

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10/A
(AMENDMENT NO. 1 TO FORM 10)

GENERAL FORM FOR REGISTRATION OF SECURITIES
PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934

QUESTAR MARKET RESOURCES, INC.
(Exact name of registrant as specified in its charter)

UTAH
(State or other jurisdiction of
incorporation or organization)

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

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

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (801) 324-5202

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS TO BE SO REGISTERED

NONE

NAME OF EACH EXCHANGE ON WHICH EACH CLASS IS TO BE REGISTERED

NONE

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, \$1.00 PAR VALUE
(Title of class)

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I1(a)
AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE
REDUCED DISCLOSURE FORMAT.

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GLOSSARY OF COMMONLY USED OIL AND GAS TERMS

"Bbl" means barrel. One barrel is the equivalent of 42 standard U.S. gallons.

"Bcf" means billion cubic feet, a common unit of measurement of natural gas.

"Bcfe" means billion cubic feet of natural gas equivalents. Oil volumes are converted to natural gas equivalents using the ratio of one barrel of crude oil to six million cubic feet of natural gas.

"Btu" means British thermal unit, measured as the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

"Completion" means the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the

reporting of abandonment to the appropriate agency.

"Development well" means a well drilled into a known producing formation in a previously discovered field.

"Dry hole" means a well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

"Dth" means decatherms or ten therms. One decatherm equals one million Btu.

"Exploratory well" means a well drilled into a previously untested geologic structure to determine the presence of oil or gas.

"Gross" natural gas and oil wells or "gross" acres equals the number of wells or acres in which we have an interest.

"MBbls" means thousand barrels.

"Mcf" means thousand cubic feet.

"Mcfe" means thousand cubic feet of natural gas equivalents.

"MDths" means thousand decatherms.

"MMBbls" means million barrels.

"MMBtu" means million British thermal units.

"MMcf" means million cubic feet.

"MMDth" means million decatherms.

"Net" gas and oil wells or "net" acres are determined by multiplying gross wells or acres by our working interest in those wells or acres.

"NGL" means natural gas liquids.

"Proved reserves" means those quantities of natural gas and crude oil, condensate, and natural gas liquids on a net revenue interest basis, which geological and engineering data demonstrate with reasonable certainty to be recoverable under existing economic and operating conditions. "Proved developed reserves" include proved developed producing reserves and proved developed behind-pipe reserves. "Proved developed producing reserves" include only those reserves expected to be recovered from existing completion intervals in existing wells. "Proved undeveloped reserves" include those reserves expected to be recovered from new wells on proved undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

"Reservoir" means a porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

"Working interest" means an interest that gives the owner the right to drill, produce, and conduct operating activities on a property and receive a share of any production.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Form 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 Form, 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, 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, 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.

The Company does not undertake an obligation to update forward-looking information contained herein or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

ITEM 1. BUSINESS

General

Questar Market Resources Inc. (the "Company" or "QMR", which reference shall include the Company's wholly-owned subsidiaries) is a wholly-owned subsidiary of Questar Corporation. Questar Corporation ("Questar") is a publicly traded (NYSE: STR) diversified natural gas company with two principal business units - Market Resources and Regulated Services.

QMR and its subsidiaries comprise the Market Resources unit of Questar and as such engage in oil and gas exploration, development and production; gas gathering and processing; wholesale gas, electricity, and hydrocarbon liquids trading; and the acquisition of producing oil and gas properties. As noted in the following Questar organization chart, QMR is a subholding company of Questar that conducts its activities through Questar Exploration and Production Company ("Questar E&P") and its Canadian subsidiaries Celsius Energy Resources Ltd. ("Celsius Ltd.") and Canor Energy Ltd. ("Canor"); Wexpro Company ("Wexpro"); Questar Gas Management Company ("Questar Gas Management"); and Questar Energy Trading Company ("Questar Energy Trading").

Questar Corporation

Questar InfoComm, Inc. (Information Services)

Questar Market Resources, Inc. (Subholding Company)

Wexpro Company (Manages and develops cost of service properties for Questar Gas)

Questar Exploration and Production Company (Exploration and Production)

Celsius Energy Resources Ltd. and Canor Energy Ltd.
(Exploration & Production - Canada)

Questar Energy Trading Company (Wholesale Energy Marketing)

Questar Gas Management Company (Gathering and Processing)

Questar Regulated Services Company (Subholding Company)

Questar Gas Company (Retail Distribution)

Questar Pipeline Company (Transportation and Storage)

Management of Questar has identified QMR as the primary growth area within Questar's business strategy. Questar expects to spend 70% of its capital budget funds over the next five years on non-regulated activities, primarily within QMR, to expand reserves through drilling and acquisitions and to enlarge its infrastructure of gathering systems, processing plants, header facilities, and nonregulated storage facilities. Management of QMR believes that the diversity of the activities pursued by QMR enhances its basic strategy to pursue complementary growth. As the exploration and production companies find or acquire new reserves, Questar Gas Management should have more opportunities to expand gathering and processing activities, and Questar Energy Trading should have more physical production to support its marketing programs.

Business Strategy

QMR believes it can best meet and balance the expectations of its parent and fixed income investors by pursuing the following strategies in its business:

- * achieve a prudent, disciplined program to grow reserves
- * provide stakeholder value performance in both the short and long term
- * employ hedging and other risk management tools to manage cyclicality
- * maintain a strong balance sheet that permits prudent growth opportunities
- * maintain a portfolio of quality drilling prospects
- * identify and divest non-core and marginal assets and activities
- * proactively avoid litigation risks
- * employ technology and proven innovations to reduce costs

Oil and Gas Exploration and Production - Questar E&P, Celsius Ltd., and Canor

Together, QMR's exploration and production ("E&P") subsidiaries form a unique E&P group that conducts a blended program of low-cost development drilling, low-risk reserve acquisition, and high-quality exploration. A low-risk oil and gas reserve acquisition is considered by QMR to be one where (i) existing proved developed producing reserves make up a substantial percentage (75%+) of the overall value of the transaction with the remaining value supported by proved undeveloped reserves recognized by the seller or developed by QMR; (ii) cash flow from the properties, and/or borrowing capacity associated with the properties, is sufficient to support development of the acquisition properties; and (iii) the geographic location of the properties and the technology required to develop the underlying reserves are within our known areas of expertise. The E&P group also maintains a geographical balance and diversity, while concentrating its activities in core areas in which it has accumulated geologic knowledge and developed significant management expertise. Core areas of activity include the Rocky Mountain Region of Wyoming and Colorado; the Mid-Continent Region of Oklahoma, the Texas Panhandle, East Texas, and the Upper Gulf Coast; the Southwest Region of northwest New Mexico and southwest Colorado; and the Western Canada Sedimentary Basin located primarily in the Canadian province of Alberta.

At December 31, 1999, the Company had proved reserves of 597.6 Bcfe of natural gas, crude oil and natural gas liquids associated with its oil and gas exploration and development activities. On an energy equivalent basis ratio of six Mcf of natural gas to one Bbl of crude oil or natural gas liquids, natural gas comprised 86% of total proved reserves. Proved developed reserves comprised 84% of the total proved reserves on an energy equivalent basis.

A detailed description of the Company's proved reserves and their geographic diversity can be found under "Item 3. Properties." These proved reserve volumes do not include the cost of service reserves managed and developed by Wexpro for Questar Gas Company, an affiliate of the Company ("Questar Gas"). See "Development and Production - Wexpro" below.

Development and Production - Wexpro

QMR conducts development drilling and provides production services to Questar Gas through Wexpro. Wexpro was incorporated in 1976 as a subsidiary of Questar Gas. Questar Gas' efforts to transfer producing properties and leasehold acreage to Wexpro resulted in protracted regulatory proceedings and legal adjudications that ended with a court-approved settlement agreement that was effective August 1, 1981. A summary of the Wexpro settlement agreement is contained in Note 10 of the Notes to Consolidated Financial Statements under Item 13 of this Form 10. Ownership of Wexpro was moved from Questar Gas to QMR in 1982.

Wexpro manages and develops cost of service properties for which the operations and return on investment are regulated by the Wexpro settlement agreement. Cost of service reserves are derived from properties that primarily produce oil ("productive oil reservoirs") as well as properties that primarily produce gas ("productive gas reservoirs"). Pursuant

to the terms of the settlement agreement, all hydrocarbon reserves (oil, natural gas liquids and natural gas) in productive oil reservoirs are owned by Wexpro. All hydrocarbon reserves associated with productive gas reservoirs are owned by Questar Gas. Wexpro manages and develops all cost of service reserves, in accordance with the provisions of the settlement agreement, regardless of reserve ownership.

Wexpro, unlike QMR's other E&P companies, generally does not conduct exploratory operations and does not acquire leasehold acreage for exploration activities. It conducts oil and gas development and production activities on certain producing properties located in the Rocky Mountain region under the terms of the settlement agreement. Wexpro produces gas from specified properties for Questar Gas and is reimbursed for its costs plus a return on its investment. In connection with its operations under the settlement agreement, Wexpro charges Questar Gas for its cost plus a specified rate of return (18.9% after tax at the end of 1999 and adjusted annually based on a specified formula) on its net investment in such properties adjusted for working capital and deferred taxes. Under the terms of the settlement agreement, Wexpro bears all dry hole costs. The settlement agreement is monitored by the Utah Division of Public Utilities, the staff of the Public Service Commission of Wyoming ("PSCW"), and experts retained by those agencies.

The gas volumes produced by Wexpro for Questar Gas are reflected in the latter's rates at cost of service. Cost of service gas produced by Wexpro satisfied approximately 49% of Questar Gas' system requirements during 1999. Questar Gas relies upon Wexpro's drilling program to develop the properties from which the cost of service gas is produced. During 1999, the average wellhead cost of cost of service gas was \$1.50 per Dth, which is lower than Questar Gas' average price for field-purchased gas. To fulfill its obligations to Questar Gas under the settlement agreement, Wexpro must continue to be a prudent operator.

Wexpro participates in drilling activities in response to the demands of other working interest owners, to protect its rights, and to meet the needs of Questar Gas. Wexpro, in 1999, produced 38.9 Bcf of natural gas from cost of service properties and added cost of service reserves of 52.4 Bcf through drilling activities and reserve estimate revisions.

Wexpro has an ownership interest in the wells and appurtenant facilities related to its oil properties and in the wells and facilities that have been installed to develop and produce gas properties described above since August 1, 1981.

Gathering, Processing and Marketing - Questar Gas Management and Questar Energy Trading

Questar Gas Management conducts gathering and processing activities in the Rocky Mountain and Mid-Continent areas. Its activities are not subject to regulation by the Federal Energy Regulatory Commission ("FERC"), because it is not engaged in transporting gas or selling gas for resale in interstate commerce. The Natural Gas Act of 1938 specifically provides that the FERC's jurisdiction does not extend to facilities involved in the production or gathering of natural gas. Questar Gas Management was formed in 1993, as a wholly-owned subsidiary of Questar Pipeline Company, an affiliate of the Company ("Questar Pipeline"), to construct and operate the Blacks Fork Processing Plant in southwestern Wyoming. It expanded in 1996 when Questar Pipeline transferred its gathering assets and activities to Questar Gas Management. In mid-1996, ownership of Questar Gas Management was moved from Questar Pipeline to QMR and Questar Gas Management acquired the processing plants that formerly belonged to Questar E&P.

