SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001.

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 0-30321

QUESTAR MARKET RESOURCES, INC.

(Exact name of registrant as specified in its charter)

STATE OF UTAH	87-0287750
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P.O. Box 45601, 180 East 100 South, Salt Lake City, Utah	84145-0601
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes /X/ No / /

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

Class	Outstanding as of July 31, 2001
Common Stock, $1.00 par value	4,309,427 shares

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

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

3 Months Ended 6 Months Ended June 30, June 30, 2001 2000 2001 2000 --- ------ ------ --- --------- --------- (In Thousands) REVENUES $ 176,742 $ 165,201 $ 435,588 $ 306,962 OPERATING EXPENSES Cost

of natural
gas and other
products sold
78,209 79,790
219,789
143,683
Operating and
maintenance
25,415 24,552
49,099 47,470
Depreciation
and
amortization
20,902 21,151
40,865 42,128
Other taxes
12,150 8,044
28,987 15,358
Wexpro
settlement
agreement -
oil income
sharing 846
1,209 2,025
2,193 -------
-- ---------
--------- ---
------ TOTAL
OPERATING
EXPENSES
137,522
134,746
340,765
250,832 -----
---- --------
- --------- -

OPERATING
INCOME 39,220
30,455 94,823
56,130
INTEREST AND
OTHER INCOME
809 1,950
3,387 3,043
MINORITY
INTEREST 107
169 INCOME
FROM
UNCONSOLIDATED
AFFILIATES
179 306 228
1,305 DEBT
EXPENSE
(4,060)
(6,303)
(9,045)
(11,673) ----
----- -------
-- ---------

INCOME BEFORE
INCOME TAXES
36,255 26,408
89,562 48,805
INCOME TAXES
13,238 9,226
32,611 16,574
--------- ---
------ ------
--- ---------
NET INCOME $
23,017 $
17,182 $
56,951 $
32,231
=========
=========
=========
=========

See notes to consolidated financial statements

QUESTAR MARKET RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, December 31, 2001 2000 (Unaudited) - --------- --- -------- (In Thousands) ASSETS Current assets Cash and cash equivalents $ 3,980 Notes receivable from Questar Corp. $ 29,000 Accounts receivable, net 78,208 148,433 Qualifying hedging collateral 48,377 Hedging contracts 2,933 Inventories, at lower of average cost or market - Gas and oil storage 2,528 7,618 Materials and supplies 2,523 2,298 Prepaid expenses and other 6,495 4,828 ------- --- --------- -- Total current assets 121,687 215,534 ----- ----- ------- ---- Property, plant and equipment 1,702,887 1,657,291 Less accumulated depreciation and amortization 883,900 853,037 ----- ----- ------- ---- Net property, plant and equipment 818,987 804,254 ----- ----- ------- ----

Investment in
unconsolidated
affiliates
15,377 15,417
Other assets
Cash held in
escrow
account 5,387
Other 2,336
4,344 -------
--- ---------
-- 2,336
9,731 -------
--- ---------
-- $ 958,387
$ 1,044,936
==========
===========
LIABILITIES
AND
SHAREHOLDER'S
EQUITY
Current
liabilities
Checks
outstanding
in excess of
cash balance
$ 2,399
Short-term
loans $
12,500 Notes
payable to
Questar Corp.
8,900 51,000
Accounts
payable and
accrued
expenses
111,969
164,325 -----
----- -------
---- Total
current
liabilities
123,268
227,825 -----
----- -------
---- Long-
term debt
207,255
244,377 Other
liabilities
8,029 13,847
Deferred
income taxes
105,156
96,459
Minority
interest
7,761 5,483
Common
shareholder's
equity Common
stock 4,309
4,309
Additional
paid-in
capital
116,027
116,027
Retained
earnings
386,431
338,130 Other
comprehensive
income (loss)
151 (1,521) -
--------- ---

Total common

shareholder's equity 506,918 456,945 ----- ----- ------- ---- $ 958,387 $ 1,044,936 ========== ===========

