included \$13.1 million of net income, \$383.2 million of non-cash adjustments to net income and \$54.3 million in changes in operating assets and liabilities. Non-cash adjustments to net income of \$383.2 million primarily included DD&A expense of \$395.5 million, \$29.0 million of unrealized losses on derivative contracts, and \$16.2 million of non-cash share-based compensation expense, partially offset by \$61.2 million of deferred income tax benefit.

The decrease in changes in operating assets and liabilities of \$54.3 million primarily resulted from decreases in accounts payable and accrued expenses of \$55.2 million, other long-term liabilities of \$9.8 million and accrued production and property taxes of \$6.3 million, partially offset by a decrease in inventory of \$10.6 million, decrease in prepaid expenses and other current assets of \$2.7 million and an increase in operating leases of \$2.7 million.

### Cash Flow from Investing Activities

A comparison of capital expenditures for the first three quarters of 2020 and 2019, are presented in the table below:

	Nine Months Ended September 30,		
	2020	2019	Change
	(in millions)		
Property acquisitions	\$ 4.1	\$ 3.6	\$ 0.5
Property, plant and equipment capital expenditures	253.5	466.0	(212.5)
Total accrued capital expenditures	257.6	469.6	(212.0)
Change in accruals and other non-cash adjustments	\$ 31.0	\$ (0.8)	\$ 31.8
Total cash capital expenditures	\$ 288.6	\$ 468.8	\$ (180.2)

In the first three quarters of 2020, on an accrual basis, the Company invested \$253.5 million on property, plant and equipment capital expenditures (which excludes property acquisitions), a decrease of \$212.5 million compared to the first three quarters of 2019. In the first three quarters of 2020, QEP's primary capital expenditures included \$178.5 million in the Permian Basin (including midstream infrastructure of \$10.0 million, primarily related to oil and gas gathering and water handling) and \$71.3 million in the Williston Basin.

In the first three quarters of 2019, on an accrual basis, the Company invested \$466.0 million on property, plant and equipment capital expenditures (which excludes property acquisitions). QEP's significant capital expenditures included \$396.5 million in the Permian Basin (including midstream infrastructure of \$38.9 million, primarily related to oil and gas gathering and water handling), and \$70.3 million in the Williston Basin.

The mid-point of our 2020 forecasted capital expenditures (excluding property acquisitions) is \$340.0 million. QEP intends to fund capital expenditures (excluding property acquisitions) with cash on hand, cash flow from operating activities and proceeds from our derivative portfolio. The aggregate levels of capital expenditures for 2020 and the allocation of those expenditures are dependent on a variety of factors, including the continued impact on the market due to the COVID-19 pandemic and OPEC actions, oil, gas and NGL prices, industry conditions, changes in management's business assessments as to where QEP's capital can be most profitably deployed, drilling results, the extent to which properties or working interests are acquired or divested and the availability of capital resources to fund the expenditures. Accordingly, the actual levels of capital expenditures and the allocation of those expenditures may vary materially from QEP's estimates.



### **Cash Flow from Financing Activities**

In the first three quarters of 2020, net cash used in financing activities was \$434.7 million compared to \$455.7 million in the first three quarters of 2019. During the first three quarters of 2020, QEP used \$410.3 million of cash to repurchase and redeem senior notes and pay a quarterly dividend of \$4.8 million. QEP also had a decrease in checks outstanding in excess of cash balances of \$18.3 million.

During the first three quarters of 2019, QEP made repayments on its credit facility of \$486.0 million, had borrowings under its credit facility of \$56.0 million and paid a quarterly dividend of \$4.8 million. In addition, QEP had treasury stock repurchases of \$7.0 million related to the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted share grants. During the first three quarters of 2019, QEP had a decrease in checks outstanding in excess of cash balances of \$13.9 million.

As of September 30, 2020, the total amount of long-term debt was \$1,590.4 million, of which \$1,601.9 million was the principal amount of its senior notes and \$11.5 million was net original issue discount and unamortized debt issuance costs.

### **Off-Balance Sheet Arrangements**

QEP may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. At September 30, 2020, the Company's material off-balance sheet arrangements included drilling, gathering, processing and firm transportation arrangements and undrawn letters of credit. There are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on QEP's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. For more information regarding off-balance sheet arrangements, we refer you to "Contractual Cash Obligations and Other Commitments" in our 2019 Annual Report on Form 10-K.

### **Contractual Cash Obligations and Other Commitments**

We have various contractual obligations in the normal course of our operations and financing activities. Other than the repayment of \$430.5 million in principal amount of our outstanding debt described above, there have been no material changes to our contractual obligations from those disclosed in our 2019 Annual Report on Form 10-K.

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

QEP's primary market risks arise from changes in the market price for oil, gas and NGL and volatility in interest rates. These risks can affect revenues and cash flows from operating, investing and financing activities. Commodity prices have historically been volatile and are subject to wide fluctuations in response to relatively minor changes in supply and demand. If commodity prices fluctuate significantly, revenues and cash flow may significantly decrease or increase. In addition, additional non-cash impairment expense of the Company's oil and gas properties may be required if future oil and gas commodity prices experience a significant decline. Furthermore, the Company's revolving credit facility has a floating interest rate, which exposes QEP to interest rate risk if QEP has borrowings outstanding. To partially manage the Company's exposure to these risks, QEP enters into commodity derivative contracts in the form of fixed-price and basis swaps and collars to manage commodity price risk and periodically enters into interest rate swaps to manage interest rate risk.

#### Commodity Price Risk Management

QEP uses commodity derivative instruments in the normal course of business to reduce the risk of adverse commodity price movements. However, these arrangements typically limit future gains from favorable price movements. The types of commodity derivative instruments currently utilized by the Company are fixed-price and basis swaps and collars. The volume of commodity derivative instruments utilized by the Company may vary from year to year based on QEP's forecasted production. The Company's current derivative instruments do not have margin requirements or collateral provisions that would require payments prior to the scheduled cash settlement dates. As of September 30, 2020, QEP held commodity price derivative contracts, excluding basis swaps, totaling 14.7 million barrels of oil and 33.8 million MMBtu of gas. As of December 31, 2019, QEP held commodity price derivative contracts, excluding basis swaps, totaling 17.5 million barrels of oil and no commodity price gas derivatives.

The following tables present QEP's volumes and average prices for its derivative positions as of October 21, 2020. Refer to Note 7 – Derivative Contracts in Part 1, Item 1 of this Quarterly Report on Form 10-Q for open derivative positions as of September 30, 2020.

#### Production Commodity Derivative Swaps

Year	Index	Total Volumes (in millions)	Average Swap Price per Unit
<b>Oil sales</b>		(bbls)	(\$/bbl)
2020	NYMEX WTI	3.9	\$ 57.60
2020	Argus WTI Midland	0.4	\$ 57.30
2021 (January - June)	NYMEX WTI	5.2	\$ 44.70
2021 (July - December)	NYMEX WTI	5.2	\$ 42.24
<b>Gas sales</b>		(MMbtu)	(\$/MMbtu)
2020	IF Waha	3.7	\$ 0.97
2020	NYMEX HH	2.8	\$ 2.20
2021	IF Waha	18.2	\$ 1.92
2021	NYMEX HH	9.1	\$ 2.44

#### Production Commodity Derivative Basis Swaps

Year	Index	Basis	Total Volumes (in millions)	Weighted-Average Differential
<b>Oil sales</b>			(bbls)	(\$/bbl)
2020	NYMEX WTI	Argus WTI Midland	1.8	\$ 0.22
2021	NYMEX WTI	Argus WTI Midland	4.4	\$ 0.99

**Production Commodity Derivative Oil Costless Collars**

Year	Index	Total Volumes (in millions) (bbls)	Average Price Floor (\$/bbl)	Average Price Ceiling (\$/bbl)
2021	NYMEX WTI	0.4	\$ 40.00	\$ 49.20

Changes in the fair value of derivative contracts from December 31, 2019 to September 30, 2020, are presented below:

	Commodity derivative contracts (in millions)
Net fair value of oil and gas derivative contracts outstanding at December 31, 2019	\$ (17.5)
Contracts settled	(232.6)
Change in oil and gas prices on futures markets	342.0
Contracts added	(25.0)
Net fair value of oil derivative contracts outstanding at September 30, 2020	\$ 66.9

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

	September 30, 2020 (in millions)
Net fair value – asset (liability)	\$ 66.9
Fair value if market prices of oil and basis differentials decline by 10%	\$ 72.9
Fair value if market prices of oil and basis differentials increase by 10%	\$ 59.6

Utilizing the actual derivative contractual volumes, a 10% increase in underlying commodity prices would reduce the fair value of these instruments by \$7.3 million, while a 10% decrease in underlying commodity prices would increase the fair value of these instruments by \$6.0 million as of September 30, 2020. However, a gain or loss eventually would be offset by the actual sales value of the physical production covered by the derivative instruments. For additional information regarding the Company's commodity derivative transactions, refer to Note 7 – Derivative Contracts in Part I, Item 1 of this Quarterly Report on Form 10-Q.

**Interest Rate Risk Management**

The Company's revolving credit facility has a floating interest rate, which exposes QEP to interest rate risk if QEP has borrowings outstanding. At September 30, 2020, the Company had no borrowings outstanding under its revolving credit facility.

The \$1,601.9 million of debt outstanding as of September 30, 2020 relates to senior notes with fixed interest rates; therefore, it is not affected by interest rate movements. For additional information regarding the Company's debt instruments, refer to Note 10 – Debt, in Item I of Part I of this Quarterly Report on Form 10-Q.

## Forward-Looking Statements

The quarterly report contains information that includes or is based upon "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), 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. We 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. Forward-looking statements include statements relating to, among other things:

- our strategic objectives;
- expectation to generate free cash flow and focus on reduction of operating costs, drilling costs and general and administrative expenses;
- effect of the COVID-19 pandemic on our business results;
- forecasted 2020 oil production;
- the belief that the Company will be able to maintain positive cash flow and protect its balance sheet, with the ultimate goal of protecting shareholder returns over the long term;
- expectation of proved undeveloped (PUD) reserve conversion rate and total PUD reserves;
- the coverage and amounts of insurance are consistent with industry practice;
- drilling and completion plans and strategies;
- evaluation and potential acquisition of properties in our operating areas to add additional development opportunities and facilitate the drilling of long lateral wells;
- expectations and assumptions regarding oil, gas and NGL prices, and the effects of those prices on our business;
- volatility of oil, gas and NGL prices and factors impacting such prices;
- beliefs about the reduction of global spending on new oil and gas projects and a corresponding reduction in the global oil supply;
- expectations regarding the impact of the agreement among OPEC and other oil producing countries on oil prices;
- factors impacting our ability to transport oil and condensate and gas;
- consequences of QEP's financial commitments, including limiting QEP's ability to fund future working capital and capital expenditures, to engage in future acquisitions or development activities, to pay dividends, to repurchase shares of its common stock, or to otherwise realize the value of its assets and opportunities fully;
- the adjustments made to GAAP Measures to arrive at non-GAAP measures and the usefulness of non-GAAP financial measures;
- our inventory of drilling locations and the ability of that inventory to provide a solid base for generating free cash flow and capital efficiency;
- our balance sheet and sufficient liquidity providing for the ability to ensure financial flexibility, withstand commodity price volatility and fund our development projects, operations and capital expenditures and return capital to shareholders;
- our ability to fund maturities of senior notes;
- future availability under our revolving credit facility or continued compliance with restrictive financial covenants;
- adjustments to our capital investment program based on a variety of factors, including an evaluation of drilling and completion activities and drilling results;
- amount and allocation of forecasted capital expenditures (excluding property acquisitions) and, plans and sources for funding operations and capital investments;
- impact of lower or higher commodity prices and interest rates;
- potential for asset impairments and factors impacting impairment amounts;
- fair value estimates and related assumptions and assessment of the sensitivity of changes in assumptions, and critical accounting estimates, including estimated asset retirement obligations;
- impact of global geopolitical and macroeconomic events and the monitoring of such events;
- plans regarding derivative contracts, including the volumes utilized, and the anticipated benefits derived there-from;
- outcome and impact of various claims;
- expected cost savings and other efficiencies from multi-well pad drilling, including "tank-style" development;
- delays in completion of wells, well shut-ins and volatility to operating results caused by multi-well pad drilling;
- value of pension plan assets and our plans regarding additional contributions to our Pension Plan, nonqualified retirement plan (SERP) and Medical Plan;
- estimates of the amount of additional indebtedness we may incur under our revolving credit facility;
- off-balance sheet arrangements;
- potential retirement of debt through various options, including exchanges, open market purchases, tender offers and privately negotiated transactions;
- factors impacting our ability to borrow and the interest rates offered;

- assumptions regarding share-based compensation;
- settlement of performance share units and restricted share units in cash;
- plans to restart completion operations in the Permian Basin during the fourth quarter of 2020; and
- plans to use the proceeds from any additional sales of assets to fund on-going operations, reduce debt and for general corporate purposes.