Questar Gas Management's gathering system, which consists of 1,400 miles of gathering lines, compressor stations, field dehydration plants, and measuring stations, was largely built to gather production from Questar Gas' cost of service properties. Under the terms of a contract that was assigned with the gathering assets from Questar Pipeline, Questar Gas Management is obligated to gather Questar Gas' cost of service production for the life of the properties. During 1999, Questar Gas Management gathered 32.1 MMDth of natural gas for Questar Gas, compared to 29.9 MMDth in 1998, for which it received \$4.7 million and \$5.0 million in demand charges in 1999 and 1998, respectively, from Questar Gas. Questar Gas Management's total gas gathering volumes were 136.7 MMDth in 1999 compared to 120.5 MMDth in 1998.

Questar Gas Management's gathering system was originally built as part of a regulated company. Questar Gas Management now must operate in a different competitive environment. Often, new wells will have connections with more than one gathering system, and producers insist that gathering systems be tied to more than one pipeline.

In addition to gathering activities, Questar Gas Management is also engaged in processing activities. It owns a 50% interest in the Blacks Fork Processing Plant, which has a daily capacity of 84 MMcf and may be expanded during 2000. This plant, which is located in southwestern Wyoming, strips liquids (e.g., ethane, butane) from natural gas volumes. Questar Gas Management and Wexpro jointly own a new processing facility located in the Canyon Creek area of southwestern Wyoming that has an operating capacity of 45 MMcf per day. Questar Gas Management also owns interests in other processing plants in the Rocky Mountain and Mid-Continent areas.

Questar Energy Trading conducts energy marketing activities. It combines gas volumes purchased from third parties and equity production (production that is produced by other QMR subsidiaries) to build a flexible and reliable portfolio. Questar Energy Trading aggregates supplies of natural gas for delivery to large customers, including industrial users, and other marketing entities. During 1999, Questar Energy Trading marketed a total of 101.1 MMDth of natural gas, 2.0 MMBbls of liquids, and 10,000 megawatt-hours of electricity and earned a gross profit margin of \$4.1 million.

Questar Energy Trading uses derivatives as a risk management tool to provide price protection for physical transactions involving equity production and marketing transactions. Questar Energy Trading executes hedges for equity production on behalf of Questar E&P and does so with a variety of contracts for different periods of time. See "Item 2. Financial Information - Market Risk."

As a wholesale marketing entity, Questar Energy Trading concentrates on markets in the Pacific Northwest, Rocky Mountains, Midwest, Southwest, California, and western Canada that are close to reserves owned by affiliates or accessible by major pipelines.

To sustain its activities in an increasingly competitive environment in which sellers and purchasers are becoming more sophisticated, Questar Energy Trading needs to expand its capabilities. Through a new limited liability company, it has filed an application with the FERC and obtained authorization to construct and operate a private storage reservoir in southwestern Wyoming adjacent to several interstate pipelines and is negotiating partnerships with electricity providers and others to obtain additional capability, expertise, and access to sophisticated information technology.

Relationship with Questar

QMR and Questar are parties to several agreements which govern different aspects of the QMR - Questar relationship. The more significant of these agreements are described below. Also see Note 9 of the Notes to Consolidated Financial Statements under Item 13 of this Form 10.

Tax Sharing Arrangement with Questar -- QMR accounts for income tax expense on a separate return basis. Pursuant to Internal Revenue Code regulations, the Company's operations are consolidated with those of Questar and its subsidiaries for income tax purposes. The income tax arrangement between QMR and Questar provides that the tax liability of the group shall be allocated to the several members of the group on the basis of the percentage of the total tax which the tax of such member if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed. The Company also receives payment for tax benefits used in the consolidated tax return even if such benefits would not have been useable had the Company filed a separate return.

Wexpro Settlement Agreement with Questar Gas -- Wexpro and Questar Gas are parties to the Wexpro Settlement Agreement. Wexpro's operations are subject to the terms of this agreement. The agreement became effective August 1, 1981, and sets forth the rights of Questar Gas' utility operations to share in the results of Wexpro's operations. The agreement was approved by the Public Service Commission of Utah ("PSCU") and PSCW in 1981 and affirmed by the Supreme Court of Utah in 1983. Major provisions of the settlement agreement are as follows:

- a. Wexpro continues to hold and operate all oil-producing properties (productive oil reservoirs) previously transferred from Questar Gas' nonutility accounts. The oil production from these properties is sold at market prices, with the revenues used to recover operating expenses and to give Wexpro a return on its investment. The after tax rate of return is adjusted annually and is

approximately 13.7%. Any net income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46%.

- b. Wexpro conducts developmental oil drilling on productive oil reservoirs and bears any costs of dry holes. Oil discovered from these properties is sold at market prices, with the revenues used to recover operating expenses and to give Wexpro a return on its investment in successful wells. The after tax rate of return is adjusted annually and is approximately 18.7%. Any net income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46%.
- c. Amounts received by Questar Gas from the sharing of Wexpro's oil income are used to reduce natural gas costs to utility customers.
- d. Wexpro conducts developmental gas drilling on productive gas properties (productive gas reservoirs) and bears any costs of dry holes. Natural gas produced from successful drilling is owned by Questar Gas. Wexpro is reimbursed for the costs of producing the gas plus a return on its investment in successful wells. The after tax return allowed Wexpro is approximately 21.7%.
- e. Wexpro operates natural gas properties owned by Questar Gas. Wexpro is reimbursed for its costs of operating these properties, including a rate of return on any investment it makes. This after tax rate of return is approximately 13.7%.

Transportation Agreements with Affiliates -- As an affiliate of QMR, Questar Pipeline transports natural gas produced from properties operated by Wexpro. Questar Pipeline also transports volumes of natural gas marketed by Questar Energy Trading, another QMR subsidiary.

Transfer of Gas Gathering Assets -- In 1996, Questar Pipeline transferred approximately \$55 million of gas-gathering assets to its subsidiary Questar Gas Management. Questar Gas Management was subsequently transferred to QMR on July 1, 1996. The transaction was in the form of a stock dividend payable to Questar, which stock Questar then contributed to QMR.

Government Regulation

QMR's operations are subject to various levels of government controls and regulation in the United States and Canada.

United States Regulation. In the United States, legislation affecting the oil and gas industry has been pervasive and is subject to continuing review for amendment or expansion. Pursuant to such legislation, numerous federal, state and local departments and agencies have issued extensive rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for the failure to comply. Such laws and regulations have a significant impact on oil and gas drilling and production activities, increase the cost of doing business and, consequently, affect profitability. Inasmuch as new legislation affecting the oil and gas industry is commonplace and existing laws and regulations are frequently amended or reinterpreted, QMR is unable to predict the future cost or impact of complying with such laws and regulations.

Exploration and Production. QMR's United States operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes requiring permits for the drilling of wells; maintaining bonding requirements in order to drill or operate wells; submitting and implementing spill prevention plans; submitting notification relating to the presence, use and release of certain contaminants incidental to oil and gas operations; and regulating the location of wells, the method of drilling and casing wells, the use, transportation, storage and disposal of fluids and materials used in connection with drilling and production activities, surface usage and the restoration

of properties upon which wells have been drilled, the plugging and abandoning of wells and the transporting of production. QMR's operations are also subject to various conservation matters, including the regulation of the size of drilling and spacing units or proration units, the number of wells which may be drilled in a unit, and the unitization or pooling of oil and gas properties. In this regard, some states allow the forced pooling or integration of tracts to facilitate exploration while other states rely on voluntary pooling of lands and leases, which may make it more difficult to develop oil and gas properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of gas, and impose certain requirements regarding the ratable purchase of production. The effect of these regulations is to limit the amounts of oil and gas QMR can produce from its wells and to limit the number of wells or the locations at which QMR can drill.

Certain of QMR's oil and gas leases, including most of its leases in the San Juan Basin and many of the Company's leases in southeast New Mexico and Wyoming, are granted by the federal government and administered by various federal agencies. Such leases require compliance with detailed federal regulations and orders which regulate, among other matters, drilling and operations on lands covered by these leases, and calculation and disbursement of royalty payments to the federal government.

Environmental and Occupational Regulations. Various federal, state and local laws and regulations concerning the discharge of contaminants into the environment, the generation, storage, transportation and disposal of contaminants or otherwise relating to the protection of public health, natural resources, wildlife and the environment may affect the Company's operations and costs. In particular, the Company's oil and gas exploration, development and production operations, its activities in connection with storage and transportation of liquid hydrocarbons, and its use of facilities for treating, processing, recovering or otherwise handling hydrocarbons and wastes therefrom are subject to environmental regulation by governmental authorities. Such regulation has increased the cost of planning, designing, drilling, installing, operating and abandoning the Company's oil and gas wells and other facilities. Additionally, these laws and regulations may impose substantial liabilities for the Company's failure to comply with them or for any contamination resulting from the Company's operations.

QMR takes the issue of environmental stewardship very seriously and works diligently to comply with applicable environmental rules and regulations. Compliance with such laws and regulations has not had a material effect on the Company's operations or financial condition in the past. However, because environmental laws and regulations are becoming increasingly more stringent, there can be no assurances that such laws and regulations or any environmental law or regulation enacted in the future will not have a material effect on the Company's operations or financial condition. QMR is not aware of any currently pending environmental legislation or regulation in the United States that would have a material adverse effect on the Company if enacted.

QMR is also subject to laws and regulations concerning occupational safety and health. Due to the continued changes in these laws and regulations, and their judicial construction, QMR is unable to predict with any reasonable degree of certainty its future costs of complying with these laws and regulations.

Canadian Regulation. The oil and gas industry in Canada is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulation will materially affect QMR's Canadian operations, nor is it expected that the application of these controls and regulations would be any more burdensome to QMR than to other companies involved in oil and gas exploration and production activities in Canada. The following are the most important areas of control and regulation.

The North American Free Trade Agreement. The North American Free Trade Agreement ("NAFTA") which became effective on January 1, 1994, carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed, provided that any export restrictions do not: (i) reduce the proportion of energy exported relative to the supply of the energy resource; (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All parties to NAFTA are also prohibited from imposing minimum export or import price requirements.

Royalties and Incentives. Each province and the federal government of Canada have legislation and regulations governing land tenure, royalties, production rates and taxes, environmental protection and other matters under their respective jurisdictions. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the parties. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production with the royalty rate dependent in part upon prescribed reference prices, well productivity, geographical location, field discovery date and the type and quality of the petroleum product produced. From time to time, the governments of Canada, Alberta and British Columbia have also established incentive programs such as royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced recovery projects. These incentives generally have the effect of increasing the cash flow to the producer.