See notes to consolidated financial statements

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

6 Months Ended June 30, 2001 2000 --------- --- ------ (In Thousands) OPERATING ACTIVITIES Net income $ 56,951 $ 32,231 Depreciation and amortization 41,225 42,475 Deferred income taxes 7,803 2,577 Income from unconsolidated affiliates, net of cash distributions (127) (1,155) Gain from sale of securities (896) Changes in operating assets and liabilities 65,727 (37,077) ---- ----- ------- -- NET CASH PROVIDED FROM OPERATING ACTIVITIES 171,579 38,155 INVESTING ACTIVITIES Capital expenditures (83,515) (101,455) Proceeds from disposition of property, plant and equipment 26,455 6,789 --------- --- ------ NET CASH USED IN INVESTING ACTIVITIES (57,060) (94,666) FINANCING

ACTIVITIES Change in notes receivable from Questar Corp. (29,000) 4,000 Change in notes payable to Questar Corp. (42,100) 5,800 Checks outstanding in excess of cash balance 2,399 (1,246) Change in short-term loans (12,500) Change in cash balance in escrow account 5,387 32,414 Long-term debt issued 185,000 37,476 Long-term debt repaid (221,446) (6,349) Other 2,446 Payment of dividends (8,650) (8,650) ------ ---- -------- - NET CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES (118,464) 63,445 Foreign currency translation adjustment (35) (642) -- ------- ----- ---- Change in cash and cash equivalents (3,980) 6,292 Beginning cash and cash equivalents 3,980 ------- -- --------- Ending cash and cash equivalents $ -- $ 6,292 ========= =========

See notes to consolidated financial statements

QUESTAR MARKET RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1 - Basis of Presentation

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Due to the nature of the business, the results of operations for the three- and six-month periods ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2000,

Note 2 - Acquisition

QMR acquired 100% of the common stock of Shenandoah Energy, Inc. (SEI) for approximately $406 million in cash and assumed debt on July 31, 2001. SEI is a privately held Denver-based exploration, production, gathering and drilling company. QMR obtained an estimated 415 billion cubic feet equivalent of proved oil and gas reserves, gas processing capacity, 90 miles of gathering lines, 114,000 of net undeveloped leasehold acreages and four drilling rigs located primarily in the Uintah Basin of eastern Utah. The transaction will be recorded according to the purchase method of accounting. Any excess in the purchase price over fair value of the assets will be allocated to the full-cost asset pool. QMR financed the acquisition through bank borrowings and will consider selling nonstrategic assets and/or issuing equity to reduce the level of debt.

Note 3 - Financing

On March 6, 2001, Market Resources in a public offering issued $150 million of 7.5% notes due 2011. Market Resources applied the proceeds of the debt offering to repay a portion of its outstanding floating-rate bank debt.

Note 4 - Operations By Line of Business

	3 Months Ended June 30,		6 Months Ended June 30,	
	2001	2000	2001	2000
	(In Thousands)			
REVENUES FROM UNAFFILIATED CUSTOMERS				
Exploration and production	$ 64,733	$ 57,414	$143,053	$106,923
Cost of service	2,976	3,080	8,042	6,924
Gathering, processing and marketing	84,348	83,595	231,827	149,713
	$152,057	$144,089	$382,922	$263,560

========
REVENUES
FROM
AFFILIATED
COMPANIES
Exploration
and
production
$ -- $ -- $
4 $ -- Cost
of service
22,691
18,103
46,066
35,233
Gathering,
processing
and
marketing
1,994 3,009
6,596 8,169
-------- --
------ ----
---- ------
-- $ 24,685
$ 21,112 $
52,666 $
43,402
========
========
========
========
DEPRECIATION
AND
AMORTIZATION
EXPENSE
Exploration
and
production
$ 15,821 $
16,609 $
30,645 $
32,685 Cost
of service
3,646 3,367
7,414 6,904
Gathering,
processing
and
marketing
1,435 1,175
2,806 2,539
-------- --
------ ----
---- ------
-- $ 20,902
$ 21,151 $
40,865 $
42,128
========
========
========
========
OPERATING
INCOME
Exploration
and
production
$ 27,411 $
19,175 $
67,743 $
34,980 Cost
of service
10,289
9,365
20,778
18,396
Gathering,
processing
and
marketing