Any or all forward-looking statements may turn out to be incorrect. 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. Factors that could cause actual results to differ materially include, but are not limited to the following:

- the risk factors discussed in Item 1A of Part I of the 2019 Form 10-K and Item 1A of Part II of this Quarterly Report on Form 10-Q;
- changes in oil, gas and NGL prices;
- global geopolitical and macroeconomic factors;
- general economic conditions, including the performance of financial markets and interest rates;
- the length and severity of a pandemic or other health crisis, such as the recent outbreak of COVID-19 and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the factors herein, reduce the demand for oil, gas and NGLs and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period;
- the risks and liabilities associated with acquired assets;
- asset impairments;
- liquidity constraints, including those resulting from the cost and availability of debt and equity financing;
- drilling and completion strategies, methods and results;
- assumptions around well density/spacing and recoverable reserves per well prove to be inaccurate;
- changes in estimated reserve quantities;
- changes in management's assessments as to where QEP's capital can be most profitably deployed;
- shortages and costs of oilfield equipment, services and personnel;
- changes in development plans;
- lack of available pipeline, processing and refining capacity;
- processing volumes and pipeline throughput;
- risks associated with hydraulic fracturing;
- the outcome of contingencies such as legal proceedings;
- delays in obtaining permits and governmental approvals;
- operating risks such as unexpected drilling conditions and risks inherent in the production of oil and gas;
- weather conditions;
- changes in, adoption of and compliance with laws and regulations, including decisions and policies concerning: the environment, climate change, greenhouse gas or other emissions, renewable energy mandates, natural resources, fish and wildlife, hydraulic fracturing, water use and drilling and completion techniques, as well as the risk of legal proceedings arising from such matters, whether involving public or private claimants or regulatory investigative or enforcement measures;
- derivative activities;
- potential losses or earnings reductions from our commodity price risk management programs;
- volatility in the commodity-futures market;
- failure of internal controls and procedures;
- failure of our information technology infrastructure or applications to prevent a cyberattack;
- the increased exposure to cyber and other operational risks that may result due to many of our employees working remotely for an indefinite time period due to safety concerns related to the COVID-19 pandemic;
- elimination of federal income tax deductions for oil and gas exploration and development costs;
- production, severance and property taxation rates;
- discount rates;
- regulatory approvals and compliance with contractual obligations;
- actions of, or inaction by federal, state, local or tribal governments, foreign countries and the Organization of Petroleum Exporting Countries;
- lack of, or disruptions in, adequate and reliable transportation for our production;
- competitive conditions;

- production and sales volumes;
- actions of operators on properties in which we own an interest but do not operate;
- estimates of oil and gas reserve quantities;
- reservoir performance;
- operating costs;
- inflation;
- capital costs;
- creditworthiness and performance of the Company's counterparties, including financial institutions, operating partners and other parties;
- volatility in the securities, capital and credit markets;
- actions by credit rating agencies and their impact on the Company;
- changes in guidance issued related to tax reform legislation and the CARES Act or application of that guidance; and
- other factors, most of which are beyond the Company's control.

QEP undertakes no obligation to publicly correct or update the forward-looking statements in this Quarterly Report on Form 10-Q, in other documents, or on the Company's website to reflect future events or circumstances. All such statements are expressly qualified by this cautionary statement.

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

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

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(b) under the Securities Exchange Act of 1934, as amended), as of September 30, 2020. Based on such evaluation, such officers have concluded that, as of September 30, 2020, the Company's disclosure controls and procedures are designed and effective to ensure that information required to be included in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms and that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is accumulated and communicated to the Company's management including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the Company's disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events and the application of judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of these and other inherent limitations of control systems, there is only reasonable assurance that the Company's controls will succeed in achieving their goals under all potential future conditions.

##### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

#### **ITEM 1. LEGAL PROCEEDINGS**

The Company is involved in various commercial and regulatory claims, litigation and other legal proceedings that arise in the ordinary course of its business. There have been no material changes with respect to the legal proceedings reported in our 2019 Form 10-K. Refer to Note 11 – Commitments and Contingencies in Item I of Part I of this Quarterly Report on Form 10-Q for additional information regarding our legal proceedings.

## ITEM 1A. RISK FACTORS

Risk factors relating to the Company are set forth in its 2019 Form 10-K. There have been no material changes to such risk factors since filing the 2019 Form 10-K, except for the risk factors below. The risks described below and in the 2019 Form 10-K are not the only risks facing QEP. Additional risks and uncertainties not currently known to QEP or that the Company currently deems to be immaterial also may materially adversely affect its business, financial condition, or future results.

### Risks Related to the Business

***The outbreak of COVID-19 and recent oil market developments could adversely impact our financial condition and results of operations.*** On January 30, 2020, the WHO announced a global health emergency because of a new strain of coronavirus known as COVID-19 due to the risks it imposes on the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. COVID-19 has had and continues to have adverse repercussions across regional and global economies and financial markets which necessarily adversely affects the jurisdictions in which we operate and in turn, our business. The governments of many countries, including the United States, have reacted by instituting lockdowns, business shutdowns, quarantines and restrictions on travel. Businesses have also implemented countermeasures and safety measures to reduce the risk of transmission. Such actions have not only disrupted businesses but have had a material and adverse effect on industries and local, regional and global economies.

The crude oil market experienced a dramatic decline in oil prices in response to concerns about oil demand due to the global economic impacts of COVID-19. In addition, policy disputes in the first quarter 2020 between OPEC and Russia resulted in Saudi Arabia significantly discounting the price of its crude oil, as well as Saudi Arabia and Russia significantly increasing their oil supply. These actions led to significant weakness in oil prices and caused us to reduce our capital and operating budgets as well as slow our development plan. In addition, the potential spread of the virus into our workforce and the workforces of our counterparties could continue to have an adverse impact on our operations.

The total magnitude and duration of potential social, economic and labor instability as a direct result of COVID-19 cannot be estimated at this time. Should any of these potential impacts continue for an extended period of time, it will have a negative impact on the demand for our oil and natural gas products and have an adverse effect on our financial position and results of operations. The COVID-19 pandemic had an adverse effect on our business results in the second and third quarters of 2020 and we expect this to continue in the near future. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, the “Risk Factors” sections of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, and the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2019, such as those relating to our indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

Due to safety concerns related to the COVID-19 pandemic, many of our employees are working remotely for an indefinite time period, which may result in increased exposure to cyber and other operational risks.

***Lack of availability of refining, gas processing, storage, gathering or transportation capacity will likely impact results of operations.*** The lack of availability of satisfactory oil, gas and NGL gathering and transportation, including trucks, railways and pipelines, gas processing, storage or refining capacity may hinder QEP's access to oil, gas and NGL markets or delay production from its wells. QEP's ability to market its production depends in substantial part on the availability, proximity and capacity of gathering, transportation, gas processing facilities, storage or refineries owned and operated by third parties. Although QEP has some contractual control over the transportation of its production through firm transportation and gas processing arrangements, third-party systems may be temporarily unavailable due to market conditions, mechanical failures, accidents, lack of contracted capacity on such systems or other reasons such as temporary suspension of service due to legal challenges (such as the pending litigation regarding the Dakota Access Pipeline, a major pipeline running out of the Williston Basin) and/or the pipeline's failure to comply with applicable laws and regulations. If gathering, transportation, gas processing or storage facilities do not exist near producing wells; if gathering, transportation, gas processing, storage or refining capacity is limited; or if gathering, transportation, gas processing or refining capacity is unexpectedly disrupted, completion activity could be delayed, sales could be reduced, gas flaring and transportation costs could increase, or production could be shut-in, each of which could reduce profitability. The curtailments arising from these circumstances may last from a few days to several months, and in many cases, QEP is provided with limited, if any, notice as to when these circumstances will arise and their duration. Furthermore, if QEP were required to shut-in wells, it might also be obligated to pay certain demand charges for gathering and processing services, as well as shut-in royalties to certain mineral interest owners in order to maintain its leases; or depending on the specific lease provisions, some leases could terminate. In addition, rail accidents involving crude oil

carriers have resulted in regulations, and may result in additional regulations, on transportation of oil by railway. QEP might be required to install or contract for additional treating or processing equipment for transport of crude oil by rail, which could increase costs. Federal and state regulation of oil and gas production and transportation, tax and energy policies, changes in supply and demand, transportation pressures, damage to or destruction of transportation facilities and general economic conditions could also adversely affect QEP's ability to transport oil and gas.

***The prices for oil, gas and NGL are volatile, and declines in such prices could adversely affect QEP's earnings, cash flows, asset values and stock price.*** Historically, oil, gas and NGL prices have been volatile and unpredictable, and that volatility is expected to continue. Volatility in oil, gas and NGL prices is due to a variety of factors that are beyond QEP's control, including:

- changes in local, regional, domestic and foreign supply of and demand for oil, gas and NGL;
- the impact of an abundance of oil, gas and NGL from unconventional sources on the global and local energy supply;
- the level of imports and/or exports of, and the price of, foreign oil, gas and NGL;
- localized supply and demand fundamentals, including the proximity, cost and availability of pipelines and other transportation facilities, and other factors that result in differentials to benchmark prices from time to time;
- the availability of refining and storage capacity;
- domestic and global economic and political conditions;
- changes in government energy policies, including imposed price controls or product subsidies or both;
- periods of civil unrest;
- speculative trading in crude oil and natural gas derivative contracts;
- the continued threat of terrorism and the impact of military and other action;
- the activities of the Organization of Petroleum Exporting Countries (OPEC) and other oil producing countries such as Russia and Saudi Arabia, including the ability of members of OPEC and Russia to maintain oil price and production controls;
- events in the Middle East, Africa, South America and Russia;
- the strength of the U.S. dollar relative to other currencies;
- weather conditions, natural disasters and epidemic or pandemic disasters such as the outbreak of COVID-19;
- domestic and international laws, regulations and taxes, including regulations, legislation or executive orders relating to climate change, induced seismicity or oil and gas exploration and production activities, including, but not limited to hydraulic fracturing;
- technological advances affecting energy consumption and energy supply;
- conservation efforts;
- the price, availability and acceptance of alternative energy sources, including coal, nuclear energy, renewables and biofuels;
- demand for electricity and natural gas used as fuel for electricity generation;
- pandemic and health events that could reduce demand of petroleum products;
- pandemic events that could impair our employees' and contractors' abilities to drill and produce oil and gas;
- the level of global oil, gas and NGL inventories and exploration and production activity; and
- the quality of oil and gas produced.

Declines in oil, gas and NGL prices would not only reduce revenue, but could also reduce the amount of oil, gas and NGL that we can economically produce and therefore potentially lower our oil and gas reserve quantities. In addition, a decline in oil and gas prices and volatility could negatively impact our ability to execute our operating and development plans and the ability to generate Free Cash Flow.