Pricing and Marketing. The price received by the Company for its oil and natural gas is generally determined by market factors, most of which are beyond the Company's control. An order from the National Energy Board ("NEB") is required for oil exports from Canada. Any oil export to be made pursuant to an export contract of longer than one year, in the case of light crude, and two years, in the case of heavy crude, duration (up to 25 years) requires an exporter to obtain an export license from the NEB. The issue of such a license requires the approval of the Governor in Council. Natural gas exported from Canada is also subject to similar regulation by the NEB. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts in excess of two years must continue to meet certain criteria prescribed by the NEB. The governments of Alberta and British Columbia also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

Environmental Regulation. The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties. QMR is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. QMR's unreimbursed expenditures in 1999 concerning such matters were immaterial, but QMR cannot predict with any reasonable degree of certainty its future exposure concerning such matters. QMR is not aware of any currently pending environmental legislation or regulation in Canada that would have a material adverse effect on the Company if enacted.

Investment Canada Act. The Investment Canada Act requires Government of Canada approval, in certain cases, of the acquisition of control of a Canadian business by an entity that is not controlled by Canadians. In certain circumstances, the acquisition of natural resource properties may be considered to be a transaction requiring such approval.

Insurance Coverage Maintained with Respect to Operations

Principally through shared arrangements with Questar, the Company maintains insurance policies covering its operations in amounts and areas of coverage normal for a company of its size in the oil and gas exploration and production industry. These include, but are not limited to, worker's compensation, employers' liability, automotive liability, certain environmental claims and general liability. In addition, umbrella liability and operator's extra expense policies are maintained. All such insurance is subject to normal deductible levels.

Competition

The oil and gas business is highly competitive. The Company faces competition in all aspects of its business, including, but not limited to acquiring reserves, leases, licenses and concessions; obtaining goods, services and labor needed to conduct its operations and manage the Company; and marketing its oil and gas. Intense competition occurs with respect to marketing, particularly of natural gas. The Company's competitors include multinational energy companies, other independent producers and individual producers and operators. Many competitors have greater financial and other resources than the Company.

Seasonal Nature of Business

Generally, but not always, the demand for natural gas decreases during the summer months and increases during the winter months. Seasonal anomalies such as mild winters sometimes lessen this fluctuation. In addition, pipelines, utilities, local distribution companies and industrial users utilize natural gas storage facilities and purchase some of their anticipated winter requirements during the summer. This can also lessen seasonal demand fluctuations.

Natural Gas and Oil Marketing

The Company markets substantially all of its own natural gas and oil production. The revenues generated by the Company's operations are highly dependent upon the prices of, and demand for, oil and gas. The price received by the Company for its crude oil and natural gas depends upon numerous market factors, the majority of which are beyond the Company's control, including economic conditions in the United States and elsewhere, the world political situation, OPEC actions, and governmental regulation. The fluctuation in world oil prices continues to reflect market uncertainty regarding the balance of world demand for and supply of oil and gas. The fluctuation of natural gas prices reflects the seasonal swings of storage inventory, weather conditions, and increasing utilization of natural gas for electric generation as it affects overall demand. Decreases in the prices of oil and gas have had, and could have in the future, an adverse effect on the Company's development and exploration programs, proved reserves, revenues, profitability and cash flow. See "Item 2. Financial Information - Market Risk."

Customers

QMR sells its gas production to a variety of customers including pipelines, gas marketing firms, industrial users and local distribution companies. Existing gathering systems and interstate and intrastate pipelines are used to consummate gas sales and deliveries.

The principal customers for QMR's crude oil production are refiners, remarketers and other companies, some of which have pipeline facilities near the producing properties. In the event pipeline facilities are not conveniently available, crude oil is trucked to storage, refining or pipeline facilities.

Employees and Offices

As of October 1, 2000, the Company had 423 full-time employees. None of the Company's employees are represented by organized labor unions. The Company also engages independent consulting petroleum engineers, environmental professionals, geologists, geophysicists, landmen and attorneys on a fee basis.

The Company's executive offices are located at 180 East 100 South, P. O. Box 45601, Salt Lake City, Utah 84145-0601, and its telephone number is (801) 324-2600. Regional operating offices are also maintained in Denver, Colorado; Oklahoma City, Oklahoma; Tulsa, Oklahoma; Rock Springs, Wyoming; and Calgary, Alberta.

ITEM 2. FINANCIAL INFORMATION

Selected Financial Data

The following tables sets forth certain selected financial data of the Company. This information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this item, and the Consolidated Financial Statements and the notes thereto included in "Item 13. Financial Statements and Supplementary Data." The annual financial statements of QMR included in Item 13 of this Form 10 have been audited by Ernst & Young LLP, independent auditors, as experts in accounting and auditing. Information disclosed in the following table for the three months ended March 31, 2000 and 1999, and for the years ended December 31, 1996 and 1995 has not been audited.

	For the Three Months Ended March 31,		For the Year Ended December 31,				
	2000	1999	1999	1998	1997	1996	1995
(In Thousands)							
Revenues	\$141,761	\$115,846	\$498,311	\$458,272	\$523,640	\$484,080	\$309,466
Write-down of full cost oil and gas properties				31,000	6,000		
Write-down of gas gathering properties					3,000		
Operating income	25,675	14,343	76,778	25,629	54,837	64,688	43,853
Debt Expense	5,370	4,263	17,363	12,631	10,882	8,699	6,323
Income from continuing operations	15,049	8,253	45,866	16,725	39,111	42,447	31,654
Loss from discontinued operations				(563)	(1,021)	(322)	
Net Income	15,049	8,253	45,866	16,162	38,090	42,125	31,654
Net Cash provided from operating activities	31,132	36,971	140,857	127,513	136,935	83,309	79,596
Net cash used in investing activities	80,027	12,789	94,426	246,689	81,292	184,453	17,606
Net cash provided from (used in) financing activities	51,448	(21,510)	(48,281)	120,060	(54,615)	97,508	(63,200)
Cash dividends paid to Questar	4,325	4,150	16,600	15,900	16,325	14,500	13,000

	At March 31,		At December 31,				
	2000	1999	1999	1998	1997	1996	1995
(In Thousands)							
Total assets	\$918,334	\$804,227	\$847,891	\$815,153	\$696,675	\$696,754	\$457,620
Short-term debt	49,700	111,400	24,500	121,800	44,300	78,000	14,000
Long-term debt	293,074	186,008	264,894	181,624	133,387	120,000	53,000
Common equity	399,555	365,715	387,834	359,638	359,283	337,666	282,144

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis addresses changes in the Company's financial condition and results of operations.

Results of Operations -

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
	(In Thousands)				
Operating Income -					
Revenues					
Natural gas sales	\$36,772	\$28,011	\$125,245	\$98,767	\$89,489
Oil and natural gas liquids sales	15,198	7,959	41,521	36,722	53,722
Cost of service gas operations	17,730	15,658	61,705	61,448	52,950
Energy marketing	63,760	58,004	243,296	234,565	297,413
Gas gathering and processing	7,099	4,924	22,341	21,954	25,998
Other	1,202	1,290	4,203	4,816	4,068
Total revenues	141,761	115,846	498,311	458,272	523,640
Operating expenses					
Energy purchases	63,893	56,392	239,201	230,462	291,851
Operating and maintenance	22,918	20,169	79,916	73,763	72,958
Depreciation and amortization	20,977	19,605	78,608	71,377	67,078
Write-down of full cost oil and gas properties				31,000	6,000
Write-down of gas gathering properties					3,000
Other taxes	7,314	5,128	21,516	24,988	25,569
Wexpro settlement agreement - Oil income sharing	984	209	2,292	1,053	2,347
Total operating expenses	116,086	101,503	421,533	432,643	468,803
Operating income	\$ 25,675	\$ 14,343	\$ 76,778	\$ 25,629	\$ 54,837
Operating Statistics -					
Production volumes (excluding cost of service activities)					
Natural gas (MMcf)	16,950	15,048	62,712	51,309	47,442
Oil and NGL (MBbl)	554	606	2,311	2,340	2,377
Production revenue (excluding cost of service activities)					
Natural gas (per Mcf)	\$ 2.17	\$ 1.86	\$ 2.00	\$ 1.92	\$ 1.89
Oil and NGL (per Bbl)	\$ 21.64	\$ 10.65	\$ 13.92	\$ 12.70	\$ 17.77
Wexpro investment base, net of deferred income taxes (in thousands)					
	\$109,690	\$ 98,343	\$108,890	\$ 97,594	\$ 72,867
Energy-marketing volumes (in thousands of equivalent Dth)					
	27,025	34,159	112,982	113,513	142,601
Natural gas-gathering volumes (MDth)					
For unaffiliated customers	21,778	20,291	84,961	72,908	57,586
For Questar Gas	9,853	8,237	32,050	29,893	28,506
For other affiliated customers	5,164	4,559	19,659	17,720	17,679
Total gathering	36,795	33,087	136,670	120,521	103,771
Gathering revenue (per Dth)	\$0.14	\$0.16	\$0.15	\$0.16	\$0.21

Revenues

Revenues from natural gas sales were 27% higher in 1999 compared with 1998. Gas production rose 22% and selling prices were 4% higher. First quarter revenues from selling natural gas increased \$8.8 million as a result of a 17% increase in price and a 13% increase in volumes of gas produced. Production benefitted from a successful development drilling program and acquisition of Canadian producing properties in the first quarter of 2000. First quarter Canadian gas production grew 94% to 1.6 Bcf, while U.S. production increased 8% to 15.4 Bcf.

Revenues from selling oil and natural gas liquids, excluding cost of service activities, climbed 8% in 1999 due to a 10% increase in average selling prices. A 103% increase in the average price of oil and NGL more than offset the effect of lower production to result in a 86% increase in first quarter revenues. Production of oil and NGL decreased in the first quarter as a result of selling nonstrategic properties in the fourth-quarter of 1999. Higher prices also benefitted the operations of liquids-extraction plants that experienced improved results for the first quarter of 2000.

Revenues and product purchases for marketing activities both increased 4% in 1999 compared with 1998 resulting in no change in the margin year to year. In 1999, the Company received refunds from pipelines as a result of orders issued by FERC. Marketing volumes were unchanged year to year. While commodity prices increased during the first quarter of 2000, marketing volumes declined 21% due to decreased oil trading activity and the impact of unfavorable fixed transportation rates for natural gas.

Revenues from gas gathering and processing grew 2% in 1999. Gathering volumes increased 13% because of increased drilling and gas production in the Rocky Mountain region. A change in the terms of the gathering contract with Questar Gas reduced the gathering rate from \$.21 in 1997 to \$.16 per Dth in 1998 and also resulted in a \$3 million write-down of gathering assets in 1997 due to the projected reduction of gathering revenues. Volumes of gas gathered increased 11% in the first quarter of 2000, reflecting more production in the areas served by the Company.

During 1999, QMR had forward sale contracts in place on approximately 59% of its gas production at an average price of \$2.03 per Mcf, net back to the well. Approximately 56% of oil production, excluding cost of service oil production, was hedged at an average price of \$15.02 per barrel, net back to the well, which was equivalent to \$16.33 per barrel using the West Texas Intermediate benchmark. At December 31, 1999, approximately 52% of Company owned gas production in 2000 and 2001 was under hedging contracts with prices, net back to the well, between \$2.15 and \$2.23 per Mcf. Oil production in 2000 and 2001 is hedged at \$17.22 to \$17.67 per barrel, net back to the well, on approximately 84% of production, excluding cost of service production.

As of the end of the first quarter 2000, about 40% of natural gas production through the end of 2001 is hedged at an average price of \$2.15 per Mcf, net back to the well. Approximately 80% of oil production, excluding cost of service production, is hedged at an average price of \$17.22 per barrel, net back to the well through the end of 2001.