1,520 1,915
6,302 2,754
-------- --
------ ----
---- ------
-- $ 39,220
$ 30,455 $
94,823 $
56,130
========
========
========
========
NET INCOME
Exploration
and
production
$ 15,625 $
9,594 $
39,313 $
17,990 Cost
of service
6,487 5,950
13,071
11,737
Gathering,
processing
and
marketing
905 1,638
4,567 2,504
-------- --
------ ----
---- ------
-- $ 23,017
$ 17,182 $
56,951 $
32,231
========
========
========
========
FIXED
ASSETS -
NET, at
period end
Exploration
and
production
$558,946
$546,174
Cost of
service
167,680
136,108
Gathering,
processing
and
marketing
92,361
73,294 ----
---- ------
-- $818,987
$755,576
========
========
GEOGRAPHIC
INFORMATION
REVENUES
United
States
$165,423
$156,420
$410,923
$291,208
Canada
11,319
8,781
24,665
15,754 ----
---- ------

-- --------

$176,742
$165,201
$435,588
$306,962
========
========
========
========
FIXED
ASSETS -
NET, at
period end
United
States
$715,226
$648,605
Canada
103,761
106,971 ---
----- -----

$818,987
$755,576
========
========

Note 5 - Comprehensive Income

Comprehensive income is the sum of net income as reported in the Consolidated Statement of Income and other comprehensive income transactions reported in Shareholder's Equity. Other comprehensive income transactions that currently apply to QMR result from changes in the market value of energy-hedging contracts and changes in holding value resulting from foreign currency translation adjustments. These transactions are not the culmination of the earnings process, but result from periodically adjusting historical balances to market value. Income or loss is realized when the gas or oil underlying the hedging contracts is sold. In 2000, other comprehensive income included mark-to-market adjustments of securities available for sale. QMR sold the balance of these securities late in 2000.

3 Months
Ended 6
Months Ended
June 30,
June 30,
2001 2000
2001 2000 --
----- ------
-- --------
-------- (In
Thousands)
Comprehensive
Income: Net
income
$23,017 $
17,182 $
56,951 $
32,231 Other
comprehensive
income
(loss)
Unrealized
gain on
hedging
transaction
55,128 3,028
Unrealized
gain on
securities
available
for sale
3,397 5,517
Foreign
currency
translation

adjustments
2,145
(1,040)
(500)
(1,560) ----
--- --------
-------- ---
----- Other
comprehensive
income
before
income taxes
57,273 2,357
2,528 3,957
Income taxes
on other
comprehensive
income
21,753 776
856 1,379 --
----- ------
-- --------
-------- Net
other
comprehensive
income
35,520 1,581
1,672 2,578
------- ----
---- -------
- --------
Total
comprehensive
income
$58,537 $
18,763 $
58,623 $
34,809
=======
========
========
========

Note 6 - New Accounting Standard - "Accounting for Derivative Instruments and Hedging Activities"

The Company adopted the accounting provisions of SFAS 133, as amended, "Accounting for Derivative Instruments and Hedging Activities" beginning in January 2001. SFAS 133 addresses the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under the standard, entities are required to carry all derivative instruments in the balance sheet at fair value. The accounting for changes in fair value, which result in gains or losses, of a derivative instrument depends on whether such instrument has been designated and qualifies as part of a hedging relationship and, if so, depends on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposure to changes in fair value, cash flows or foreign currencies. If the hedged exposure is a fair-value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of the change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash-flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income in the shareholders' equity section of the balance sheet and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss, is reported in earnings immediately.

As of January 1, 2001, the Company structured a majority of its energy derivative instruments as cash flow hedges. As a result of adopting SFAS 133 in January 2001, the Company recorded a $121 million hedging liability for derivative instruments. Measured at June 30, 2001, the results of hedging activities amounted to a $2.9 million current asset. Settlement of contracts accounted for $65.8 million of the decrease, while a decrease in prices of gas and oil on futures markets resulted in a $58.1 million decline. The offset to the hedging asset, net of income taxes, was a $1.9 million unrealized gain on hedging activities recorded in other comprehensive income in the shareholder's equity section of the balance sheet. The ineffective portion of hedging transaction recognized in earnings was not significant. The fair-value calculation does not consider changes in fair value of the corresponding scheduled equity physical transactions.