The long-term effect of factors impacting the prices of oil, gas and NGL is uncertain. Substantial or prolonged declines in these commodity prices may have the following effects on QEP's business:

- adversely affect QEP's financial condition and liquidity and QEP's ability to finance planned capital expenditures, borrow money, repay debt and raise additional capital;
- reduce the amount of oil, gas and NGL that QEP can produce economically;
- limit QEP's ability to generate Free Cash Flow;
- cause QEP to delay, postpone or cancel some of its capital projects;
- cause QEP to divest properties to generate funds to meet cash flow or liquidity requirements;
- reduce QEP's revenues, operating income or cash flows;
- reduce the amounts of QEP's estimated proved oil, gas and NGL reserves;
- reduce the carrying value of QEP's oil and gas properties due to recognizing additional impairments of proved and unproved properties;
- limit QEP's access to, or increasing the cost of, sources of capital such as equity and long-term debt;
- cause additional counterparty credit risk;
- decrease the value of QEP's common stock; and
- increase shareholder activism.

Alternatively, higher oil prices may result in increased volatility in commodity prices, inflation, slower economic growth, a global recession or more international conflicts. Higher oil prices may also result in higher costs for QEP and significant mark-to-market losses being incurred in QEP's commodity derivatives, which may in turn cause us to experience net losses.

***QEP's operations are subject to operational hazards and unforeseen interruptions for which QEP may not be adequately insured and that could adversely affect our business, financial condition and results of operations.*** There are operational risks associated with the exploration, production, gathering, transporting, and storage of oil, gas and NGL, including:

- pandemic health events, injuries and/or deaths of employees, supplier personnel, or other individuals;
- fires, explosions and blowouts;
- earthquakes and other natural disasters;
- aging infrastructure and mechanical problems;
- unexpected drilling conditions, including abnormally pressured formations or loss of drilling fluid circulation;
- pipe, cement or casing failures;
- equipment malfunctions, mechanical failures or accidents;
- theft or vandalism of oilfield equipment and supplies, especially in areas of increased activity;
- adverse weather conditions;
- plant, pipeline, railway and other facility accidents and failures;
- truck and rail loading and unloading problems;
- delays imposed by or resulting from compliance with regulatory requirements;
- delays in or limits on the issuance of drilling permits on our federal leases, including as a result of government shutdowns;
- delays imposed by or resulting from legal proceedings;
- environmental accidents such as oil spills, natural gas leaks, pipeline or tank ruptures, or discharges of air pollutants, brine water or well fluids into the environment;
- security breaches, cyberattacks, piracy, or terrorist acts;
- flaring of natural gas, including, where required, accurate and timely payment of royalty on flared gas;
- pipeline takeaway and refining and processing capacity issues; and
- title problems.

QEP could incur substantial losses as a result of pandemic health events, injury to or loss of life, pollution or other environmental damage, damage to or destruction of property or equipment, regulatory compliance investigations, fines or curtailment of operations, or attorneys' fees and other expenses incurred in the prosecution or defense of litigation. As a working interest owner in wells operated by other companies, QEP may also be exposed to the risks enumerated above from operations that are not within its care, custody or control.

Consistent with industry practice, QEP generally indemnifies drilling contractors and oilfield service companies (collectively, contractors) against certain losses suffered by QEP as the operator and certain third parties resulting from a well blowout or fire or other uncontrolled flow of hydrocarbons, regardless of fault. Therefore, QEP may be liable, regardless of fault, for some or all of the costs of controlling a blowout, drilling a relief and/or replacement well and the cleanup of any pollution or contamination resulting from a blowout in addition to claims for personal injury or death suffered by QEP's employees and

certain others. QEP's drilling contracts and oilfield service agreements, however, often provide that the contractor will indemnify QEP for claims related to injury and death of employees of the contractor and its subcontractors and for property damage suffered by the contractor and its subcontractors.

QEP's insurance coverage may not be sufficient to cover 100% of potential losses arising as a result of the foregoing risks. QEP has limited or no coverage for certain other risks, such as political risk, lost reserves, business interruption, cyber risk, earthquakes, war and terrorism. Although QEP believes the coverage and amounts of insurance that it carries are consistent with industry practice, QEP does not have insurance protection against all risks that it faces because QEP chooses not to insure certain risks, insurance is not available at a level that balances the costs of insurance and QEP's desired rates of return, or actual losses may exceed coverage limits. QEP could sustain significant losses and substantial liability for uninsured risks. The occurrence of a significant event against which QEP is not fully insured could have a material adverse effect on its financial condition, results of operations and cash flows.

### **Risks Related to the Company**

***If we cannot meet the continued listing requirements of the NYSE, the NYSE may delist our common stock.*** The New York Stock Exchange (NYSE) has several listing requirements set forth in the NYSE Listed Company Manual. For example, Section 802.01C of the NYSE Listed Company Manual requires that a company's common stock trade at a minimum average closing price of \$1.00 per share over a consecutive 30-trading day period. Pursuant to the rules of the NYSE, companies who fail to maintain this listing requirement have a six month period in which to regain compliance or be delisted. In addition, our common stock could also be delisted if (i) our average market capitalization over a consecutive 30 trading-day period is less than \$15 million, or (ii) our common stock trades at an "abnormally low" price, which the NYSE has historically viewed to be \$0.16 per share. If either event were to occur, we would not have an opportunity to cure the deficiency, and, as a result, our common stock would be suspended from trading on the NYSE immediately, and the NYSE would begin the process to delist our common stock, subject to our right to appeal under NYSE rules. There is no assurance that any appeal we undertake in these or other circumstances would be successful, nor is there any assurance that we will continue to comply with the other NYSE continued listing standards.

Failure to maintain our NYSE listing could negatively impact us and our stockholders by reducing the willingness of investors to hold our common stock because of the resulting decreased price, liquidity and trading of our common stock, limited availability of price quotations, and reduced news and analyst coverage. These developments may also require brokers trading in our common stock to adhere to more stringent rules and may limit our ability to raise capital by issuing additional shares in the future. Delisting may adversely impact the perception of our financial condition and cause reputational harm with investors and parties conducting business with us. In addition, the perceived decreased value of employee equity incentive awards may reduce their effectiveness in encouraging performance and retention.

***Substantially all of our producing properties and operations are located in the Williston Basin and Permian Basin, making us vulnerable to risks associated with operating in a limited number of basins.*** As a result of our lack of diversification in asset type and our limited geographic diversification, any delays or interruptions of production caused by such factors as governmental regulation; density and proration requirements of state regulators; transportation capacity constraints; curtailment of production or interruption of transportation; price fluctuations; natural disasters; or shutdowns of the pipelines connecting our production to refineries would have a significantly greater impact on our results of operations than if we possessed more diverse assets and locations. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the Williston Basin and Permian Basin, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

***QEP's debt and other financial commitments may limit its financial and operating flexibility.*** QEP's total debt was approximately \$1.6 billion at September 30, 2020. QEP also has various commitments for leases, drilling contracts, derivative contracts, firm transportation, and purchase obligations for services, products and properties. QEP's financial commitments could have important consequences to its business, including, but not limited to, limiting QEP's ability to fund future working capital and capital expenditures, to engage in future acquisitions or development activities, to pay dividends, to repurchase shares of its common stock, or to otherwise realize the value of its assets and opportunities fully because of the need to dedicate a substantial portion of its cash flows from operations and proceeds from the divestiture of its assets to payments on its debt or to comply with any restrictive terms of its debt. QEP may be at a competitive disadvantage as compared to similar companies that have less debt. Higher levels of debt may make QEP more vulnerable to general adverse economic and industry conditions. Additionally, the agreement governing QEP's revolving credit facility and the indentures governing QEP's senior notes contain a number of covenants that impose constraints on the Company, including requirements to comply with certain financial covenants and restrictions on QEP's ability to dispose of assets, make certain investments, incur liens and additional debt, and engage in transactions with affiliates. If commodity prices decline and QEP reduces its level of capital spending and production declines or QEP incurs additional impairment expense or the value of the Company's proved reserves declines, the Company may not be able to incur additional indebtedness, may need to repay outstanding indebtedness and may not be in compliance with the financial covenants in its credit agreement in the future. Refer to Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I of this Quarterly Report on Form 10-Q for more information regarding the financial covenants and our revolving credit agreement.

## **Regulatory Risks**

***Regulatory requirements to reduce gas flaring and to further restrict emissions could have an adverse effect on our operations.*** Wells in the Williston Basin of North Dakota and the Permian Basin of Texas, where QEP has significant operations, produce natural gas as well as crude oil. Constraints in third party gas gathering and processing systems in certain areas have resulted in some of that natural gas being flared instead of gathered, processed and sold. In 2014, the NDI Commission, North Dakota's chief energy regulator, adopted a policy to reduce the volume of natural gas flared from oil wells in the Williston Basin. The NDI Commission requires operators to develop gas capture plans that describe how much natural gas is expected to be produced, how it will be delivered to a processor and where it will be processed. Production caps or penalties may be imposed on certain wells that cannot meet the capture goals. The NDI Commission is undergoing new efforts to further reduce the flaring in North Dakota, which could trigger a new rulemaking in 2020. It is possible that other states in which QEP operates, including Texas, will require gas capture plans or otherwise institute new regulatory requirements in the future to reduce flaring.

In July and October 2020, after several years of litigation, federal courts struck down both the BLM's 2016 Waste Prevention Rule and its 2018 Revised Waste Prevention Rule. The effect of these orders combined is to essentially reinstate the previous rule, Notice to Lessees and Operators of Onshore Federal and Indian Oil and Gas Leases: Royalty or Compensation for Oil and Gas Lost (NTL-4A). However, future gas capture requirements and other regulatory requirements, in North Dakota or our other locations, could increase our operational costs and restrict our production, which could materially and adversely affect our financial condition, results of operations and cash flows. If our interpretation of the applicable regulations is incorrect, or if we receive a non-appealable order to pay royalty on past and future flared volumes in North Dakota, such royalty payments could materially and adversely affect our financial condition and cash flows.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 28, 2018, QEP announced the authorization by its Board to repurchase up to \$1.25 billion of the Company's outstanding shares of common stock (February 2018 \$1.25 billion Repurchase Program). On July 28, 2020, the Board suspended the repurchase program. The repurchases of shares during the three months ended September 30, 2020 were in connection with the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted share grants.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

On October 27, 2020, the Board amended and restated the Company's Bylaws, effective October 27, 2020 (A&R Bylaws). The A&R Bylaws were amended to (i) change the name of the Governance Committee to the Governance and Social Responsibility Committee, and provide a description of such committee's responsibilities, (ii) provide that the Audit Committee shall meet at least quarterly to conform with the Audit Committee Charter, (iii) provide that a duly formed committee of the Board may form and delegate authority to subcommittees, (iv) clarify when a new stock certificate may be issued in connection with a lost, stolen or destroyed certificate and (v) clarify that the federal courts of the United States of America shall be the exclusive forum for claims brought under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

The above summary does not purport to be complete and is qualified in its entirety by reference to the full text of the A&R Bylaws, a copy of which is filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

## ITEM 6. EXHIBITS

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

Exhibit No.	Description of Exhibit
3.1	<a href="#">Amended and Restated Certificate of Incorporation dated May 15, 2018 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 17, 2018).</a>
3.2*	<a href="#">Amended and Restated Bylaws, as amended and restated on October 27, 2020.</a>
31.1*	<a href="#">Certification signed by Timothy J. Cutt, QEP Resources, Inc.'s Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification signed by William J. Buese, QEP Resources, Inc.'s Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification signed by Timothy J. Cutt and William J. Buese, QEP Resources, Inc.'s Chief Executive Officer and Chief Financial Officer, respectively, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Schema Document.
101.CAL*	XBRL Calculation Linkbase Document.
101.LAB*	XBRL Label Linkbase Document.
101.PRE*	XBRL Presentation Linkbase Document.
101.DEF*	XBRL Definition Linkbase Document.

\* Filed herewith.

\*\* Furnished herewith.