Expenses

A 31% drop in the average selling price of oil and NGL caused a \$31 million write-down of oil and gas properties in the fourth quarter of 1998 under full cost accounting rules. The write-down reduced income by \$18.5 million after taxes. Revenues for QMR decreased 12% in 1998 compared with 1997, due primarily to lower marketing revenues and lower selling prices for oil and NGL. Natural gas production increased 8% primarily as a result of producing properties acquired in September 1998. Lower commodity prices in Canada caused a \$6 million full cost write-down in 1997.

Operating and maintenance expenses were higher in the three-month period of 2000 when compared with the 1999 period primarily because of increased investment in producing properties. The Company added approximately 61.1 Bcfe of reserves and 800 wells with the first quarter 2000 acquisition of Canor. Operating and maintenance expenses increased 8% in 1999 primarily due to an increase in the number of gas and oil properties. Production costs in aggregate increased 10% in 1999 compared with 1998, but were 6% lower on an equivalent Mcf basis.

The combined U.S. and Canadian full cost amortization rate was \$.80 per Mcfe for the first quarter of 2000 compared with \$.83 for the comparable 1999 quarter. The lower rate was due to successfully adding reserves through drilling and

selling nonstrategic properties. Higher production volumes more than offset the lower amortization rates and resulted in increased amortization expense in the first quarter of 2000 when compared with the corresponding 1999 period. The full cost amortization rate decreased to \$.80 per Mcfe for 1999, down from \$.85 in 1998. However, depreciation and amortization expense increased 10% in 1999 because of higher gas production.

QMR achieved a five-year average full cost finding and acquisition cost of \$.90 per Mcfe in 1999 compared with \$.95 per Mcfe in 1998. With respect to Wexpro's cost of service activities, the five-year finding cost was \$.64 per Mcfe and \$.80 per Mcfe in 1999 and 1998, respectively.

Debt expense was \$10.9 million, \$12.6 million, and \$17.4 million in 1997, 1998, and 1999, respectively. Debt expense was higher in 1999 and 1998 when compared with the corresponding prior year because of higher levels of borrowings used to finance capital expansion. Debt expense was higher in the first quarter of 2000 compared to the 1999 period primarily because of increased borrowing for capital expenditures.

Effective income tax rates are below the combined federal, state and foreign statutory rate of about 40% primarily due to a portion of the Company's gas production qualifying for nonconventional fuel tax credits, which reduced income tax expense by \$5.3 million in 1999, \$5.7 million in 1998, and \$6.6 million in 1997. The effective income tax rate for the first quarter was 32.8% in 2000 and 24.3% in 1999. The Company recognized \$1.1 million of production-related tax credits in the first quarter of 2000 and \$1.3 million in the first quarter of 1999.

Operating Income and Net Income

QMR's operating income and net income increased 36% and 32%, respectively, in 1999 compared with 1998, excluding a 1998 full cost write-down. Primary factors were an increase in gas production, higher commodity prices and an increase in the Wexpro investment base. QMR's operating income and net income rose 79% and 82%, respectively, in the first quarter of 2000 when compared with the first quarter of 1999, due primarily to increased production of natural gas and higher prices received for gas, oil and NGL. Other factors include higher earnings from Wexpro and gas gathering and processing operations.

Wexpro's net income increased \$.7 million to \$5.8 million in the first quarter of 2000. Wexpro expanded its investment in development drilling prospects in response to higher regional demand. Wexpro's investment base, net of deferred income taxes, grew 12% to \$108.9 million as of December 31, 1999, through its successful development drilling program. Wexpro's investment base represents the unamortized portion of the dollars invested in those assets that are regulated by the Wexpro settlement agreement. Wexpro's effective after-tax return on investment in those properties was 18.9% at the end of the year. A summary of the Wexpro settlement agreement is provided in Note 10 of the Notes to Consolidated Financial Statements under Item 13 of this Form 10.

Gas gathering and processing and energy-marketing operations reported \$.9 million in combined earnings for the first quarter of 2000 versus \$.8 million a year ago. Volumes of gas gathered increased 11% in the first three months of 2000, reflecting more production in the areas served. Higher prices benefitted the operations of gas processing plants which experienced improved results for the first quarter of 2000. The plants extract and sell liquids from the natural gas stream. Increased commodity prices caused revenues from energy-marketing activities to be higher, but the impact of unfavorable fixed transportation rates and the settlement of gas imbalances resulted in an \$841,000 after-tax loss for energy-marketing activities in the first quarter of 2000.

Reserves

Excluding activities with respect to cost of service related reserves, QMR achieved a 131% reserve replacement ratio in 1999. The reserve replacement ratio measures the extent to which annual oil and gas production volumes are replaced in the current year through acquisitions, discoveries, development drilling, and revisions of prior estimates, less any sales of reserves that may have occurred. In 1999, reserve additions, revisions, and purchases amounted to 134 Bcfe with 108% of the reserve replacement ratio coming from drilling results and 23% from purchases. In 1999, QMR sold 34 Bcfe

of nonstrategic reserves mostly in the Permian Basin and Kansas with combined daily production of 4.3 MMcf of gas and 1,100 barrels of oil. The sale proceeds helped reduce the full cost amortization rate in the fourth quarter of 1999. Reserve replacement in 1998 was 260% and 170 Bcfe, primarily the result of acquiring an estimated 150 Bcfe of proved oil and gas reserves, primarily in Oklahoma, as well as in Texas, Arkansas and Louisiana. The proved reserves associated with properties qualifying for nonconventional fuel credits are not dependent upon the existence of the income tax credits to be economically producible and are not a significant part of QMR's proved reserves. The expiration of these credits on December 31, 2002 is not expected to have a significant impact on future operations or proved reserves.

Liquidity and Capital Resources -

Operating Activities: Net cash provided from operating activities was derived from the following:

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2000	1999	1999	1998	1997
(In Thousands)					
Net Income	\$15,049	\$ 8,253	\$ 45,866	\$ 16,162	\$ 38,090
Non-cash transactions	20,581	20,053	90,077	100,106	77,132
Changes in working capital	(4,498)	8,665	4,914	11,245	21,713
Net cash provided from operating activities	\$31,132	\$36,971	\$140,857	\$127,513	\$136,935

Net cash provided from operating activities in the first quarter of 2000 was \$5.8 million less than was generated in the first quarter of 1999. A decrease in cash flow from changes in operating assets and liabilities as a result of payments made on hedging account margin calls and timing differences in payments of general accounts payable more than offset the effects of higher net income.

Net cash provided from operating activities increased 10% in 1999 primarily due to higher net income. Cash flows from accounts receivable declined, representing increases in balances in 1999, due to higher commodity prices. The write-downs of oil and gas properties in both 1998 and 1997 and their effect on deferred income taxes were noncash transactions.

Investing Activities: Capital expenditures and other investing activities amounted to \$134.3 million in 1999, \$254.5 million in 1998, and \$92.3 million in 1997. Capital expenditures were \$80.3 million in the first quarter of 2000, which includes approximately \$61 million plus the assumption of \$5.4 million in short-term debt for the purchase of Canor. In the first quarter of 1999, capital expenditures totaled \$14.1 million. Following is a summary of capital expenditures for 1999 and 1998, and a forecast for 2000:

Year Ended December 31,

2000 Forecast	1999	1998
------------------	------	------

(In Thousands)

Capital expenditures and other investing activities	2000 Forecast	1999	1998
Exploratory drilling	\$ 3,100	\$ 1,538	\$ 5,898
Development drilling	83,400	64,642	60,402
Other exploration	4,100	19,464	6,789
Reserve acquisitions	61,500	3,704	158,000
Production	13,500	12,856	8,434
Gathering and processing	4,800	12,703	11,046
General and other	300	19,362	3,977
	\$175,700	\$134,269	\$254,546

Capital expenditures in 1999 were primarily comprised of exploration and development of gas and oil reserves and a \$9.1 million equity contribution in a partnership that operates a liquids processing plant. QMR participated in drilling 235 wells (93 net wells) in 1999 that resulted in 167 gas wells, 10 oil wells, 19 dry holes and 39 wells in progress at year end. The 1999 drilling success rate was 90%.

Financing Activities: Net cash flow provided from operating activities was sufficient to fund 1999 capital expenditures. The Company used the proceeds of long-term debt and collection of notes receivable to reduce short-term borrowings and refinance reserved-based, long-term debt used to acquire gas and oil reserves in 1998. Proceeds from a sale of nonstrategic gas and oil properties were placed in an escrow account pending a reinvestment in strategic-producing properties.

In 1999, QMR entered into a long-term senior-revolving-credit facility with a syndication of banks. The credit facility currently has a \$300 million capacity. QMR had outstanding \$293.1 million and \$264.9 million as of March 31, 2000 and December 31, 1999, respectively, under this arrangement. Net working capital was negative at March 31, 2000 and December 31, 1999, because of short-term borrowings. These borrowings are typical of a company expanding operations.

In the first quarter of 2000, QMR financed capital expenditures, including the acquisition of Canor, through borrowings from Questar, from an existing long-term debt arrangement, and from net cash provided from operating activities. Debt balances owed to Questar as of March 31, amounted to \$49.7 million in 2000 and \$75.7 million in 1999, net of notes receivable from Questar. QMR intends to finance 2000 capital expenditures through net cash provided from operations, borrowings from Questar, and borrowings under QMR's existing long term credit facility.

QMR's consolidated capital structure consisted of 41% long-term debt and 59% common shareholder's equity at December 31, 1999, and 42% long-term debt and 58% common shareholder's equity at March 31, 2000.

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 Canadian operation that subjects it to exchange-rate risk. QMR also has reserved certain volumes of pipeline capacity for which it is obligated to pay \$3 million annually for the next seven years, whether or not it is able to market the capacity to others.

Energy Price Risk Management: Energy-price risk is a function of changes in commodity prices as supply and demand fluctuate. QMR bears a majority of the risk associated with changes in commodity prices. A primary objective of

energy-price hedging is to protect product sales from adverse changes in energy prices. The Company does not enter into hedging contracts for speculative purposes.

At March 31, 2000, hedge contracts held by QMR covered price exposure for about 58.6 million Dth and 2.1 MMBbl of oil. QMR held hedge contracts covering the price exposure for about 72.1 million Dth of gas and 2.4 MMBbl of oil at December 31, 1999. A year earlier the contracts covered 45.3 million Dth of natural gas and 464,000 barrels of oil. The hedging contracts exist for a significant share of QMR owned gas and oil production and for a portion of gas-marketing transactions. Hedge contracts at March 31, 2000 and December 31, 1999, had terms extending through December 2001, with about 53% and 65%, respectively, expiring by the end of 2000.