The contracts at June 30, 2001 had terms extending through December 2003. About 82% of those contracts, representing approximately $5 million, settle and will be reclassified from other comprehensive income in the next 12 months.

Note 7 - Reclassifications

Certain reclassifications were made to the 2000 financial statements to conform with the 2001 presentation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

QUESTAR MARKET RESOURCES, INC.
June 30, 2001
(Unaudited)

Operating Results

Questar Exploration and Production (Questar E & P), Wexpro, Questar Gas Management and Questar Energy Trading, collectively Questar Market Resources (QMR or the Company), conduct exploration and production, gas gathering and processing, and energy marketing operations. Following is a summary of QMR's financial results and operating information.

	3 Months Ended June 30,		6 Months Ended June 30,	
	2001	2000	2001	2000
FINANCIAL RESULTS - (dollars in thousands)				
Revenues				
From unaffiliated customers	$152,057	$144,089	$382,922	$263,560
From affiliates	24,685	21,112	52,666	43,402
Total revenues	$176,742	$165,201	$435,588	$306,962
Operating income	$ 39,220	$ 30,455	$ 94,823	$ 56,130
Net				

income $
23,017 $
17,182 $
56,951 $
32,231
OPERATING
STATISTICS
Production
volumes
Natural gas
(in million
cubic feet)
15,844
17,674
31,631
34,624 Oil
and natural
gas liquids
(in
thousands
of barrels)
Questar
Exploration
&
Production
522 563
1,017 1,117
Wexpro 114
140 239 268
Production
revenue
Natural gas
(per
thousand
cubic feet)
$ 3.31 $
2.48 $ 3.74
$ 2.33 Oil
and natural
gas liquids
(per
barrel)
Questar
Exploration
&
Production
$ 20.36 $
19.77 $
20.91 $
20.69
Wexpro $
26.06 $
25.87 $
27.04 $
25.49
Wexpro
investment
base at
June 30,
net of
deferred
income
taxes (in
millions) $
127.2 $
108.2
Marketing
volumes in
energy
equivalent
decatherms
(in
thousands
of
decatherms)
23,524
25,180
47,552
52,205
Natural gas
gathering

volumes (in thousands of decatherms)				
For unaffiliated customers	24,526	23,261	46,611	45,039
For Questar Gas	8,695	9,235	18,906	19,088
For other affiliated customers	6,601	6,514	13,400	11,678
Total gathering	39,822	39,010	78,917	75,805
Gathering revenue (per decatherm)	$ 0.13	$ 0.13	$ 0.13	$ 0.14

Revenues

Strong natural gas prices more than offset lower production volumes resulting in revenues that were 7% higher in the second quarter and 42% higher in the first half of 2001 when compared with the corresponding 2000 periods. Questar E & P reported that its average realized natural gas price was 33% higher in the second quarter and 61% higher in the first half of 2001. Production volumes decreased in 2001 as a result of selling reserves in place and a natural decline in older fields. However, production volumes for the second half of 2001 will increase due to QMR's acquisition of Shenandoah Energy, Inc. (SEI).

On July 31, 2001, QMR acquired SEI at a cost of approximately $406 million including the assumption of debt. QMR received 415 billion cubic feet equivalent of proved reserves comprised of approximately 72% gas and 28% oil. SEI is expected to add 63 million cubic feet equivalent per day of gas and oil to QMR's nonutility production.