**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.

QEP RESOURCES, INC.  
(Registrant)

October 28, 2020

/s/ Timothy J. Cutt  
Timothy J. Cutt,  
President and Chief Executive Officer

October 28, 2020

/s/ William J. Buese  
William J. Buese,  
Vice President, Chief Financial Officer and Treasurer

**AMENDED AND RESTATED BYLAWS  
OF  
QEP RESOURCES, INC.**

As Amended and Restated on October 27, 2020

**ARTICLE I  
OFFICES AND RECORDS**

**Section 1.1 Offices.** The Company may have offices, either within or without the State of Delaware, as the Board of Directors may from time to time appoint or as the business of the Company may require.

**Section 1.2 Books and Records.** The books and records of the Company may be kept at such location(s) as may from time to time be designated by the Board of Directors.

**ARTICLE II  
STOCKHOLDERS**

**Section 2.1 Annual Meeting.** If required by law, the annual meeting of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meeting stockholders shall elect directors and transact such other business as may properly be brought before the meeting.

**Section 2.2 Special Meetings.** Special meetings of the stockholders, for any proper purpose or purposes, (i) may be called at any time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the total number of directors which the Company would have if there were no vacancies, the Chair of the Board or the President, and (ii) shall be called by the Board of Directors, the Chair of the Board or the President at the request in writing of stockholders of record owning at least 25% in amount of the entire capital stock of the Company issued and outstanding and entitled to vote. A stockholder request for a special meeting shall be directed to the Secretary and shall be signed by each stockholder, or a duly authorized agent of such stockholder, requesting the special meeting, and shall be accompanied by a written notice setting forth the information required by Section 2.6 as to the business proposed to be conducted and any nominations proposed to be presented at the special meeting and as to the stockholder(s) proposing such business or nominations. A special meeting requested by stockholders in accordance with this Section 2.2 shall be held at such date, time and place within or without the State of Delaware as may be designated by the Board of Directors; provided, however, that the date of any such special meeting shall be not more than ninety (90) days after the request to call the special meeting is received by the Secretary. Notwithstanding the foregoing, a special meeting requested by stockholders shall not be held if (i) the stated business to be brought before the special meeting is not a proper subject for stockholder action under applicable law, or (ii) the Board of Directors has called or calls for an annual meeting of stockholders to be held within ninety (90) days after the Secretary receives the request for the special meeting and the Board of Directors determines in good faith that the business of such annual meeting includes (among any other matters properly brought before the annual meeting) the business specified in the special meeting request. A stockholder may revoke a request for a special meeting at any time by written revocation delivered to the Secretary; provided, however, that if, following such revocation, there are unrevoked requests from stockholders holding in the aggregate less than the requisite number of shares entitling the stockholders to request the calling of a special meeting, the Board of Directors, in its discretion, may cancel the special meeting. Business transacted at a special meeting requested by stockholders shall be limited to the matters described in the special meeting request; provided, however, that nothing herein shall prohibit the Board of Directors from submitting additional matters to the stockholders at any special meeting requested by stockholders.

**Section 2.3 Place of Meetings.** All stockholders meetings shall be held at the office of the Company in Denver, Colorado, or any other convenient location within the United States, or by means of remote communication, as the Board of Directors may fix.

**Section 2.4 Notice of Meetings.** The Secretary shall give, but in case of his or her failure, any other officer of the Company may give, written or printed notice, stating the place, if any, day and hour of each stockholders meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, to each stockholder of record entitled to vote at such meeting as of the record date for determining stockholders entitled to notice of the meeting. Such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, and may be given personally, by mail or private carrier, by electronic transmission, or by any other means recognized under applicable state and federal law. If given by mail, such notice shall be

deemed to be delivered when deposited in the United States mail or private carrier, addressed to the stockholder at his or her address as it appears on the stock transfer books of the Company, with postage prepaid. Meetings may be held without notice if all stockholders entitled to vote are present (except as otherwise provided by law), or if notice is waived by those not present. Any previously scheduled stockholders meeting may be postponed (unless the certificate of incorporation of the Company, as amended and restated from time to time (including any certificates of designation with respect to any preferred stock, the "Certificate of Incorporation") otherwise provides) and any special meeting of the stockholders may be cancelled by resolution of the Board of Directors upon public notice given prior to the time previously scheduled for such stockholders meeting.

**Section 2.5 Quorum and Adjournment.** Except as otherwise provided by law, the Certificate of Incorporation or these Amended and Restated Bylaws ("Bylaws"), a majority of the outstanding voting power entitled to vote generally in the election of directors, present in person or represented by proxy, shall constitute a quorum at all stockholders meetings for the transaction of business; provided, however, that when specified business is to be voted on by a class or series voting separately as a class or series, a majority of the outstanding voting power of the shares of such class or series shall constitute a quorum for the transaction of such business. If a quorum is present at any stockholders meeting, such quorum shall not be broken by the withdrawal of enough stockholders to leave less than a quorum and the remaining stockholders may continue to transact business until adjournment. Whether or not a quorum is present, the holders of a majority of the outstanding voting power of the shares present in person or represented by proxy and entitled to vote thereon shall have the power to adjourn the meeting from time to time (or, in the case of specified business to be voted on by a class or series, a majority of the outstanding voting power of such class or series present in person or represented by proxy and entitled to vote thereon may adjourn the meeting with respect to such specified business). If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At any adjourned meeting at which a quorum is present in person or represented by proxy, the stockholders entitled to vote at the meeting may transact any business that might have been transacted at the meeting as originally noticed.

**Section 2.6 Notice of Stockholder Business and Director Nominations.**

(A) *Annual Meeting of Stockholders.*

(1) Nominations of persons for election to the Board of Directors (except as otherwise provided in the Certificate of Incorporation with respect to directors to be elected by the holders of any class or series of preferred stock) and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (i) pursuant to the Company's notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors (or any duly authorized committee thereof), (iii) by any stockholder of the Company who (a) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Company) at the time of giving of notice provided for in this Section 2.6 and at the time of the annual meeting, (b) is entitled to vote at the meeting and (c) complies with the notice procedures set forth in this Section 2.6 and Section 2.10 as to such nomination or other business or (iv) by any Eligible Stockholder (as defined in Section 2.8) in accordance with the procedures set forth in Section 2.8. Other than matters properly brought under Rule 14a-8 under the Securities Exchange Act of 1934, as amended (including any rules and regulations promulgated thereunder, the "Exchange Act"), and included in the Company's notice of meeting given by or at the direction of the Board of Directors, the foregoing clauses (iii) and (iv) shall be the exclusive means for a stockholder to make nominations and submit other business before an annual meeting of stockholders. Stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders, and the only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Section 2.2.

(2) Without qualification, for any nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.6(A)(1)(iii), the stockholder must provide timely notice thereof in writing to the Secretary of the Company and provide any updates or supplements to such notice at the times and in the forms required by this Section 2.6, and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for stockholder action. To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not later than the close of business on the ninetieth (90<sup>th</sup>) day, nor earlier than the close of business on the one hundred twentieth (120<sup>th</sup>) day, prior to the first (1<sup>st</sup>) anniversary of the immediately preceding year's annual meeting; provided, however, that in the event that the annual meeting is called for a date that is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120<sup>th</sup>) day prior to such



annual meeting and not later than the close of business on the later of the ninetieth (90<sup>th</sup>) day prior to such annual meeting or, if the first public announcement of the date of such annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10<sup>th</sup>) day following the day on which public announcement of the date of such meeting is first made by the Company. In no event shall any adjournment or postponement of an annual meeting or the public announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(3) To be in proper written form for purposes of Section 2.6(A)(1)(iii), a stockholder's notice must:

(i) set forth, as to each Proposing Person (as defined below) (a) the name and address of such Proposing Person (as they appear on the Company's books if such Proposing Person is a record holder); (b) (A) the class or series and number of shares of the Company which are, directly or indirectly, beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) and of record by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Company as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future, (B) the full notional amount of any securities that, directly or indirectly, underlie any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("Synthetic Equity Position") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Company; provided that, for the purposes of the definition of "Synthetic Equity Position," the term "derivative security" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer, (C) any rights to dividends on the shares of the Company owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Company, (D) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Company or any affiliate of the Company (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (E) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Company or any of its officers or directors, or any affiliate of the Company, (F) any other material relationship between such Proposing Person, on the one hand, and the Company, any affiliate of the Company, on the other hand (the disclosures to be made pursuant to the foregoing clauses (B) through (F) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; (c) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; (d) a representation as to whether such Proposing Person intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Company's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (B) otherwise to solicit proxies from stockholders in support of such proposal or nomination; and (e) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;

(ii) if the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, set forth (a) a brief description of the business desired to be brought before the meeting (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Bylaws of the Company, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest of such Proposing Person in such business, (b) a reasonably detailed description of all agreements, arrangements and understandings (y) between or among any of the Proposing Persons or (z) between or among any Proposing Person and any other person

or entity (including their names) in connection with the proposal of such business by such stockholder and (c) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; provided, however, that the disclosures required by this paragraph (ii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(iii) set forth, as to each person, if any, whom the Proposing Person proposes to nominate for election or reelection to the Board of Directors pursuant to Section 2.6(A)(1)(iii), (a) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 2.6 and Section 2.10 if such candidate for nomination were a Proposing Person, (b) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected) and (c) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Proposing Person, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Proposing Person were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant.

(4) Notwithstanding anything in the second sentence of Section 2.6(A)(2) to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Company naming the nominees for the additional directorships at least one hundred (100) days prior to the first (1<sup>st</sup>) anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.6 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Company not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such public announcement is first made by the Company.

(B) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Company's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Company's notice of meeting (1) by or at the direction of the Board of Directors (or a duly authorized committee thereof) or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Company who (i) is a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Company) at the time of giving of notice provided for in this Section 2.6 and at the time of the special meeting, (ii) is entitled to vote at the meeting and (iii) complies with the notice procedures set forth in this Section 2.6 as to such nomination. Other than at a special meeting requested by stockholders pursuant to Section 2.2, in the event the Company calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Company's notice of meeting, if the stockholder's notice required by paragraphs (A)(2) and (A)(3) of this Section 2.6 with respect to any nomination (including the completed and signed questionnaire, representation and agreement required by Section 2.10) shall be delivered to the Secretary at the principal executive offices of the Company not earlier than the close of business on the one hundred twentieth (120<sup>th</sup>) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90<sup>th</sup>) day prior to such special meeting or if the first public announcement of the date of such special meeting is less than one hundred (100) days prior to the date of such special meeting, the tenth (10<sup>th</sup>) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting or the public announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(C) *General.*

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.6 or Section 2.8, as applicable, shall be eligible to be elected at an annual or special meeting of stockholders of the Company to serve as directors and only such business shall be conducted at a stockholders meeting as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.6. Except as otherwise provided by law, the

Certificate of Incorporation or these Bylaws, the chair of the meeting shall have the power and duty (i) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.6 (including whether the Proposing Person solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such Proposing Person's nominee or proposal in compliance with such Proposing Person's representation as required by clause (A)(3)(i)(d) of this Section 2.6 or Section 2.8, as applicable, and (ii) if any proposed nomination or business was not made or proposed in compliance with this Section 2.6 or Section 2.8, as applicable, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.6 or Section 2.8, as applicable, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Company to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Company. For purposes of this Section 2.6 or Section 2.8, as applicable, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 2.6 and Section 2.8, as applicable, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) For purposes of this Section 2.6, the term "Proposing Person" shall mean (i) the stockholder providing the notice of the nomination or other business proposed to be brought before a meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination or other business proposed to be brought before the meeting is made and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

(4) A Proposing Person shall further update and supplement its notice pursuant to this Section 2.6, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.6 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Company not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(5) Notwithstanding the foregoing provisions of this Section 2.6, a stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 2.6; provided, however, that any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals to any other business to be considered pursuant to this Section 2.6. Nothing in this Section 2.6 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals or nominations in the Company's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act, (ii) of the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation or these Bylaws or (iii) of any Eligible Stockholder to request inclusion of a Nominee (as defined in Section 2.8) in the Company's proxy statement pursuant to Section 2.8.