The mark-to-market adjustment of gas and oil price-hedging contracts at March 31, 2000, was a negative \$31.5 million. A 10% decline in gas and oil prices would cause a positive \$18.0 million mark-to-market adjustment resulting in a negative \$13.5 million balance on that date. Conversely, a 10% increase in prices results in a \$18.6 million negative mark-to-market adjustment resulting in a negative \$50.2 million balance as of March 31, 2000. Comparatively, the mark-to-market adjustment of gas and oil price-hedging contracts at December 31, 1999, was a negative \$6.2 million. A 10% decline in gas and oil prices would cause a positive \$16.7 million mark-to-market adjustment resulting in a \$10.5 million balance. A 10% increase in prices results in a \$16.3 million negative mark-to-market adjustment resulting in a negative \$22.5 million balance. The fair value of hedging contracts at December 31, 1998, was \$6 million. A 10% decline in gas and oil prices would cause the fair value of the contracts to increase by \$3.9 million. A 10% increase in prices results in a \$4.1 million lower fair value calculation. The mark-to-market calculations used energy prices posted on the NYMEX for the indicated measurement dates. These sensitivity calculations do not consider the effect of gains or losses recognized on the underlying physical side of these transactions, which should largely offset the change in value.

Interest Rate Risk Management: The Company owed \$293.1 million of variable-rate long term debt at March 31, 2000, \$264.9 million at December 31, 1999, and \$181.6 million at December 31, 1998. The book value of variable rate debt approximates its fair value. If interest rates change by 10%, interest costs would increase or decrease about \$1.7 million in 1999 and \$1.1 million in 1998, correspondingly. This sensitivity calculation does not represent the cost to retire the debt securities.

Securities Available for Sale: Securities available for sale represent equity instruments traded on national exchanges. The value of these investments is subject to day to day market volatility. A 10% change in prices would either increase or decrease the value by \$1.0 million at December 31, 1999 and \$1.3 million at March 31, 2000.

Foreign Currency Risk Management: The Company does not hedge the Canadian currency exposure of its Canadian operation's net assets. The net assets of the foreign operation were negative at December 31, 1999 and March 31, 2000. Long-term debt held by the foreign operation, amounting to \$59.9 million (U.S.) at December 31, 1999 and \$66.6 million (U.S.) at March 31, 2000, is expected to be repaid from future operations of the foreign company. As more fully described under "Item 3. Properties - Recent Developments" herein, QMR expanded its foreign operations during January 2000 when it purchased 100% of the outstanding common stock of Canor for approximately \$61 million (U.S.) plus the assumption of \$5.4 million (U.S.) of short-term debt.

Litigation -

QMR, or one of its subsidiaries, is a party to various legal actions arising in the normal course of business. QMR and Questar are also among the named defendants in a class action lawsuit (Bridenstine vs. Kaiser-Francis Oil Company) that claims damages that have at times been estimated in excess of \$80 million, plus punitive damages. See "Item 8. Legal Proceedings." The Company regularly reviews potential liabilities related to legal proceedings and records appropriate accruals after considering estimates of the outcome of such matters and the Company's experience in contesting, litigating, and settling similar matters. While it is not currently possible to predict or determine the outcome of the various legal actions, it is the opinion of management that the outcomes will not have a material adverse effect on the Company's future results of operations, financial position, or liquidity.

Questar established a team to address the issue of computer programs and embedded computer chips being unable to distinguish between the year 1900 and the year 2000 ("Y2K"). The team identified 55 projects among Questar and its affiliated companies that were assessed, remediated, tested, and determined to be completed. In the process, Questar employees contacted more than 8,000 vendors and suppliers to assess their readiness to meet obligations to Questar. The cost of the Y2K project was approximately \$5.1 million and QMR's share of those costs was \$.4 million.

The Company did not experience a disruption of operations because of Y2K. Preparation for Y2K provided several benefits. The Company completed an inventory of its primary systems and a testing laboratory. Systems were tested and remediated where necessary. The testing laboratory will become an important part of the information-technology management. In response to the Y2K challenge, business contingency plans were revised and successfully tested.

ITEM 3. PROPERTIES

Reserves

The following table sets forth the Company's estimated proved reserves, the 10% present value of the estimated future net revenues therefrom and the standardized measure of discounted net cash flows as of December 31, 1999. QMR's reserves were estimated by Ryder Scott Company, H. J. Gruy and Associates, Inc., Netherland, Sewell & Associates, Inc., Malkewicz Hueni Associates, Inc., and Gilbert Laustsen Jung Associates Ltd., independent petroleum engineers. The Company does not have any long-term supply contracts with foreign governments or reserves of equity investees or of subsidiaries with a significant minority interest. These proved reserve volumes do not include cost of service reserves managed and developed by Wexpro for Questar Gas.

	December 31, 1999		Total
	United States	Canada	
Estimated proved reserves			
Natural gas (Bcf)	493.8	20.7	514.5
Oil and NGL (MMBbls)	11.1	2.8	13.9
Proved developed reserves (Bcfe)	471.4	32.5	503.9
Present value of estimated future net revenues before future income taxes discounted at 10% (in thousands) (1)	\$509,522	\$48,568	\$558,090
Standardized measure of discounted net cash flows (in thousands)(2)	\$402,771	\$41,663	\$444,434

(1) Estimated future net revenue represents estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and development costs (but excluding the effects of general and administrative expenses; debt service; depreciation, depletion and amortization; and income tax expense).

(2) The standardized measure of discounted net cash flows prepared by the Company represent the present value of estimated future net revenues after income taxes, discounted at 10%.

Estimates of the Company's proved reserves and future net revenues are made using sales prices estimated to be in effect as of the date of such reserve estimates and are held constant throughout the life of the properties (except to the extent a contract specifically provides for escalation). Estimated quantities of proved reserves and future net revenues therefrom are affected by natural gas and oil prices, which have fluctuated widely in recent years. There are numerous uncertainties

inherent in estimating natural gas and oil reserves and their estimated values, including many factors beyond the control of the producer. The reserve data set forth in this document represents only estimates. Reservoir engineering is a subjective process of estimating underground accumulations of natural gas and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgement. As a result, estimates of different engineers, including those used by the Company, may vary. In addition, estimates of reserves are subject to revision based upon actual production, results of future development and exploration activities, prevailing natural gas and oil prices, operating costs and other factors, which revisions may be material. Accordingly, reserve estimates are often different from the quantities of natural gas and oil that are ultimately recovered and are highly dependent upon the accuracy of the assumptions upon which they are based.

Reference should be made to Note 13 of the Notes to Consolidated Financial Statements included in Item 13 of this document for additional information pertaining to the Company's proved natural gas and oil reserves as of the end of each of the last three years. During 2000, the Company filed estimates of oil and gas reserves as of December 31, 1999, with the U. S. Department of Energy's Energy Information Administration ("EIA") on Form EIA-23. Reserve estimates filed on Form EIA-23 are based upon the same underlying technical and economic assumptions as the estimates of the Company's reserves included herein. However, the EIA requires reports to include the interests of all owners in wells that the Company operates and to exclude all interests in wells that the Company does not operate.

The following charts illustrate QMR's reserve statistics for the years ended December 31, 1995 through 1999:

Oil and Gas Reserves (Bcfe)*

Year	Year-End Reserves	Annual Production	Reserve Life (Years)
1995	311.3	42.5	7.3
1996	493.6	51.5	9.6
1997	469.3	61.7	7.6
1998	574.1	65.3	8.8
1999	597.6	76.6	7.8

* Does not include cost of service reserves managed and developed by Wexpro for Questar Gas.

Proportion of Proved Developed to Proved Reserves
and Proportion of Gas Reserves (Bcfe)*

Year	Total Proved Reserves	Proved Developed Reserves	Developed Percent of Total	Natural Gas Percentage of Proved Reserves
1995	311.3	293.8	94%	83%
1996	493.6	410.1	83%	78%
1997	469.3	392.9	84%	81%
1998	574.1	506.0	88%	85%
1999	597.6	503.9	84%	86%

* Does not include cost of service reserves managed and developed by Wexpro for Questar Gas.

Geographic Diversity of Producing Properties

The following table summarizes proved reserves by the Company's major operating areas at December 31, 1999:

	Proved Reserves* (Bcfe)	% of Total
Mid-Continent	335.1	56.1%
Rocky Mountain Region (exclusive of Pinedale)	139.7	23.3%
Pinedale Anticline	54.7	9.2%
Western Canada Sedimentary Basin	37.4	6.3%
San Juan Basin	30.7	5.1%
	597.6	100.0%

* Does not include cost of service reserves managed and developed by Wexpro for Questar Gas.

Production

The following table sets forth the Company's net production volumes, the average sales prices per Mcf of gas, Bbl of oil and Bbl of natural gas liquids produced, and the production cost per Mcfe for the three months ended March 31, 2000 and 1999 and for the years ended December 31, 1999, 1998, and 1997, respectively:

	Three Months Ended March 31,		Year Ended December 31,		
	2000	1999	1999	1998	1997
United States (excluding cost of service activities)					
Volumes produced and sold					
Gas (Bcf)	15.4	14.2	59.8	48.6	44.3
Oil and NGL (MMBbls)	.4	.5	1.9	1.9	2.1
Sales Prices:					
Gas (per Mcf)	\$ 2.20	\$ 1.88	\$ 2.02	\$ 1.95	\$ 1.92
Oil and NGL (per Bbl)	\$21.66	\$10.70	\$13.31	\$12.41	\$17.90
Production costs per Mcfe	\$.62	\$.60	\$.59	\$.64	\$.65
Canada					
Volumes produced and sold					
Gas (Bcf)	1.6	.8	2.9	2.7	3.1
Oil and NGL (MMBbls)	0.2	0.1	0.4	0.4	0.3
Sales Prices:					
Gas (per Mcf)	\$ 1.90	\$ 1.48	\$ 1.61	\$ 1.40	\$ 1.35
Oil and NGL (per Bbl)	\$21.58	\$10.47	\$16.56	\$14.09	\$16.80
Production costs per Mcfe	\$.72	\$.61	\$.67	\$.58	\$.52

Productive Wells

The following table summarizes the Company's productive wells, including productive cost of service wells included in Wexpro's investment base, as of December 31, 1999:

	Productive Wells (1) (2) (3)					
	Gas Wells		Oil Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
United States	3,228	1,220.1	1,249	484.5	4,477	1,704.6
Canada	82	22.3	92	27.2	174	49.5
Total:	3,310	1,242.4	1,341	511.7	4,651	1,754.1

- (1) Although many of the Company's wells produce both oil and gas, a well is categorized as either an oil well or a gas well based upon the ratio of oil to gas production.
- (2) Each well completed to more than one producing zone is counted as a single well. There were 134 gross wells with multiple completions.
- (3) Wexpro's investment base represents the dollars invested in development drilling on cost of service properties that are regulated by the Wexpro settlement agreement. A summary of the Wexpro settlement agreement is provided in Note 10 of the Notes to Consolidated Financial Statements under Item 13 herein.

The Company also held numerous overriding royalty interests in gas and oil wells, a portion of which are convertible to working interests after recovery of certain costs by third parties. After converting to working interests, these overriding royalty interests will be included in the Company's gross and net well count.

Leasehold Acreage

The following table summarizes developed and undeveloped leasehold acreage in which the Company owns a working interest as of December 31, 1999. "Undeveloped Acreage" includes (i) leasehold interests that already may have been classified as containing proved undeveloped reserves; and (ii) unleased mineral interest acreage owned by the Company. Excluded from the table is acreage in which the Company's interest is limited to royalty, overriding royalty, and other similar interests.