Approximately 58% of gas volumes in the first half of 2001 were hedged with floors and ceilings averaging $3.04 per Mcf and $3.27 per Mcf, respectively, net to the well. The remainder of gas production realized prices averaging about $5.59 per Mcf, driven by cold winter temperatures and an energy shortage in the western United States. Approximately 58% of gas production for the second half of 2001, including production from SEI properties, is hedged with floors and ceilings averaging $3.03 per Mcf and $3.40 per Mcf, respectively, net to the well. Approximately 16% of 2002 gas production is hedged at a floor of $3.55 per Mcf and a ceiling of $4.05 per Mcf, net to the well. Hedging activities reduced revenues from gas sales by $58.6 million in the first half of 2001.

For Questar E & P, prices for oil and natural gas liquids (NGL) were 1% higher in the first half of 2001. Approximately 60% of oil production in the first half of 2001 was hedged at an average price of $17.20 per barrel, net to the well. Realized prices for the remaining oil production averaged about $27 per barrel. Hedging activities reduced revenues from oil sales by $5.8 million in the first half of 2001. NGL prices increased 47% over the same period in 2000. QMR does not hedge the sales price of NGL.

Revenues from energy marketing increased $81.7 million in the first half comparison primarily due as a result of higher gas prices. The margin from energy marketing was $6.3 million in the first half of 2001 compared with $700,000 in the 2000 period.

Expenses

Operating and maintenance expenses were higher in the 2001 periods presented when compared with the corresponding 2000 periods. The expenses of operating producing properties increased $2.3 million in the first half comparison primarily due to adding properties. Also, the expenses of operating a gas storage facility that began operations in the third quarter of 2000 resulted in a $500,000 increase in the first half of 2001. However, legal costs were $2.1 million lower in the first half of 2001 following the settlement of a major lawsuit in the second half of 2000.

Lower production more than offset the effect of a higher full-cost amortization rate resulting in lower depreciation and amortization expense in the 2001 periods presented. The combined U.S. and Canadian full-cost amortization rate for the first half of 2001 was $.82 per thousand cubic feet equivalent (Mcfe) of production compared with $.80 for the corresponding quarter a year ago. The 2001 rate increase reflects rising costs associated with exploration and development operations as a consequence of increased industry activity.

Other taxes increased because of higher gas prices and the effect on production-related taxes. Debt expense was lower in the 2001 periods because of lower debt levels.

The effective income tax rate for the first half of 2001 was 36.4% compared with 34.0% for the same period of 2000. The effective income tax rate increased because of a higher portion of earnings derived from Canada, where income tax rates are higher. The Company recognized $2.4 million of nonconventional fuel tax credits in the 2001 period and $2.3 million in the 2000 period.

Other income

Other income includes a $1.2 million pretax gain from selling nonstrategic gathering properties in the first quarter of 2001and a $900,000 pretax gain from selling securities in the second quarter of 2000.

Net income

QMR's first half net income increased $24.7 million, representing a 77% improvement over the first half of 2000. The increase resulted from higher commodity prices and increased earnings for Wexpro. Wexpro's net income was $1.3 million higher in the first half of 2001. Wexpro increased its investment in development-drilling projects resulting in a $19 million increase in the Wexpro investment base since June 30, 2000. Wexpro develops gas reserves on behalf of affiliated company, Questar Gas, which is a rate-regulated distributor of natural gas. In addition, higher oil and NGL prices contributed to Wexpro's improved earnings.

Liquidity and Capital Resources

Operating Activities

Net cash provided from operating activities in the first half of 2001of $171.6 million was $133.4 million more than was generated in the first half of 2000. The increase in cash flow from operating activities resulted from higher net income, the release of cash deposited as collateral for qualifying hedging contracts and the collection of receivables.

Investing Activities

Capital expenditures were $83.5 million in the first half of 2001. The acquisition of SEI on July 31, increased 2001 capital expenditures by approximately $406 million. Forecasted capital expenditures for calendar year 2001 are $560 million.

Financing Activities

Net cash provided from operating activities in the first half of 2001enabled QMR to repay short-term debt, finance capital expenditures and loan the remaining cash to Questar. Proceeds from the sale of assets in the first quarter of 2001 amounting to approximately $26.5 million were used to repay debt balances. QMR borrowed $414 million to finance the acquisition of SEI and will consider selling nonstrategic assets and/or issuing equity to reduce the level of debt.