## **Section 2.7 Voting of Shares.**

(A) *Voting Lists.* The officer who has charge of the stock ledger shall prepare and make, at least ten (10) days before every stockholders meeting, a complete list of the stockholders entitled to vote at the meeting; provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth (10<sup>th</sup>) day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, at least ten (10) days prior to the meeting (1) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (2) during ordinary business hours at the principal place of business of the Company.

The list of stockholders must also be open to examination at the meeting as required by applicable law, and may be inspected by any stockholder who is present. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.7(A), or to vote in person or by proxy at any stockholders meeting. Failure to comply with the requirements of this Section 2.7(A) shall not affect the validity of any action taken at said meeting.

(B) *Votes Per Share.* Except as otherwise provided by or pursuant to the provisions of the Certificate of Incorporation, each stockholder shall have one vote for each share of stock registered in the stockholder's name on the books of the Company as of the record date set for such meeting.

(C) *Manner of Voting.* At any stockholders meeting, each stockholder entitled to vote may vote in person or by proxy as provided herein. Voting at any stockholders meeting need not be by ballot.

(D) *Proxies.* At any stockholders meeting, each stockholder having the right to vote or to express consent without a meeting, or such stockholder's duly authorized attorney-in-fact, shall be entitled to vote by proxy. Each proxy shall be in writing, executed by the stockholder giving the proxy or by such stockholder's duly authorized attorney-in-fact, or electronically transmitted to the proxy holder in a manner such that it can be determined that the transmission was authorized by the stockholder. No proxy shall be voted on or after three years from its date, unless the proxy provides for a longer period. The proxy must be filed with the Secretary of the Company or such stockholder's representative at or before the time of the meeting. Unless and until voted, every proxy shall be revocable at the pleasure of the person who executed it, or such person's legal representatives or assigns, except in those cases where an irrevocable proxy permitted by statute has been given.

(E) *Required Vote.* Except as provided in Section 3.4 of these Bylaws, each director shall be elected by the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if as of a date that is fourteen (14) days in advance of the date the Company files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Commission the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of the votes cast means that the number of shares voted "for" a director must exceed the number of votes cast "against" and/or "withheld" with respect to that director. Except as otherwise provided by the Certificate of Incorporation, these Bylaws, or the rules and regulations applicable to the Company or its securities, all other matters shall be determined by the affirmative vote of a majority of the outstanding voting power of the shares present in person or represented by proxy and entitled to vote on the matter.

(F) *Stockholder Action by Written Consent.* Any action required or permitted to be taken at any annual or special meeting of stockholders of the Company may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Company by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Company having custody of the books in which proceedings of meetings of stockholders are recorded; provided, however, at any time when Questar Corporation is the record owner, in the aggregate, of less than all of the voting power of all outstanding shares of stock of the Company entitled to vote generally in the election of directors, any action required or permitted to be taken at any annual or special meeting of stockholders of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders; provided, however, that any action required or permitted to be taken by the holders of preferred stock, voting separately as a series or separately as a class with one or more other such series, may be taken without a meeting, without prior notice and without a vote, to the extent expressly so provided by the applicable certificate of designations relating to such series of preferred stock. Delivery made to the Company shall be by hand or by certified or registered mail, return receipt requested. So long as action by written consent is permitted by this Section 2.7(F), every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required by this Section 2.7(F) to the Company, written consents signed by a sufficient number of holders to take action are delivered to the Company.

(G) *Inspectors of Elections.* The Board of Directors by resolution shall, if required by law, appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Company in other capacities, including, without limitation, as officers, employees, agents or representatives of the Company, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at a

stockholders meeting, the chair of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware (the "DGCL").

(H) *Opening and Closing the Polls.* The chair of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

## **Section 2.8 Proxy Access.**

(A) Subject to the provisions of this Section 2.8, if any Eligible Stockholder or group of up to twenty (20) Eligible Stockholders submits to the Company a Proxy Access Notice that complies with this Section 2.8 and such Eligible Stockholder or group of Eligible Stockholders otherwise satisfies all the terms and conditions of this Section 2.8 (such Eligible Stockholder or group of Eligible Stockholders, a "Nominating Stockholder"), the Company shall include in its proxy statement or on its form of proxy and ballot, as applicable (collectively, "proxy materials"), for any annual meeting of stockholders, in addition to any persons nominated for election by the Board of Directors or any committee thereof:

(1) the name of any person or persons nominated by such Nominating Stockholder for election to the Board of Directors at such annual meeting of stockholders who meets the requirements of this Section 2.8 (a "Nominee");

(2) disclosure about the Nominee and the Nominating Stockholder required under the rules of the Commission or other applicable law to be included in the proxy materials;

(3) subject to the other applicable provisions of this Section 2.8, a written statement, not to exceed five hundred (500) words, that is not contrary to any of the Commission's proxy rules, including Rule 14a-9 under the Exchange Act (a "Supporting Statement"), included by the Nominating Stockholder in the Proxy Access Notice intended for inclusion in the proxy materials in support of the Nominee's election to the Board of Directors; and

(4) any other information that the Company or the Board of Directors determines, in its discretion, to include in the proxy materials relating to the nomination of the Nominee, including, without limitation, any statement in opposition to the nomination and any of the information provided pursuant to this Section 2.8.

## **(B) Maximum Number of Nominees.**

(1) The Company shall not be required to include in the proxy materials for an annual meeting of stockholders more Nominees than that number of directors constituting twenty percent (20%) of the total number of directors of the Company on the last day on which a Proxy Access Notice may be submitted pursuant to this Section 2.8 (rounded down to the nearest whole number, but not less than two (2)) (the "Maximum Number"). The Maximum Number for a particular annual meeting shall be reduced by: (A) the number of Nominees who are subsequently withdrawn or that the Board of Directors itself decides to nominate for election at such annual meeting of stockholders (including, without limitation, any person who is or will be nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee), and (B) the number of incumbent directors who had been Nominees with respect to any of the preceding two (2) annual meetings of stockholders and whose reelection at the upcoming annual meeting of stockholders is being recommended by the Board of Directors (including, without limitation, any person who was nominated by the Board of Directors pursuant to any agreement or understanding with one or more stockholders to avoid such person being formally proposed as a Nominee). In the event that one or more vacancies for any reason occurs on the Board of Directors after the deadline set forth in Section 2.8(D) but before the date of the annual meeting of stockholders, and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the Maximum Number shall be calculated based on the number of directors as so reduced.

(2) Any Nominating Stockholder submitting more than one Nominee for inclusion in the Company's proxy materials shall rank such Nominees based on the order that the Nominating Stockholder desires such Nominees to be selected for inclusion in the Company's proxy materials in the event that the total number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number. In the event that the number of Nominees submitted by Nominating Stockholders exceeds the Maximum Number, the highest ranking Nominee from each Nominating Stockholder will be included in the Company's proxy materials until the Maximum Number is reached, going in order from largest to smallest of the number of shares of common stock of the Company owned by each Nominating Stockholder as disclosed in each Nominating Stockholder's Proxy Access Notice. If the Maximum Number is not reached after the highest ranking Nominee of each Nominating Stockholder has been selected, this process will be repeated as many times as necessary until the

Maximum Number is reached. If, after the deadline for submitting a Proxy Access Notice as set forth in Section 2.8(D), a Nominating Stockholder ceases to satisfy the requirements of this Section 2.8 or withdraws its nomination or a Nominee ceases to satisfy the requirements of this Section 2.8 or becomes unwilling or unable to serve on the Board of Directors, whether before or after the mailing of definitive proxy materials, then the nomination shall be disregarded, and the Company: (A) shall not be required to include in its proxy materials the disregarded Nominee and (B) may otherwise communicate to its stockholders, including without limitation by amending or supplementing its proxy materials, that the Nominee will not be included as a Nominee in the proxy materials and the election of such Nominee will not be voted on at the annual meeting of stockholders.

(C) *Eligibility of Nominating Stockholder.*

(1) An "Eligible Stockholder" is a person who has either (A) been a record holder of the shares of common stock used to satisfy the eligibility requirements in this Section 2.8(C) continuously for the three-year period specified in Subsection (2) below or (B) provides to the Secretary of the Company, within the time period referred to in Section 2.8(D), evidence of continuous ownership of such shares for such three-year period from one or more securities intermediaries in a form that satisfies the requirements as established by the Commission for a stockholder proposal under Rule 14a-8 under the Exchange Act.

(2) An Eligible Stockholder or group of up to twenty (20) Eligible Stockholders may submit a nomination in accordance with this Section 2.8 only if the person or each member of the group, as applicable, has continuously owned at least the Minimum Number (as defined below) of shares of the Company's outstanding common stock throughout the three-year period preceding and including the date of submission of the Proxy Access Notice, and continues to own at least the Minimum Number through the date of the annual meeting of stockholders. Two (2) or more funds that are (A) under common management and investment control, (B) under common management and funded primarily by a single employer or (C) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended, (two (2) or more funds referred to under any of clause (A), (B) or (C), collectively a "Qualifying Fund") shall be treated as one Eligible Stockholder. For the avoidance of doubt, in the event of a nomination by a group of Eligible Stockholders, any and all requirements and obligations for an individual Eligible Stockholder that are set forth in this Section 2.8, including the minimum holding period, shall apply to each member of such group; provided, however, that the Minimum Number shall apply to the ownership of the group in the aggregate. Should any stockholder withdraw from a group of Eligible Stockholders at any time prior to the annual meeting of stockholders, the group of Eligible Stockholders shall only be deemed to own the shares held by the remaining members of the group.

(3) The "Minimum Number" of shares of the Company's common stock means three percent (3%) of the number of outstanding shares of common stock as of the most recent date for which such amount is given in any filing by the Company with the Commission prior to the submission of the Proxy Access Notice.

(4) For purposes of this Section 2.8, an Eligible Stockholder "owns" only those outstanding shares of the common stock of the Company as to which the Eligible Stockholder possesses both:

- (i) the full voting and investment rights pertaining to the shares; and
- (ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares;

provided, that the number of shares calculated in accordance with clauses (1) and (2) shall not include any shares: (a) sold by such Eligible Stockholder or any of its affiliates in any transaction that has not been settled or closed, (b) borrowed by such Eligible Stockholder or any of its affiliates for any purpose or purchased by such Eligible Stockholder or any of its affiliates pursuant to an agreement to resell, or (c) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Eligible Stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares, cash or other property based on the notional amount or value of outstanding shares of the Company, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of: (A) reducing in any manner, to any extent or at any time in the future, such Eligible Stockholder's or any of its affiliates' full right to vote or direct the voting of any such shares, and/or (B) hedging, offsetting, or altering to any degree, gain or loss arising from the full economic ownership of such shares by such Eligible Stockholder or any of its affiliates. An Eligible Stockholder "owns" shares held in the name of a nominee or other intermediary so long as the Eligible Stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. An Eligible Stockholder's ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has delegated any voting power by means of a proxy, power of attorney, or other similar instrument or arrangement that is

revocable at any time by the Eligible Stockholder. An Eligible Stockholder's ownership of shares shall be deemed to continue during any period in which the Eligible Stockholder has loaned such shares; provided that the Eligible Stockholder has the power to recall such loaned shares on no more than three (3) business days' notice and includes in the Proxy Access Notice an agreement that it will (A) recall such loaned shares as of the record date for determining the stockholders entitled to vote at the annual meeting and (B) continue to hold such recalled shares (including the right to vote such shares) through the date of the annual meeting of stockholders. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Each Nominating Stockholder shall furnish any other information that may reasonably be required by the Board of Directors to verify such stockholder's continuous ownership of at least the Minimum Number during the three-year period referred to above.

(5) No person may be in more than one group constituting a Nominating Stockholder, and if any person appears as a member of more than one group, it shall be deemed to be a member of the group that owns the greatest aggregate number of shares of the Company's common stock as reflected in the Proxy Access Notice, and no shares may be attributed as owned by more than one person constituting a Nominating Stockholder under this Section 2.8.