Leasehold Acreage - December 31, 1999

	Developed (1)		Undeveloped (2)		Total	
	Gross	Net	Gross	Net	Gross	Net
United States						
Arizona	-	-	480	450	480	450
Arkansas	37,729	16,569	8,984	4,478	46,713	21,047
California	80	28	35,011	15,322	35,091	15,350
Colorado	176,604	123,974	207,853	105,449	384,457	229,423
Idaho	-	-	44,175	10,643	44,175	10,643
Illinois	172	39	14,307	3,997	14,479	4,036
Indiana	-	-	1,621	467	1,621	467
Kansas	134	134	7,761	2,471	7,895	2,605
Kentucky	-	-	14,461	5,468	14,461	5,468
Louisiana	15,246	9,992	251	251	15,497	10,243
Michigan	-	-	6,200	1,266	6,200	1,266
Minnesota	-	-	313	104	313	104
Mississippi	25,706	21,408	-	-	25,706	21,408
Montana	25,445	10,707	319,588	58,438	345,033	69,145
Nevada	320	280	680	543	1,000	823
New Mexico	92,497	68,188	31,765	9,313	124,262	77,501
North Dakota	1,333	375	145,841	21,580	147,174	21,955
Ohio	-	-	202	43	202	43
Oklahoma	1,570,227	294,207	52,736	33,296	1,622,963	327,503
Oregon	-	-	43,869	7,671	43,869	7,671
South Dakota	-	-	204,558	107,988	204,558	107,988
Texas	167,690	60,170	50,571	39,515	218,261	99,685
Utah	45,712	35,001	109,180	43,818	154,892	78,819
Washington	-	-	26,631	10,149	26,631	10,149
West Virginia	969	115	-	-	969	115
Wyoming	216,991	138,681	445,315	271,418	662,306	410,099
Total U.S.	2,376,855	779,868	1,772,353	754,138	4,149,208	1,534,006
Canada						
Alberta	42,080	11,910	61,760	18,541	103,840	30,451
British Columbia	34,259	8,855	39,169	22,977	73,428	31,832
Total Canada	76,339	20,765	100,929	41,518	177,268	62,283
Total Acreage	2,453,194	800,633	1,873,282	795,656	4,326,476	1,596,289

(1) Developed acres are acres spaced or assignable to productive wells.

(2) Undeveloped acreage is leased acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains proved reserves. Of the aggregate 1,873,282 gross and 795,656 net undeveloped acres, 123,501 gross and 36,105 net acres are held by production from other leasehold acreage.

Substantially all the leases summarized in the preceding table will expire at the end of their respective primary terms unless the existing leases are renewed or production has been obtained from the acreage subject to the lease prior to that date, in which event the lease will remain in effect until the cessation of production. The following table sets forth the gross and net acres subject to leases summarized in the preceding table that will expire during the periods indicated:

	Acres Expiring	
	Gross	Net
Twelve Months Ending:		
December 31, 2000	91,504	39,918
December 31, 2001	96,177	31,322
December 31, 2002	39,971	13,082
December 31, 2003	95,043	52,366
December 31, 2004 and later	1,550,587	658,968

Drilling Activity

The following table summarizes the number of development and exploratory wells drilled by the Company, including cost of service development drilling conducted by Wexpro, during the years indicated.

	Year Ended December 31,					
	1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net
Development Wells						
United States:						
Completed as natural gas wells	159	78.4	105	54.6	82	27.4
Completed as oil wells	5	2.4	29	1.0	64	6.6
Dry holes	15	6.1	12	3.7	18	5.7
Waiting on completion	29	-	13	-	26	-
Drilling	6	-	9	-	15	-
Canada:						
Completed as natural gas wells	7	1.2	4	0.9	4	0.9
Completed as oil wells	5	1.9	12	4.0	4	1.3
Dry holes	2	1.3	4	1.2	3	0.9
Waiting on completion	2	-	2	-	6	-
Drilling	-	-	1	-	2	-
Total Development Wells	230	91.3	191	65.4	224	42.8

Exploratory Wells

United States:

Completed as natural gas wells	1	0.2	5	1.6	4	1.6
Completed as oil wells	-	-	1	.6	-	-
Dry holes	2	1.1	4	1.4	1	0.3
Waiting on completion	1	-	-	-	2	-
Drilling	1	-	-	-	-	-

Canada:

Completed as natural gas wells	-	-	-	-	1	-
Completed as oil wells	-	-	1	.3	2	0.1
Dry holes	-	-	3	1.4	-	0.7
Waiting on completion	-	-	-	-	1	-

Total Exploratory Wells	5	1.3	14	5.3	11	2.7
Total Wells	235	92.6	205	70.7	235	45.5

Operation of Properties

The day-to-day operations of oil and gas properties are the responsibility of an operator designated under pooling or operating agreements. The operator supervises production, maintains production records, employs field personnel and performs other functions. The charges under operating agreements customarily vary with the depth and location of the well being operated.

QMR is the operator of approximately 50% of its wells. As operator, QMR receives reimbursement for direct expenses incurred in the performance of its duties as well as monthly per-well producing and drilling overhead reimbursement at rates customarily charged in the area to or by unaffiliated third parties. In presenting its financial data, QMR records the monthly overhead reimbursement as a reduction of general and administrative expense, which is a common industry practice.

Title to Properties

Title to properties is subject to royalty, overriding royalty, carried, net profits, working and other similar interests and contractual arrangements customary in the oil and gas industry, liens for current taxes not yet due and, in some instances, to other encumbrances. The Company believes that such burdens do not materially detract from the value of such properties or from the respective interests therein or materially interfere with their use in the operation of the business.

As is customary in the industry in the case of undeveloped properties, little investigation of record title is made at the time of acquisition (other than a preliminary review of local records). Investigations, generally including a title opinion of outside counsel, are made prior to the consummation of an acquisition of producing properties and before commencement of drilling operations on undeveloped properties.

Recent Developments

Canadian Acquisition - On January 26, 2000, the Company completed the acquisition of all of the outstanding shares of Canor Energy Ltd., an oil and gas exploration company based in Calgary, Alberta, Canada. Canor owns and/or

operates more than 800 wells located primarily in the province of Alberta, as well as in the provinces of British Columbia and Saskatchewan. The combination of Canor with Celsius Ltd. will expand the Company's reported proved reserves by approximately 61.1 Bcfe, or 10%, and add about 150,000 net acres to the Company's Canadian undeveloped leasehold inventory, principally in the province of Alberta. The purchase price for the cash transaction was approximately \$61 million (U.S.) plus the assumption of \$5.4 million (U.S.) of short-term debt.

The Canor acquisition will provide a broader operating and financial base for the Company's Canadian activities, particularly in the areas of exploration and exploitation opportunities. It is anticipated that Celsius Ltd. and Canor will be amalgamated into a single entity at some point in the future.

Pinedale Project - In January 2000, Questar E&P and Wexpro completed a high-volume producing well in the Company's Pinedale Anticline development in Sublette County, Wyoming. The Mesa Unit No. 3 produced 11.4 MMCF of natural gas into a pipeline and 113 barrels of oil from the Lance Formation during the initial 24-hour period. The Lance Formation in the Pinedale Anticline area is a geologic structure comprised of many discrete sandstone intervals found at depths between 8,500 and 13,500 feet. The Mesa Unit No. 3 was drilled to a total measured depth of 13,055 feet and was fracture-stimulated (a production enhancement technique) in 11 individual sandstone intervals. Questar E&P and Wexpro have a combined 93.8% working interest in the well. While this is not a new discovery -- the first test well into the Pinedale Anticline was drilled in 1939 and Questar drilled its first acreage holding well in this area in 1963 - it has only been recently that improvements in well completion and production enhancement technology has provided the means to attain higher production rates from multiple sand intervals such as the Lance Formation at a reasonable cost. The Company has completed a second Mesa Unit well - No. 6 - located about one-half mile south of the Mesa Unit No. 3. The second well encountered a similar number of potentially productive sandstone intervals, and initial test results are comparable to the Mesa Unit No. 3. A third well failed to produce economic quantities of gas because of lower-quality reservoir rock. The unsuccessful well does not diminish the Company's expectations for the development potential of its 14,800 gross acres in the Mesa area of the Pinedale Anticline where QMR subsidiaries own a combined average 60% working interest.

As of June 30, 2000, there were eight proved developed producing wells on the Company's acreage in the Pinedale area. Malkewicz Hueni Associates, Inc., independent petroleum engineers, have identified an additional 28 proved undeveloped locations, based on SEC definitions and guidelines, on the Company's acreage. The gross reserve range for the proved developed wells was 3.1 to 7.5 Bcfe and the gross reserve range for the proved undeveloped locations was 3.1 to 6.4 Bcfe. An average completed well cost of \$2,350,000 was assumed for the proved undeveloped locations. Based on 80-acre spacing, which is less dense than the 40-acre spacing currently permitted by the State of Wyoming, the Company estimates the potential for 130 or more drilling locations within the Company's acreage in the Pinedale Anticline.

On July 27, 2000, the Wyoming State Office of the Bureau of Land Management ("BLM") issued its Record of Decision ("ROD") approving the Pinedale Anticline natural gas project under the Resource Protection Alternative of its Environmental Impact Statement, as modified. The ROD allows 700 producing well pads in the area, which encompasses approximately 197,000 acres, including the Company's acreage, and does not restrict the number of drilling rigs to be employed. The Company is currently employing five contract drilling rigs to drill the first five wells of an 8 to 10 well program planned for the remainder of 2000. The accelerated rate of drilling activity is necessary in order to complete the drilling program prior to November 15, the required date to cease drilling activity due to winter wildlife habitat restrictions.

Office Leases

Questar E&P and Wexpro lease office space under a sublease from Questar for its corporate headquarters at 180 East 100 South, Salt Lake City, Utah 84145. The Company also leases regional office space at various locations in the United States and Canada. For information concerning the Company's lease obligations, see Note 7 of the Notes to Consolidated Financial Statements appearing elsewhere in this Form 10.

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All of the outstanding shares of common stock (\$1.00 par value per share) of QMR are owned by Questar, whose principal executive offices are located at 180 East 100 South, Salt Lake City, Utah 84111. Questar possesses sole voting and investment power with respect to such shares of common stock.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

The executive officers and directors of the Company are set forth in the following table:

Name	Position	Age
R. D. Cash	Chairman	58
G. L. Nordloh	President, CEO and Director	53
S. E. Parks	Vice President, Treasurer & CFO	49
M. B. McGinley	Vice President	51
M. L. Owen	Vice President, Administrative Services	49
C. C. Holbrook	Secretary	54
Teresa Beck	Director	46
P. J. Early	Director	67
C. M. Heiner	Director	62
W. N. Jones	Director	74

R. D. Cash, 58, Chairman of the Board of Directors, Questar (May 1985); President and Chief Executive Officer and Director, Questar (since 1977); Chairman of the Boards of Directors, all Questar affiliates (other than Questar Energy Trading); President and Chief Executive Officer, QMR (from April 1982 to August 1998). Mr. Cash also serves as a Director of Zions Bancorporation and Associated Electric and Gas Insurance Services Limited. He is a member of the Board of Directors of the Federal Reserve Bank (Salt Lake City Branch) of San Francisco and is a Trustee of the Salt Lake Organizing Committee for the Olympic Winter Games of 2002.