On March 6, 2001, QMR in a public offering issued $150 million of 7.5% notes due 2011. QMR applied the proceeds of the debt offering to repay a portion of its outstanding floating-rate debt. QMR expects to finance remaining 2001 capital expenditures with the proceeds of net cash provided from operating activities, bank loans and borrowing from Questar.

Quantitative and Qualitative Disclosures about Market Risk

QMR's primary market-risk exposures arise from commodity-price changes for natural gas, oil and other hydrocarbons and changes in long-term interest rates. The Company has an investment in a foreign operation that may subject it to exchange-rate risk. QMR also has reserved pipeline capacity for which it is obligated to pay $3 million annually for the next six years, regardless of whether it is able to market the capacity to others.

HEDGING POLICY

The Company has established policies and procedures for managing market risks through the use of commodity-based derivative arrangements. Primary objectives of these hedging transactions are to support the Company's earnings targets and to protect earnings from downward moves in commodity prices. The Company will target between 50 and 75% of the current year's production hedged at or above plan levels by the first of March in the current year. The

Company will ladder in these hedges, to reach forward beyond the current year when price levels are right. The volume of production hedged and mix of derivative instruments employed are regularly evaluated and adjusted by management in response to changing market conditions and reviewed periodically by the Board of Directors. Additionally, under the terms of the Market Resources' revolving credit facility, not more than 75% of Market Resources' production quantities can be committed to hedging arrangements. The Company does not enter into derivative arrangements for speculative purposes.

ENERGY-PRICE RISK MANAGEMENT

Oil and natural gas prices fluctuate in response to changes in supply and demand. Market Resources bears a majority of the risk associated with commodity price changes and uses hedge arrangements in the normal course of business to limit the risk of adverse price movements. However, these same arrangements usually limit future gains from favorable price movements.

QMR held hedge contracts covering the price exposure for about 61.6 million dth of gas and 459,000 barrels of oil at June 30, 2001. A year earlier the contracts covered 50.3 million dth of natural gas and 1.7 million barrels of oil. The hedging contracts exist for a significant share of QMR-owned gas and oil production and for a portion of energy-marketing transactions. The contracts at June 30, 2001 had terms extending through December 2003. About 82% of those contracts, representing approximately $5 million, settle and will be reclassified from other comprehensive income in the next 12 months.

The undiscounted mark-to-market adjustment of financial gas and oil price-hedging contracts at June 30, 2001 was a negative $4.3 million. A 10% decline in gas and oil prices would cause a positive mark-to-market adjustment of $7.9 million; while a 10% increase in prices would cause a negative mark-to-market adjustment of $7.9 million. The mark-to-market adjustment of gas and oil price-hedging contracts at June 30, 2000 was a negative $69.1 million. A 10% decline in gas and oil prices at that time would have caused a positive mark-to-market adjustment of $20.3 million. Conversely, a 10% increase in prices would have resulted in a $20.3 million negative mark-to-market adjustment at that date. The calculations reflect energy prices posted on the NYMEX, various "into the pipe" postings, and fixed prices on the indicated dates. These sensitivity calculations do not consider changes in the fair value of the corresponding scheduled physical transactions (i.e., the correlation between the index price and the price to be realized for the physical delivery of gas or oil production), which should largely offset the change in value of the hedge contracts.

INTEREST-RATE RISK MANAGEMENT

As of June 30, 2001, QMR held $57.3 million of floating-rate long-term debt. The book value approximates fair value.

FOREIGN CURRENCY RISK MANAGEMENT

The Company does not hedge the foreign currency exposure of its foreign operation's net assets and long-term debt. Long-term debt held by the foreign operation, amounting to $42.3 million (U.S.), is expected to be repaid from future operations of the foreign company.

Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of Section 27(a) of the Securities Act of 1933, as amended, and Section 21(e) of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "could", "expect", "intend", "project", "estimate", "anticipate", "believe", "forecast", or "continue" or the negative thereof or variations thereon or similar terminology. Although these statements are made in good faith and are reasonable representations of the Company's expected performance at the time, actual results may vary from management's stated

expectations and projections due to a variety of factors.