(D) To nominate a Nominee, the Nominating Stockholder must, no earlier than one hundred twenty (120) calendar days and no later than ninety (90) calendar days before the date of the Company's proxy materials released to stockholders in connection with the previous year's annual meeting of stockholders, submit to the Secretary of the Company at the principal executive office of the Company all of the following information and documents (collectively, the "Proxy Access Notice"):

(1) A Schedule 14N (or any successor form) relating to the Nominee, completed and filed with the Commission by the Nominating Stockholder as applicable, in accordance with the Commission's rules;

(2) A written notice of the nomination of such Nominee that includes the following additional information, agreements, representations and warranties by the Nominating Stockholder (including each group member):

(i) the information, representations and agreements required with respect to the nomination of directors pursuant to Section 2.6 of these Bylaws;

(ii) the details of any relationship that existed within the past three years and that would have been described pursuant to Item 6(e) of Schedule 14N (or any successor item) if it existed on the date of submission of the Schedule 14N;

(iii) a representation and warranty that the Nominating Stockholder did not acquire, and is not holding, securities of the Company for the purpose or with the effect of influencing or changing control of the Company;

(iv) a representation and warranty that the Nominee's candidacy or, if elected, Board of Directors membership, would not violate the Certificate of Incorporation, these Bylaws, or any applicable state or federal law or the rules of any stock exchange on which the Company's common stock is traded;

(v) a representation and warranty that the Nominee:

(a) does not have any direct or indirect material relationship with the Company and otherwise would qualify as an "independent director" under the rules of the primary stock exchange on which the Company's common stock is traded and any applicable rules of the Commission;

(b) would meet the audit committee independence requirements under the rules of the Commission and of the principal stock exchange on which the Company's common stock is traded;

(c) would qualify as a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule);

(d) would qualify as an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision);

(e) is not and has not been, within the past three years, an officer, director, affiliate or representative of a competitor, as defined under Section 8 of the Clayton Antitrust Act of 1914, as amended, and if the Nominee has held any such position during this period, details thereof; and

(f) is not and has not been subject to any event specified in Rule 506(d)(1) of Regulation D (or any successor rule) under the Securities Act of 1933, as amended, or Item 401(f) of Regulation S-K (or any successor rule) under the Exchange Act, without reference to whether the event is material to an evaluation of the ability or integrity of the Nominee;

(vi) a representation and warranty that the Nominating Stockholder satisfies the eligibility requirements set forth in Section 2.8(C), has provided evidence of ownership to the extent required by Section 2.8(C)(1), and such evidence of ownership is true, complete and correct in all respects;

(vii) a representation and warranty that the Nominating Stockholder intends to continue to satisfy the eligibility requirements described in Section 2.8(C) through the date of the annual meeting of stockholders;

(viii) a statement as to whether or not the Nominating Stockholder intends to continue to hold the Minimum Number of shares for at least one (1) year following the annual meeting of stockholders, which statement may also include a description as to why such Nominating Stockholder is unable to make the foregoing statement;

(ix) a representation and warranty that the Nominating Stockholder will not engage in or support, directly or indirectly, a "solicitation" within the meaning of Rule 14a-1(l) (without reference to the exception in Section 14a-1(l)(2)(iv)) (or any successor rules) with respect to the annual meeting of stockholders, other than a solicitation in support of the Nominee or any nominee of the Board of Directors;

(x) a representation and warranty that the Nominating Stockholder will not use any proxy card other than the Company's proxy card in soliciting stockholders in connection with the election of a Nominee at the annual meeting of stockholders;

(xi) if desired by the Nominating Stockholder, a Supporting Statement;

(xii) in the case of a nomination by a group, the designation by all group members of one group member that is authorized to act on behalf of all group members with respect to matters relating to the nomination, including withdrawal of the nomination;

(xiii) in the case of any Eligible Stockholder that is a Qualifying Fund consisting of two (2) or more funds, documentation demonstrating that the funds are eligible to be treated as a Qualifying Fund and that each such fund comprising the Qualifying Fund otherwise meets the requirements set forth in this Section 2.8; and

(xiv) a representation and warranty that the Nominating Stockholder has not nominated and will not nominate for election any individual as director at the annual meeting of stockholders other than its Nominee(s).

(3) An executed agreement pursuant to which the Nominating Stockholder (including each group member) agrees:

(i) to comply with all applicable laws, rules and regulations in connection with the nomination, solicitation and election;

(ii) to file with the Commission any solicitation or other communication with the Company's stockholders relating to any Nominee or one or more of the Company's directors or director nominees, regardless of whether any such filing is required under any law, rule or regulation or whether any exemption from filing is available for such materials under any law, rule or regulation;

(iii) to assume all liability stemming from an action, suit or proceeding concerning any actual or alleged legal or regulatory violation arising out of any communication by the Nominating Stockholder with



the Company, its stockholders or any other person in connection with the nomination or election of directors, including, without limitation, the Proxy Access Notice;

(iv) to indemnify and hold harmless (jointly and severally with all other group members, in the case of a group member) the Company and each of its directors, officers and employees individually against any liability, loss, damages, expenses, demands, claims or other costs (including reasonable attorneys' fees and disbursements of counsel) incurred in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Company or any of its directors, officers or employees arising out of any nomination submitted by the Nominating Stockholder (including, without limitation, relating to any breach or alleged breach of its obligations, agreements, representations or warranties) pursuant to this Section 2.8;

(v) in the event that (a) any information included in the Proxy Access Notice, or any other communication by the Nominating Stockholder (including with respect to any group member) with the Company, its stockholders or any other person in connection with the nomination or election of directors ceases to be true and accurate in all material respects (or omits a material fact necessary to make the statements made not misleading), or (b) the Nominating Stockholder (including any group member) fails to continue to satisfy the eligibility requirements described in Section 2.8(C), the Nominating Stockholder shall promptly (and in any event within 48 hours of discovering such misstatement, omission or failure) (A) in the case of clause (a) above, notify the Company and any other recipient of such communication of the misstatement or omission in such previously provided information and of the information that is required to correct the misstatement or omission, and (B) in the case of clause (b) above, notify the Company why, and in what regard, the Nominating Stockholder fails to comply with the eligibility requirements described in Section 2.8(C) (it being understood that providing any such notification referenced in clauses (A) and (B) above shall not be deemed to cure any defect or limit the Company's rights to omit a Nominee from its proxy materials as provided in this Section 2.8); and

(4) An executed agreement by the Nominee:

(i) to provide to the Company a completed copy of the Company's director questionnaire and such other information as the Company may reasonably request;

(ii) that the Nominee (a) consents to be named in the proxy materials as a nominee and, if elected, to serve on the Board of Directors and (b) has read and agrees to adhere to the Company's Corporate Governance Guidelines and any other Company policies and guidelines applicable to directors generally; and

(iii) that the Nominee is not and will not become a party to (a) any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification (a "Compensation Agreement") in connection with the Nominee's nomination or candidacy as a director of the Company that has not been disclosed to the Company in writing, (b) any Compensation Agreement in connection with the Nominee's service or action as a director of the Company, (c) any Voting Commitment that has not been disclosed to the Company in writing, or (d) any Voting Commitment that could limit or interfere with the Nominee's ability to comply, if elected as a director of the Company, with its fiduciary duties under applicable law or with the Company's Corporate Governance Guidelines and any other Company policies and guidelines applicable to directors generally.

The information and documents required by this Section 2.8(D) shall be: (A) provided with respect to and executed by each group member, in the case of information applicable to group members; and (B) provided with respect to the persons specified in Instruction 1 to Items 6(c) and (d) of Schedule 14N (or any successor item) if and to the extent applicable to a Nominating Stockholder or group member. The Proxy Access Notice shall be deemed submitted on the date on which all the information and documents referred to in this Section 2.8(D) (other than such information and documents contemplated to be provided after the date the Proxy Access Notice is provided) have been delivered to or, if sent by mail, received by the Secretary of the Company. For the avoidance of doubt, in no event shall any adjournment or postponement of an annual meeting of stockholders or the public announcement thereof commence a new time period for the giving of a Proxy Access Notice pursuant to this Section 2.8.

(E) *Conditional Resignation of Nominee.*

(1) Any Nominee who is included in the Company's proxy materials for election at an annual meeting of stockholders pursuant to this Section 2.8 shall, upon its election as a Director, deliver to the Company an executed, irrevocable resignation as a director of the Company, in a form to be provided to the Nominee by the Company, which

resignation shall automatically be effective upon a determination by the Board of Directors or any committee thereof that (i) the information provided pursuant to this Section 2.8 to the Company by such Nominee or the Nominating Stockholder (or each member of any group of Eligible Stockholders comprising such Nominating Stockholder) was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or (ii) such Nominee or the Nominating Stockholder (or any member of any group of Eligible Stockholders comprising such Nominating Stockholder) shall have breached or failed to comply in any material respect with its agreements, representations or warranties pursuant to these By-laws, including this Section 2.8.

(F) *Exceptions and Clarifications.*

(1) Notwithstanding anything to the contrary contained in this Section 2.8, (a) the Company may omit from its proxy materials any Nominee and any information concerning such Nominee (including a Nominating Stockholder's Supporting Statement), (b) any nomination shall be disregarded, and (c) no vote on such Nominee will occur (notwithstanding that proxies in respect of such vote may have been received by the Company), and the Nominating Stockholder may not, after the last day on which a Proxy Access Notice would be timely, cure in any way any defect preventing the nomination of the Nominee, if:

(i) the Company receives a notice pursuant to Section 2.6 of these Bylaws that a stockholder intends to nominate a candidate for director at the annual meeting of stockholders;

(ii) the Nominating Stockholder or the designated lead group member, as applicable, or any qualified representative thereof, does not appear at the annual meeting of stockholders to present the nomination submitted pursuant to this Section 2.8 or the Nominating Stockholder withdraws its nomination prior to the annual meeting of stockholders;

(iii) the Board of Directors determines that such Nominee's nomination or election to the Board of Directors would result in the Company violating or failing to be in compliance with the Certificate of Incorporation, these Bylaws or any applicable law, rule or regulation to which the Company is subject, including any rules or regulations of any stock exchange on which the Company's common stock is traded;

(iv) the Nominee was nominated for election to the Board of Directors pursuant to this Section 2.8 at one of the Company's two preceding annual meetings of stockholders and (i) its nomination was withdrawn or, (ii) such Nominee became ineligible to serve as a Nominee or as a Director or (iii) such Nominee received a vote of less than twenty-five percent (25%) of the shares of common stock entitled to vote for such Nominee; or

(v) (a) the Nominating Stockholder fails to continue to satisfy the eligibility requirements described in Section 2.8(C), (b) any of the representations and warranties made in the Proxy Access Notice cease to be true, complete and correct in all material respects (or omits to state a material fact necessary to make the statements made therein not misleading), (c) the Nominee becomes unwilling or unable to serve on the Board of Directors or (d) the Nominating Stockholder or the Nominee materially violates or breaches any of its agreements, representations or warranties in this Section 2.8;

(2) Notwithstanding anything to the contrary contained in this Section 2.8, the Company may omit from its proxy materials, or may supplement or correct, any information, including all or any portion of the Supporting Statement included in the Proxy Access Notice, if: (i) such information is not true and correct in all material respects or omits a material statement necessary to make the statements therein not misleading; (ii) such information directly or indirectly impugns the character, integrity or personal reputation of, or, without factual foundation, directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations with respect to, any person; or (iii) the inclusion of such information in the proxy materials would otherwise violate the Commission's proxy rules or any other applicable law, rule or regulation. Once submitted with a Proxy Access Notice, a Supporting Statement may not be amended, supplemented or modified by the Nominee or Nominating Stockholder.

(3) For the avoidance of doubt, the Company may solicit against, and include in the proxy materials its own statement relating to, any Nominee.