Gary L. Nordloh, 53, President and Chief Executive Officer, QMR (August 1998) and all subsidiaries (commencing at various times beginning in March 1991); Vice President, QMR (May 1996 to August 1998); Executive Vice President, Questar (February 1996); Senior Vice President, Questar (March 1991 to February 1996); Director, Questar (October 1996); Director, QMR (May 1991), and all QMR subsidiaries (various times beginning in June 1989). Prior to joining the Questar organization in 1984, Mr. Nordloh was Vice President of Engineering and Operations for Hamilton Brothers Petroleum for three years and Division Engineering Manager (and various other assignments) for Amoco Production Company for nine years. Mr. Nordloh received a bachelor's degree in Petroleum Engineering from the Colorado School of Mines. He serves on the Board of Directors of Mountain States Legal Foundation; is Past-President of Rocky Mountain Oil and Gas Association (1995-1997); a member of the Society of Petroleum Engineers since 1974; is Past-President of the Society of Petroleum Engineers (Denver Section); and served as a Regional Vice President of the Independent Petroleum Association of America from 1989 to 1995.

S. E. Parks, 49, Vice President, Treasurer and Chief Financial Officer, Questar and all affiliates except Questar Energy Trading (February 1996); Treasurer, Questar and affiliates (at various dates beginning in May 1984); Director, Questar E&P (May 1996). Mr. Parks received a B.A. degree in Accounting and a M.B.A. degree in Finance from the University of Utah. Since joining Questar in 1974, he has held a variety of management positions in the auditing, accounting and financial areas. Prior to joining Questar, Mr. Parks was with the Academic and Financial Planning Department of the University of Utah.

M. B. McGinley, 51, Vice President, QMR (August 1998) and all subsidiaries (various dates beginning in February 1990); General Manager, Questar Energy Trading (October 1995) and Questar Gas Management (July 2000); Director, Questar Energy Trading (August 1998). Mr. McGinley has worked for various Questar affiliates for 31 years in a variety of engineering and marketing assignments. He holds a Bachelor of Science Degree in Chemical Engineering and a Master of Science Degree in Mechanical Engineering from the University of Utah. He is a registered professional engineer in Utah and Colorado and a member of the Independent Petroleum Association of America, and Rocky Mountain Oil and Gas Association and the Pacific Coast Gas Association.

M. L. Owen, 49, Vice President, Administrative Services, QMR (August 1998) and all subsidiaries (various dates beginning in April 1989); Director, Questar Energy Trading (August 1998). Mr. Owen has been associated with QMR since its acquisition of Universal Resources Corporation in 1987. From 1982 to 1989, he served as Treasurer of Universal Resources. Prior to joining Universal Resources, Mr. Owen was employed with Arthur Andersen & Co. for eight years with various duties, including Audit Manager. He is a Certified Public Accountant, receiving his Accounting degree from Texas Tech University. Mr. Owen is a member of the Independent Petroleum Association of America and the Utah Association of Certified Public Accountants.

C. C. Holbrook, 54, General Counsel, Questar (March 1999); Vice President Questar (October 1984); Corporate Secretary, Questar and all affiliates except Questar Energy Trading (various dates beginning in March 1982); Director, Questar E&P and Questar Gas Management (various dates beginning in May 1985).

Teresa Beck, 46, Director, Questar (October 1999); Director, QMR (October 1999). Ms. Beck was President of American Stores from 1998 to 1999. She also served as American Stores' Chief Financial Officer from 1993 to 1998. She serves as a Director of Textron, Inc. and Albertson's Inc. and is a Trustee of Intermountain Health Care, Inc., The Children's Center, and the Salt Lake Organizing Committee for the Olympic Winter Games of 2002.

P. J. Early, 67, Director, QMR (August 1995); Director, Questar (August 1995). Mr. Early served as Vice Chairman of Amoco Corporation from July of 1992 until his retirement in April 1995. He was also a Director of Amoco Corporation from 1989 to his retirement. He is a member of the Board of Trustees of the Museum of Science and Industry in Chicago.

Clyde M. Heiner, 62, Chief Operating Officer, Consonus, Inc., a Questar affiliate (August 2000); Senior Vice President, Questar (May 1984 to June 2000); President and Chief Executive Officer, Questar InfoComm (February 1993 to June 2000); Director, QMR (May 1984).

W. N. Jones, 74, Director, QMR (May 1989); Senior Director, Questar (May 1998); Director, Questar (May 1981 to May 1998). Mr. Jones is Chairman of the Board, Lite Touch Inc., and a Trustee of Intermountain Health Care, Inc.

ITEM 6. EXECUTIVE COMPENSATION

Omitted.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Omitted.

ITEM 8. LEGAL PROCEEDINGS

Questar E&P, as well as other QMR affiliates and Questar, are among the named defendants in a class action lawsuit commenced in 1995 involving royalty payments in Oklahoma state court for Texas County, Oklahoma. In Bridenstine vs. Kaiser-Francis Oil Company, the plaintiffs alleged various fraud and contract claims against all defendants for a 17-year period. While this litigation does not specify the amount of damages being claimed, estimates have at times been in excess of \$80 million, plus punitive damages. The plaintiffs' primary claim alleges that a transportation fee charged

against royalty payments was improper or excessive. The claims involve wells connected to an intrastate pipeline system that Questar Gas Management presently owns and operates. The suit also alleges claims for mismeasurement of gas and failure to market the gas for the "best available price." Kaiser-Francis and Questar E&P are the major working interest owners and operators of a majority of the wells connected to this pipeline system. QMR disputes plaintiffs' claims and will continue to vigorously defend against such litigation. QMR cannot predict the outcome of the lawsuit, which will be tried before a jury beginning in February 2001 and which may result in a material adverse judgment.

At year end, Questar E&P was a defendant in a case styled Greghol Limited Partnership vs. Universal Resources Corporation, filed in Oklahoma state court, which was originally asserted as a statewide class action raising issues relative to calculation of royalties, and whether such calculations should reflect deductions for certain post-production costs. Relief sought by the plaintiff was unspecified. The Court has sustained Questar E&P's motion to de-certify the class. Questar E&P disputes these claims. In August 2000, plaintiff voluntarily dismissed the case without prejudice.

In United States ex rel. Grynberg v. Questar Corp., et al., each of Questar Gas Management, Wexpro and Universal Resources Corporation d/b/a Questar Energy Trading Company are named as defendants in a case involving allegations of gas mismeasurement and of improper royalty valuations. The plaintiff filed on behalf of the federal government to recover underpaid royalties under the False Claims Acts, and the Department of Justice declined to intervene. Relief sought by the plaintiff is unspecified. This case and 75 substantially similar cases filed by the plaintiff have been consolidated for discovery and pre-trial rulings in Wyoming's federal district court. Motions to dismiss have been filed. The QMR subsidiaries dispute these claims.

Questar Energy Trading and Questar Gas Management, two of the Company's wholly owned subsidiaries, have been added as defendants in a lawsuit filed by Jack Grynberg, an independent producer, pending in a Utah state district court (Grynberg v. Questar Pipeline Company). The lawsuit was originally filed against Questar Pipeline Company, an affiliate of the Company in Questar's Regulated Services unit, in September of 1999. It alleges that the Questar defendants mismeasured gas volumes attributable to his working interest from a property in southwestern Wyoming. The plaintiff cites mismeasurement to support claims for breach of contract, negligent misrepresentation, fraud, breach of fiduciary responsibilities and alleges damages of \$27 million. The Questar defendants have filed a comprehensive motion to dismiss the complaint on several grounds including expiration of the applicable statute of limitations, no basis for independent tort claims, and federal preemption.

In Quinque Operating Company v. Gas Pipelines, et al., each of Questar Gas Management, Wexpro and Universal Resources Corporation (now known as Questar E&P) is named as a defendant in a lawsuit involving allegations of mismeasurement of natural gas resulting in underpayment of royalties to private and state lessors. Relief sought by the plaintiff is unspecified. Plaintiffs have asked that the case be certified as a nationwide class action. The case was removed from state to federal court and a motion to remand is pending. There are over 220 defendants. The QMR subsidiaries dispute these claims.

Royalty class actions such as Quinque are being asserted in numerous states against other companies in the oil and gas production and marketing businesses in which QMR's subsidiaries participate. Accordingly, QMR expects similar royalty class actions to be filed in other states in which it has significant production and marketing activities such as Wyoming and Colorado, although such actions have not yet been filed and are not currently threatened.

There are various other legal proceedings against subsidiaries of QMR.

The Company regularly reviews potential liabilities related to legal proceedings and records accruals after considering estimates of the outcome of such matters and our experience in contesting, litigating, and settling similar matters. While it is not currently possible to predict or determine the outcomes of the Bridenstine case or various other legal proceedings against QMR, it is the opinion of management that the outcomes will not have a material adverse effect on the Company's future results of operations, financial position or liquidity.

Also see Note 7 of the Notes to Consolidated Financial Statements under Item 13 of this Form 10.

ITEM 9. MARKET PRICE OF AND DIVIDENDS OF THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The common stock of the Company is owned entirely by Questar and, therefore, there is no trading of the Company's stock. Dividends of \$4.3 million, \$16.6 million, \$15.9 million, and \$16.3 million were declared and paid during the three months ended March 31, 2000, and the years ended December 31, 1999, 1998 and 1997, respectively. See Note 4 of the Notes to Consolidated Financial Statements under Item 13 of this Form 10 regarding restrictions as to dividend availability.

ITEM 10. RECENT SALES OF UNREGISTERED SECURITIES

There have been no sales of unregistered securities by the Company.

ITEM 11. DESCRIPTION OF REGISTRANT'S SECURITIES TO BE REGISTERED

The following description of the capital stock of the Company and certain provisions of the Company's Amended Articles of Incorporation and Bylaws is a summary and is qualified in its entirety by the provisions of the Amended Articles of Incorporation and Bylaws, which have been filed as exhibits to this Form 10.

The Company has authorized twenty-five million (25,000,000) shares of Common Stock with a par value of \$1.00 per share. All outstanding shares of stock are held by Questar Corporation. No preferred stock has been issued or authorized.

Each common shareholder of record is entitled to one vote, by person or by proxy for each share of Common Stock held on every matter properly submitted to the stockholders for a vote. Except as otherwise provided by law or in the Amended Articles of Incorporation or Bylaws, stockholder votes are decided by a majority vote of the outstanding shares.

ITEM 12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to Section 16-10a-901 through 16-10a-909 of the Utah Revised Business Corporation Act, which provides for indemnification of directors and officers in certain circumstances.