Important assumptions and other significant factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include changes in general economic conditions, gas and oil prices and supplies, competition, rate-regulatory issues, regulation of the Wexpro settlement agreement, availability of gas and oil properties for sale or for exploration and other factors beyond the control of the Company. These other factors include the rate of inflation, assumptions used in business combinations, the weather and other natural phenomena, the effect of accounting policies issued periodically by accounting standard-setting bodies, and adverse changes in the business or financial condition of the Company.

Part II

Other Information

ITEM 1. LEGAL PROCEEDINGS.

Questar Market Resources, Inc., (the "Company") and its subsidiaries are involved in various legal proceedings including those described in the following paragraphs. The Company does not believe that these cases will have a materially adverse effect on the Company's results of operations, financial position, or liquidity.

a. Questar Gas Management Company ("QGM"), a wholly-owned subsidiary of the Company, has agreed to pay a penalty of $100,000 in conjunction with a finding by the Wyoming Department of Environmental Quality (the "DEQ") that it violated the terms of its permit for air emissions at a facility in the Vermillion/Canyon Creek area of southwestern Wyoming. QGM has also agreed to install additional equipment at the location to minimize air emissions.

b. Questar Exploration and Production Company ("Questar E&P") and Wexpro Company ("Wexpro"), two wholly-owned subsidiaries of the Company, have been advised by the DEQ that they are subject to penalties for failing to obtain the necessary permits for emissions located at wells operated in Wyoming. Both entities have filed applications to obtain the necessary permits and are working with DEQ to finalize the process of obtaining waivers for specified wells, determining appropriate equipment to minimize emissions from specified wells, and negotiating penalties. The DEQ has advised both entities that a penalty will be charged on a per-well basis and that the amount of the penalty ranges from $250 to $1,500 per well. The total penalty charged against the two entities may exceed $100,000.

c. Questar E&P, Wexpro, and Questar Gas Company (an affiliate that is not owned by the Company) were recently named as defendants in two class action lawsuits filed in a Wyoming state district court. The cases allege that royalties for Wyoming production from fee leases were underpaid due to alleged improper deductions for transporting gas off lease and improper check stub reporting. The lawsuits have been filed but have not yet been served. Most Wyoming volumes owned by the Questar defendants are produced from federal or state leases, not fee leases. The Questar defendants believe that they have paid royalties correctly for the relatively small volumes of production from their fee leases.

d. Questar E&P and other Questar affiliates are named defendants in a lawsuit filed by an independent producer (Grynberg) under the federal False

Claims Act. The case against the Questar defendants is one of approximately 76 cases filed by Mr. Grynberg against pipelines and their affiliates that have been consolidated for discovery and pre-trial motions in Wyoming's federal district court. On May 18, 2001, the presiding judge denied the motion filed by defendants to dismiss the complaints for failure to plead fraud with particularity. He has also denied the motion filed by a large group of defendants, including the Questar defendants, to certify a question of law on this issue that could be heard as an interlocutory appeal by the Tenth Circuit Court of Appeals.

ITEM 5. OTHER INFORMATION.

James A. Harmon, age 65, was appointed to serve as a director of the Company effective June 1, 2001. Mr. Harmon served as a director of the Company from May of 1983 to July of 1997, when he resigned to serve as Chairman and President of the Export-Import Bank of the United States. Prior to serving in this position, Mr. Harmon spent 38 years as an investment banker with Wertheim & Co. and Wertheim Schroder & Co.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a. The Company is not including any exhibits with this report.

b. The Company filed a Current Report on Form 8-K dated July 31, 2001, announcing its acquisition of Shenandoah Energy Inc. In this report, the Company pledged to file the necessary financial statements within the specified period.

SIGNATURES

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

QUESTAR MARKET RESOURCES, INC.
(Registrant)

August 13, 2001	/s/ G. L. Nordloh
(Date)	G. L. Nordloh President and Chief Executive Officer
August 13, 2001	/s/ S. E. Parks
(Date)	S. E. Parks Vice President, Treasurer and Chief Financial Officer