(4) This Section 2.8 provides the exclusive method for a stockholder to include nominees for election to the Board of Directors in the Company's proxy materials (including, without limitation, any proxy card or written ballot). The interpretation of, and compliance with, any provision of this Section 2.8, including the representations, warranties

and covenants contained herein, shall be determined by the Board of Directors or, in the discretion of the Board of Directors, one or more of its designees, in each case acting reasonably and in good faith.

**Section 2.9 Conduct of Meetings.** The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over any meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

**Section 2.10 Additional Requirements For Valid Nomination of Candidates to Serve as Director and, If Elected, to Be Seated as Directors.**

(A) *Submission of Questionnaire, Representation and Agreement.* To be eligible to be a nominee for election or reelection as a director of the Company at an annual or special meeting, a candidate must be nominated pursuant to Section 2.6 and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors) to the Secretary of the Company at the principal executive offices of the Company a completed written questionnaire with respect to the background, qualifications, stock ownership and independence of such person (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (1) is not and, if elected as a director during his or her term of office, will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Company, will act or vote on any issue or question (a “Voting Commitment”) or (ii) any Voting Commitment that could limit or interfere with such person’s ability to comply, if elected as a director of the Company, with such person’s fiduciary duties under applicable law; (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (3) in such person’s individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Company, and will comply with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company applicable to directors and in effect during such person’s term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Company shall provide to such candidate for nomination all such policies and guidelines then in effect).

(B) *Determining Independence.* The Board of Directors may also require any proposed candidate for nomination as a director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate’s nomination is to be acted upon in order for the Board of Directors to determine the eligibility of such candidate for nomination to be an independent director of the Company in accordance with the Company’s Corporate Governance Guidelines.

(C) *Duty to Update.* A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 2.10, if necessary, so that the information provided or required to be provided pursuant to this Section 2.10 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Company (or any other office specified by the Company in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or

postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(D) *Eligibility of Candidates.* No candidate shall be eligible for nomination as a director of the Company unless such candidate for nomination and the Proposing Person seeking to place such candidate's name in nomination has complied with Section 2.6 and this Section 2.10, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 2.6 and this Section 2.10, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect. Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Company unless nominated and elected in accordance with this Section 2.10.

### ARTICLE III BOARD OF DIRECTORS

**Section 3.1 General Powers.** The business and affairs of the Company shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon it by these Bylaws, the Board of Directors may exercise all such powers of the Company and do all such lawful acts and things as are not by statute of the State of Delaware, or by the Certificate of Incorporation, or by these Bylaws directed or required to be exercised or done by others.

**Section 3.2 Number and Term.** Subject to the provisions of the Certificate of Incorporation, the number of directors shall be determined from time to time by resolution adopted by the Board of Directors. The term of office of directors shall be as provided in Article V of the Certificate of Incorporation. Subject to the provisions of the Certificate of Incorporation, a director shall hold office until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

**Section 3.3 Resignation.** Any director may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors, the Chair of the Board, the President or the Secretary of the Company. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. The acceptance of such resignation, unless otherwise required by the terms thereof, shall not be necessary to make it effective.

**Section 3.4 Vacancies.** Subject to the rights of any series of preferred stock then outstanding, vacancies and newly created directorships may be filled as provided in Article V of the Certificate of Incorporation.

**Section 3.5 Removal.** Subject to the rights of the holders of any series of preferred stock then outstanding, any director may be removed as provided in Article V of the Certificate of Incorporation.

**Section 3.6 Compensation.** Directors, as such, shall not receive any salary for their services, but the Board of Directors by resolution shall fix the fees to be allowed and paid to directors, as such, for their services and provide for the payment of the expenses of the directors incurred by them in performing their duties. Nothing herein contained, however, shall be considered to preclude any director from serving the Company in any other capacity and receiving compensation therefor. Fees to members of committees of the Board of Directors and expenses incurred by them in the performance of their duties shall also be fixed and allowed by resolution of the Board of Directors.

### ARTICLE IV MEETINGS OF THE BOARD OF DIRECTORS

**Section 4.1 Regular Meetings.** Regular meetings of the Board of Directors may be held without notice at such time and place, whether within or without Delaware, as shall from time to time be determined by the Board of Directors.

**Section 4.2 Special Meetings.** Special meetings of the Board of Directors shall be called at the request of the Chair of the Board, the President or a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Such meetings may be held at any place, whether within or without Delaware. Notice of each such meeting shall be given to each director at least twenty-four (24) hours prior to the meeting. The notice shall set forth the time and place at which the meeting is to be held and the purpose or purposes thereof and may be given to each director in person, by

telephone, by electronic transmission, or by any other means recognized under applicable law to the address for such director listed in the corporate records of the Company. No such notice of any given meeting need be given to any director who waives notice thereof, either before or after the meeting.

**Section 4.3 Quorum; Required Vote.** At all meetings of the Board of Directors a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation, or by these Bylaws.

**Section 4.4 Action by Written Consent.** Unless the Certificate of Incorporation provides otherwise, any act required or permitted to be taken by the Board of Directors, or a committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Company or the committee, as applicable. A signed consent has the effect of a meeting vote and may be described as such in any document.

## ARTICLE V COMMITTEES OF THE BOARD

**Section 5.1 Establishment.** The Board of Directors may, by resolution or resolutions, establish, name or dissolve one or more committees, each committee to consist of one or more of the directors of the Company. For the avoidance of doubt, the Company opts to be governed by Section 141(c) (2) of the DGCL. Each such committee shall keep minutes of its proceedings and shall report such proceedings to the Board of Directors at the meeting of the Board of Directors following any such proceedings. The Company shall have the following committees, which committees shall have and may exercise the following powers:

(A) *Audit Committee.* The Audit Committee shall from time to time, but no less than four (4) times per year, meet to review and monitor the financial and cost accounting practices and procedures of the Company and all of its subsidiaries. The duties of the Audit Committee shall be set forth in its charter.

(B) *Compensation Committee.* The Compensation Committee shall from time to time meet to review the various compensation plans, policies and practices of the Company and all of its subsidiaries. The duties of the Compensation Committee shall be set forth in its charter.

(C) *Governance and Social Responsibility Committee.* The Governance and Social Responsibility Committee shall from time to time meet to, among other things, review and develop the corporate governance policies of the Company and all of its subsidiaries, to identify, evaluate and monitor environmental, climate, health, safety, sustainability, social and public policy trends and other corporate responsibility matters that could affect the Company's and its' subsidiaries business, to identify individuals qualified to become members of the Board of Directors, to select, or recommend that the Board of Directors select, the director nominees for the next annual meeting of stockholders, and to consider any nominations submitted by the stockholders to the Secretary in accordance with these Bylaws, the Company's corporate governance guidelines or applicable law. The duties of the Governance and Social Responsibility Committee shall be set forth in its charter.

**Section 5.2 Available Powers.** Any committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the Company to be affixed to all papers which may require it.

**Section 5.3 Unavailable Powers.** No committee of the Board of Directors shall have the power or authority to (A) approve, adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval (other than the election and removal of directors) or (B) adopt, amend or repeal any provision in these Bylaws.

**Section 5.4 Alternate Members.** The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

**Section 5.5 Procedures.** Time, place and notice, if any, of meetings of a committee shall be determined by such committee. At meetings of a committee, a majority of the number of members designated by the Board of Directors shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws. If a quorum is not present at a meeting of a committee, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. Each committee shall keep regular minutes for its proceedings and report the same to the Board of Directors when required.

**Section 5.6 Subcommittees.** Unless otherwise provided in the Certificate of Incorporation, these Bylaws or the resolutions of the Board of Directors designating the committee, a committee may create one (1) or more subcommittees, each subcommittee to consist of one (1) or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

## **ARTICLE VI OFFICERS**

**Section 6.1 General.** The officers of the Company shall consist of such of the following as the Board of Directors shall from time to time elect or appoint: a Chair of the Board, a President, a Chief Financial Officer, one or more Vice Presidents, a Secretary, an Assistant Secretary, a Treasurer and an Assistant Treasurer. The Board of Directors may elect or appoint such other officers as it may deem necessary, and all officers shall exercise such powers and perform such duties as generally pertain to their respective officers, subject to the specific provisions of this Article VI. Two (2) or more offices may be held by the same person, and officers of the Company may simultaneously serve as officers of subsidiaries or divisions thereof. The Chair of the Board and the President shall be chosen by the directors from their own numbers. The salaries of all officers of the Company shall be fixed by the Board of Directors.

**Section 6.2 Election and Term of Office.** The Board of Directors shall elect or appoint officers of the Company at its first regular meeting after each annual meeting of stockholders. If the election or appointment of officers shall not be held at such regular meeting, such election or appointment shall be held as soon thereafter as convenient. Subject to Section 6.12, each officer shall hold office until such officer's successor shall have been duly elected and shall have qualified or until such officer's death or resignation.

**Section 6.3 Chair of the Board.** The Chair of the Board shall preside at all meetings of the stockholders and of the Board of Directors. He or she shall have supervision of such matters as may be designated to him or her by the Board of Directors.

**Section 6.4 President.** Unless another officer is so designated by the Board of Directors, the President shall be the Chief Executive Officer of the Company and shall perform the following duties:

(A) In the absence of the Chair of the Board, the President shall preside at all meetings of the stockholders and of the Board of Directors.

(B) The President shall have general and active management of the business of the Company, and see that all orders and resolutions of the Board of Directors are carried into effect.

(C) The President shall execute bonds, mortgages and other contracts requiring the seal, under the seal of the Company.

(D) The President shall have the general powers and duties of supervision and management usually vested in the office of a president of a corporation. If another officer is designated by the Board of Directors as Chief Executive Officer, the President shall have supervision of such matters as shall be designated to him or her by the Board of Directors and/or the Chief Executive Officer.

**Section 6.5 Chief Financial Officer.** The Chief Financial Officer shall have responsibility for development and administration of the Company's financial plans and all financial arrangements, its cash deposits and short-term investments, its accounting policies and its federal and state tax returns. The Chief Financial Officer shall also be responsible for the Company's internal control procedures and for its relationship with the financial community. The Chief Financial Officer shall perform all the duties incident to the office of chief financial officer of a corporation, those duties assigned to him or her by other provisions of these Bylaws and such other duties as may be assigned to him or her either directly or indirectly by the Board of Directors, the Chair of the Board or the President, or as may be provided by law.

**Section 6.6 Vice President.** Each Vice President shall perform the duties prescribed by the President or the Board of Directors. The Board of Directors may appoint one or more of the Vice Presidents as Senior Vice Presidents and one or more as Executive Vice Presidents.

**Section 6.7 Secretary.** The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose and shall perform like duties for the committees of the Board of Directors when required. The Secretary shall give or cause to be given notice of all meetings of the stockholders and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he or she shall serve. The Secretary shall keep in safe custody the seal of the Company and shall affix the seal to any instrument requiring it and shall attest it.

**Section 6.8 Assistant Secretary.** The Assistant Secretary shall be vested with all the powers and authorized to perform all the duties of the Secretary at the request of or in the absence or disability of the Secretary. The performance of any act or the execution of any instrument by an Assistant Secretary in any instance in which such performance or execution would customarily have been accomplished by the Secretary shall constitute conclusive evidence of the request, absence or disability of the Secretary. The Assistant Secretary shall perform such other duties as may be prescribed from time to time by the Board of Directors, the President or the Secretary.

**Section 6.9 Treasurer.** The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Company as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meeting of the Board of Directors, or whenever they may require it, an account of all his or her transactions as Treasurer and of the financial condition of the Company.

**Section 6.10 Assistant Treasurer.** The Assistant Treasurer shall be vested with all the powers and authorized to perform all the duties of the Treasurer at the request of or in the absence or disability of the Treasurer. The performance of any act or the execution of any instrument by an Assistant Treasurer in any instance in which such performance or execution would customarily have been accomplished by the Treasurer shall constitute conclusive evidence of the request, absence or disability of the Treasurer. The Assistant Treasurer shall perform such other duties as may be prescribed from time to time by the Board of Directors, the President or the Treasurer.

**Section 6.11 Resignation.** Any elected or appointed officer may resign at any time upon written notice, or notice by electronic transmission, to the Chair of the Board, the President or the Secretary of the Company. Such resignation shall take effect upon the date of its receipt or at such later time as may be specified therein, and unless otherwise required by the terms thereof, no acceptance of such resignation shall be necessary to make it effective.

**Section 6.12 Removal; Vacancies.** Any officer elected or appointed by the Board of Directors may be removed, with or without cause, at any time by the Board of Directors. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Company, but the election or appointment of any officer shall not itself create contractual rights. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

**Section 6.13 Duties of Officers May Be Delegated.** In case of the absence of any officer of the Company, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate, for the time being, the power or duties, or any of them, of such officer to any other officer, or to any director, provided a majority of the entire Board of Directors concur therein.

## **ARTICLE VII STOCK CERTIFICATES AND TRANSFERS**

**Section 7.1 Certificates of Stock; Uncertificated Shares.** Every holder of stock in the Company shall be entitled to have a certificate; provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Company. Every holder of stock represented by a stock certificate shall be entitled to have a certificate signed by or in the name of the Company by any two authorized officers of the Company, including without limitation, the Chair of the Board, the Vice Chair of the Board, the President, any Vice President, the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him. Any

and all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. The Board of Directors or the President shall determine the form of stock certificate of the Company. The certificates of stock of the Company shall be numbered and shall be entered in the books of the Company as they are issued.

**Section 7.2 Transfers of Stock.** Transfers of stock shall be made on the books (whether physically or electronically) of the Company only by the holder thereof, or by such holder's attorney, lawfully constituted in writing, and upon surrender of the certificate therefor (or, with respect to uncertificated shares, by delivery of duly executed instructions or any other manner permitted by applicable law), and upon the payment of any transfer tax or transfer fees which may be imposed by law or by the Board of Directors; provided, however, that such transfer is not prohibited by the Certificate of Incorporation, these Bylaws, applicable law or contract.

**Section 7.3 Registered Stockholders.** The Company shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any person, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of Delaware.

**Section 7.4 Transfer Agents and Registrars.** The Board of Directors, the Chair of the Board or the President, as appropriate, may appoint responsible banks or trust companies from time to time to act as transfer agents and registrars of the stock of the Company, as may be required by and in accordance with applicable laws, rules and regulations. Except as otherwise provided by the Board of Directors, the Chair of the Board or the President, as appropriate, in respect of temporary certificates, no certificates for shares of capital stock of the Company shall be valid unless countersigned by a transfer agent and registered by one of such registrars.

**Section 7.5 Additional Regulations.** The Board of Directors, the Chair of the Board or the President, as appropriate, may make such additional rules and regulations as they may deem expedient concerning the issue, transfer and registration of certificates for shares of the capital stock of the Company.

**Section 7.6 Lost, Stolen or Destroyed Certificates.** Except as provided in this Section 7.6, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Company and cancelled at the same time. When authorized by the Secretary of the Company in writing, the duly appointed stock transfer agent may issue and the duly appointed registrar may register, new or duplicate stock certificates to replace lost, stolen or destroyed certificates and for the same number of shares as those lost, stolen or destroyed, upon delivery to the Company of an affidavit of loss and indemnity bond or other undertaking acceptable to both the Secretary and legal counsel representing the Company's interests.

## ARTICLE VIII INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

**Section 8.1 Right to Indemnification.** The Company shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "Indemnitee") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Company or, while a director or officer of the Company, is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnitee. Notwithstanding the preceding sentence, except as otherwise provided in Section 8.3, the Company shall be required to indemnify an Indemnitee in connection with a proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such proceeding (or part thereof) by the Indemnitee was authorized by the Board of Directors of the Company. The Company may, in its discretion and on terms as the Company may determine, indemnify any person who was or is made or is threatened to be made a party or is otherwise involved in any proceeding by reason of the fact that he or she is or was an employee or agent of the Company or, while an employee or agent of the Company, is or was serving at the request of the Company as an employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such employee or agent.



**Section 8.2 Prepayment of Expenses.** The Company shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an Indemnitee in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Article VIII or otherwise. The Company may, in its discretion, pay the expenses (including attorneys' fees) incurred by an employee or agent of the Company, such expenses may be so paid upon such terms and conditions, if any, as the Company deems appropriate.

**Section 8.3 Claims.** If a claim for indemnification or payment of expenses under this Article VIII is not paid in full within sixty (60) days, with respect to indemnification, or twenty (20) days, with respect to payment of expenses, after a written claim therefor by the Indemnitee has been received by the Company, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Company shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or payment of expenses under applicable law.

**Section 8.4 Nonexclusivity of Rights.** The rights conferred on any Indemnitee by this Article VIII shall not be exclusive of any other rights which such Indemnitee may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

**Section 8.5 Other Sources.** The Company's obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

**Section 8.6 Amendment or Repeal.** Any right to indemnification or to advancement of expenses of any Indemnitee arising hereunder shall not be eliminated or impaired by an amendment to or repeal of this Article VIII after the occurrence of the act or omission that is the subject of any proceeding for which indemnification or advancement of expenses is sought.

**Section 8.7 Other Indemnification and Prepayment of Expenses.** This Article VIII shall not limit the right of the Company, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action.

**Section 8.8 Insurance.** The Company may purchase and maintain liability insurance on behalf of a person who is or was a director, officer, employee or agent of the Company, or who, while serving as a director, officer, employee or agent of the Company, is or was serving at the request of the Company as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against any liability asserted against him or her and incurred by him or her in that capacity or arising from his or her status as a director, officer, employee or agent, whether or not the Company has the power to indemnify him or her against the same liability under applicable law.

## ARTICLE IX MISCELLANEOUS

### **Section 9.1 Fixing Record Date.**

(A) In order that the Company may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the

record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(B) In order that the Company may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(C) Unless otherwise restricted by the Certificate of Incorporation, in order that the Company may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first (1<sup>st</sup>) date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

**Section 9.2 Attendance Via Communications Equipment.** Unless otherwise restricted by applicable law, the Certificate of Incorporation, or these Bylaws, members of the Board of Directors, any committee thereof, or the stockholders may hold a meeting by means of conference telephone or other method of remote communications by means of which all persons participating in the meeting can effectively communicate with each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**Section 9.3 Fiscal Year.** The fiscal year shall begin the first (1<sup>st</sup>) day of January in each year.

**Section 9.4 Seal.** The corporate seal shall be inscribed with the name of the Company, the year of its organization, and the words "Corporate Seal, Delaware." The seal may be used by causing it, or a facsimile thereof, to be impressed, affixed or reproduced.

**Section 9.5 Notice.** Whenever, under the provisions of the Certificate of Incorporation, these Bylaws or the laws of the State of Delaware, notice is required to be given to any director, officer or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail or private carrier, by electronic transmission, or by any other means recognized under applicable state or federal law. If given by mail, the notice shall be mailed on a prepaid basis and shall be addressed to such director, officer or stockholder, at such address as appears on the books of the Company. Any stockholder, director or officer may waive any notice required to be given under the Certificate of Incorporation or these Bylaws.

**Section 9.6 Books and Records; Inspection of Books.** The Company shall maintain permanent records of the minutes of all meetings of its stockholders and Board of Directors, all actions taken by the Board of Directors without a meeting and all actions taken by each committee of the Board of Directors in place of the Board of Directors on behalf of the Company. The Company shall also maintain appropriate accounting records.

**Section 9.7 Bank Accounts.** All checks, demands for money, or other transactions involving the Company's bank accounts shall be signed by such officers or other responsible persons as the Board of Directors may designate. No third party is allowed access to the Company's bank accounts without express written authorization by the Board of Directors.

**Section 9.8 Contracts and Negotiable Instruments.** Except as otherwise provided by applicable law or these Bylaws, any contract or other instrument relative to the business of the Company may be executed and delivered in the name of the Company and on its behalf by the Chair of the Board or the President. The Board of Directors may authorize any other officer of the Company to enter into any contract or execute and deliver any contract in the name and on behalf of the Company, and such authority may be general or confined to specific instances as the Board of Directors may by resolution determine. All bills, notes, checks, or other instruments for the payment of money shall be signed or countersigned by such officer or officers and in such manner as are permitted by these Bylaws and/or as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors.

**Section 9.9 Proxies in Respect of Securities of Other Corporations.** Unless otherwise provided by resolution adopted by the Board of Directors, the Chair of the Board, the President or any Vice President may, from time to time, appoint an attorney or attorneys or agent or agents of the Company, in the name and on behalf of the Company, to cast votes which the Company may be entitled to cast as the holder of stock or other securities in any other corporation or other entity, any of whose stock or other securities may be held by the Company, at meetings of the holders of the stock or other securities of such other corporation or other entity, or to consent in writing, in the name of the Company as such holder, to any action by such other corporation or entity, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed in the name and on behalf of the Company and under its corporate seal or otherwise, all such written proxies or other instruments as he or she may deem necessary or proper in the premises.

**Section 9.10 Amendments.** These Bylaws may be adopted, amended or repealed (A) by the Board of Directors or (B) by the affirmative vote of a majority of the outstanding voting power entitled to vote generally in the election of directors; provided, however, that in the case of clause (B), notice of the proposed amendment is contained in the notice of the meeting. In addition to any vote required by any other provision of these Bylaws, the Certificate of Incorporation or any applicable law, if such amendment is to be adopted by the stockholders, the affirmative vote of holders of a majority of the shares outstanding shall be required for any amendment that amends or repeals, or adopts any provisions inconsistent with Section 2.7(F), Article III, Article VIII or this Section 9.10.

**Section 9.11 Forum for Adjudication of Disputes.** Unless the Company consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the “Chancery Court”) of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Company, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company’s stockholders, (iii) any action, suit or proceeding asserting a claim arising pursuant to any provision of the DGCL, the Certificate of Incorporation or these Bylaws (as either may be amended from time to time), or (iv) any action, suit or proceeding asserting a claim governed by the internal affairs doctrine and (b) subject to the preceding provisions of this Section 9.11, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and to have consented to this provision. If any action, the subject matter of which is within the scope of clause (a) of the first sentence of this Section 9.11, is filed in a court other than with the courts in the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the provisions of clause (a) of the first sentence of this Section 9.11 and (ii) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder.

Notwithstanding the foregoing, the provisions of this Section 9.11 shall not apply to suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts of the United States have exclusive jurisdiction.

If any provision or provisions of this Section 9.11 shall be held to be invalid, illegal or unenforceable, as applied to any circumstance for any reason whatsoever, (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Section 9.11 (including, without limitation, each portion of any paragraph of this Section 9.11 containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

## CERTIFICATION

I, Timothy J. Cutt, certify that:

1. I have reviewed this Form 10-Q of QEP Resources, Inc.;
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(s) 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 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; and
5. The registrant's other certifying officer(s) 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 functions):
  - (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 28, 2020

/s/ Timothy J. Cutt

Timothy J. Cutt

President and Chief Executive Officer

## CERTIFICATION

I, William J. Buese, certify that:

1. I have reviewed this Form 10-Q of QEP Resources, Inc.;
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(s) 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 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; and
5. The registrant's other certifying officer(s) 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 functions):
  - (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 28, 2020

/s/ William J. Buese

---

William J. Buese

Vice President, Chief Financial Officer and Treasurer

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 QEP Resources, Inc. (the Company) on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), Timothy J. Cutt, President and Chief Executive Officer of the Company, and William J. Buese, Vice President, Chief Financial Officer and Treasurer, 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.

QEP RESOURCES, INC.

October 28, 2020

/s/ Timothy J. Cutt

Timothy J. Cutt  
President and Chief Executive Officer

October 28, 2020

/s/ William J. Buese

William J. Buese  
Vice President, Chief Financial Officer and Treasurer