The Bylaws provide that the Company may voluntarily indemnify any individual made a party to a proceeding because he is or was a director, officer, employee or agent of the Company against liability incurred in the proceeding, but only if the Company has authorized the payment in accordance with the applicable statutory provisions of the Utah Revised Business Corporation Act (Sections 16-10a-902, 16-10a-904 and 16-10a-907) and a determination has been made in accordance with the procedures set forth in such provision that such individual conducted himself in good faith, that he reasonably believed his conduct, in his official capacity with the Company, was in its best interests and that his conduct, in all other cases, was at least not opposed to the Company's best interests, and that he had no reasonable cause to believe his conduct was unlawful in the case of any criminal proceeding. The foregoing indemnification in connection with a proceeding by or in the right of the Company is limited to reasonable expenses incurred in connection with the proceeding, which expenses may be advanced by the Company. The Company's Bylaws provide that the Company may not voluntarily indemnify a director, officer, employee or agent of the Company in connection with a proceeding by or in the right of the Company in which such individual was adjudged liable to the Company or in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

The Bylaws provide further that the Company shall indemnify a director, officer, employee or agent of the Company who was wholly successful, on the merits or otherwise, in defense of any proceeding to which he was a party because he is or was such a director, officer, employee or agent, against reasonable expenses incurred by him in connection with the proceeding.

The Bylaws further provide that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for any action taken or any failure to take any action, as a director, except liability for (a) the amount of a financial benefit received by a director to which he is not entitled; (b) an intentional infliction of harm on the Company or the shareholders; (c) for any action that would result in liability of the director under the applicable statutory provision concerning unlawful distributions; or (d) an intentional violation of criminal law.

Questar, the Company's parent, maintains an insurance policy on behalf of the officers and directors of the Company pursuant to which (subject to the limits and limitations of such policy) the officers and directors are insured against certain expenses in connection with the defense of actions or proceedings, and certain liabilities which might be imposed as a result of such actions or proceedings, to which any of them is made a party by reason of being or having been a director or officer.

ITEM 13. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Auditors

Board of Directors
Questar Market Resources, Inc.

We have audited the accompanying consolidated balance sheets of Questar Market Resources, Inc. and subsidiaries as of December 31, 1999, and 1998, and the related consolidated statements of income and common shareholder's equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Questar Market Resources, Inc. and subsidiaries at December 31, 1999, and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP
Ernst & Young LLP

Salt Lake City, Utah
February 7, 2000

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS)

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
REVENUES					
From unaffiliated customers	\$119,471	\$94,643	\$418,603	\$382,791	\$451,233
From affiliates	22,290	21,203	79,708	75,481	72,407
TOTAL REVENUES	141,761	115,846	498,311	458,272	523,640
OPERATING EXPENSES					
Natural gas and other product purchases	63,893	56,392	239,201	230,462	291,851
Operating and maintenance	22,918	20,169	79,916	73,763	72,958
Depreciation and amortization	20,977	19,605	78,608	71,377	67,078
Write-down of full cost oil and gas properties				31,000	6,000
Write-down of gas gathering properties					3,000
Other taxes	7,314	5,128	21,516	24,988	25,569
Wexpro settlement agreement - oil income sharing	984	209	2,292	1,053	2,347
TOTAL OPERATING EXPENSES	116,086	101,503	421,533	432,643	468,803
OPERATING INCOME	25,675	14,343	76,778	25,629	54,837
INTEREST AND OTHER INCOME	1,093	847	4,272	3,638	5,854
INCOME (LOSS) FROM UNCONSOLIDATED AFFILIATES	999	(31)	763	(930)	(288)
DEBT EXPENSE	(5,370)	(4,263)	(17,363)	(12,631)	(10,882)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	22,397	10,896	64,450	15,706	49,521
INCOME TAX EXPENSE (CREDIT)	7,348	2,643	18,584	(1,019)	10,410
INCOME FROM CONTINUING OPERATIONS	15,049	8,253	45,866	16,725	39,111
DISCONTINUED OPERATIONS - QUESTAR ENERGY SERVICES, NET OF INCOME TAXES OF \$347 IN 1998 AND \$631 IN 1997				(563)	(1,021)
NET INCOME	\$15,049	\$8,253	\$45,866	\$16,162	\$38,090

See accompanying notes to consolidated financial statements.

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	As of March 31, 2000 (Unaudited)	As of December 31, 1999	December 31, 1998
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,206		\$ 1,894
Notes receivable from Questar		\$ 4,000	25,100
Accounts receivable, net of allowance of \$1,321 in 2000, \$1,350 in 1999, and \$3,253 in 1998	71,097	64,364	61,833
Accounts receivable from affiliates	11,962	11,459	11,359
Inventories, at lower of average cost or market -			
Gas and oil storage	2,699	8,863	8,892
Materials and supplies	2,421	2,390	1,893
Prepaid expenses and deposits	5,806	4,452	4,369
TOTAL CURRENT ASSETS	96,191	95,528	115,340
PROPERTY, PLANT AND EQUIPMENT			
Oil and gas properties, on the basis of full cost accounting -			
Proved properties	1,009,167	943,349	918,237
Unproved properties, not being amortized	87,138	69,777	62,487
Support equipment and facilities	16,370	13,408	14,878
Cost of service oil and gas properties, on the basis of successful efforts accounting	318,882	318,451	297,809
Gathering, processing and marketing	125,204	124,691	119,230
	1,556,761	1,469,676	1,412,641
Less: Allowances for depreciation and amortization	801,217	778,695	717,129
NET PROPERTY, PLANT AND EQUIPMENT	755,544	690,981	695,512
INVESTMENT IN UNCONSOLIDATED AFFILIATES	14,225	13,301	3,673
OTHER ASSETS - Note 3	52,374	48,081	628
	\$918,334	\$847,891	\$815,153

LIABILITIES AND SHAREHOLDER'S EQUITY
(IN THOUSANDS)

	As of March 31, 2000 (Unaudited)	As of December 31, 1999 1998	
CURRENT LIABILITIES			
Checks outstanding in excess of cash balances		\$ 1,246	
Notes payable to Questar	\$ 49,700	24,500	\$121,800
Accounts payable and accrued expenses			
Accounts and other payables	64,157	67,385	63,272
Accounts payable to affiliates	2,244	2,952	2,414
Federal income taxes	8,267	6,232	6,105
Other taxes	16,980	14,266	13,661
Accrued interest	2,344	1,443	1,044
TOTAL CURRENT LIABILITIES	143,692	118,024	208,296
INVESTMENT IN DISCONTINUED OPERATIONS - Questar Energy Services			1,905
LONG-TERM DEBT	293,074	264,894	181,624
DEFERRED INCOME TAXES	66,080	59,936	52,113
OTHER LIABILITIES	13,051	14,674	11,577
MINORITY INTEREST	2,882	2,529	
COMMITMENTS AND CONTINGENCIES - Note 7			
SHAREHOLDER'S EQUITY			
Common stock - par value \$1 per share; authorized 25,000,000 shares; issued and outstanding 4,309,427 shares	4,309	4,309	4,309
Additional paid-in capital	116,027	116,027	116,027
Retained earnings	281,112	270,388	239,217
Other comprehensive income (loss)	(1,893)	(2,890)	85
	399,555	387,834	359,638
	\$918,334	\$847,891	\$815,153

See accompanying notes to consolidated financial statements.

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(IN THOUSANDS)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income	Comprehensive Income
Balance at January 1, 1997	\$4,309	\$116,027	\$217,190	(\$181)	
Net income			38,090		\$38,090
Cash dividends			(16,325)		
Foreign currency translation adjustment, net of income taxes of \$98				173	173
Balance at December 31, 1997	4,309	116,027	238,955	(8)	\$38,263
Net income			16,162		16,162
Cash dividends			(15,900)		
Foreign currency translation adjustment, net of income taxes of \$53				93	93
Balance at December 31, 1998	4,309	116,027	239,217	85	\$16,255
Net income			45,866		45,866
Cash dividends			(16,600)		
Dividend of shares of Questar Energy Services			1,905		
Unrealized loss on securities available for sale, net of income tax credit of \$1,557				(2,515)	(2,515)
Foreign currency translation adjustment, net of income taxes of \$284				(460)	(460)
Balance at December 31, 1999	4,309	116,027	270,388	(2,890)	\$42,891
Net income (unaudited)			15,049		15,049
Cash dividends			(4,325)		
Unrealized gain on securities available for sale, net of income taxes of \$811				1,309	1,309
Foreign currency translation adjustment net of income taxes of \$263				(312)	(312)
Balance at March 31, 2000 (unaudited)	\$4,309	\$116,027	\$281,112	(\$1,893)	\$16,046

See accompanying notes to consolidated financial statements.

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
OPERATING ACTIVITIES					
Net income	\$15,049	\$ 8,253	\$ 45,866	\$16,162	\$38,090
Depreciation and amortization	21,148	20,194	81,150	71,951	67,667
Deferred income taxes	357	(226)	9,381	(4,619)	(2,428)
Write-down of full cost oil and gas properties				31,000	6,000
Write-down of gas gathering properties					3,000
(Income) loss from unconsolidated affiliates, net of cash distributions	(924)	85	(66)	1,211	1,872
Gain from sale of securities			(388)		
Loss from discontinued operations				563	1,021
Changes in operating assets and liabilities					
Accounts receivable	(3,734)	9,697	(2,631)	20,572	22,196
Inventories	6,133	7,288	(468)	(4,996)	(1,045)
Prepaid expenses and deposits	(1,354)	547	(83)	555	(191)
Accounts payable and accrued expenses	(4,651)	(13,323)	5,655	(7,002)	(3,883)
Federal income taxes payable	2,036	2,385	127	2,399	3,620
Other assets	(1,305)	95	(783)	(628)	1,213
Other liabilities	(1,623)	1,976	3,097	345	(197)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	31,132	36,971	140,857	127,513	136,935
INVESTING ACTIVITIES					
Capital expenditures					
Purchases of property, plant and equipment	(80,336)	(13,301)	(109,405)	(252,671)	(92,310)
Other investments		(812)	(24,864)	(1,875)	
	(80,336)	(14,113)	(134,269)	(254,546)	(92,310)
Proceeds from disposition of property, plant and equipment	309	1,324	38,624	7,857	11,018
Proceeds from sale of securities			1,214		
NET CASH USED IN INVESTING ACTIVITIES	(80,027)	(12,789)	(94,426)	(246,689)	(81,292)
FINANCING ACTIVITIES					
Change in notes receivable from Questar	4,000	(10,600)	21,100	8,400	(17,200)
Change in notes payable to Questar	25,200	(10,400)	(97,300)	77,500	(23,700)
Change in short-term debt					(10,000)
Cash in escrow balance	(583)		(36,727)		
Checks written in excess of cash balances	(1,246)		1,246		(2,505)
Issuance of long-term debt	33,402	3,640	275,000	64,343	63,547
Payment of long-term debt	(5,000)		(195,000)	(14,283)	(48,432)
Payment of dividends	(4,325)	(4,150)	(16,600)	(15,900)	(16,325)
NET CASH PROVIDED FROM (USED IN FINANCING ACTIVITIES)	51,448	(21,510)	(48,281)	120,060	(54,615)
Foreign currency translation adjustment	(347)		(44)	(4)	(14)
CHANGE IN CASH AND CASH EQUIVALENTS	2,206	2,672	(1,894)	880	1,014
Beginning cash and cash equivalents		1,894	1,894	1,014	
ENDING CASH AND CASH EQUIVALENTS	\$2,206	\$4,566	\$ -	\$1,894	\$1,014

See accompanying notes to consolidated financial statements.

Note 1 - Summary of Accounting Policies

Principles of Consolidation: The consolidated financial statements contain the accounts of Questar Market Resources, Inc. and subsidiaries (the "Company" or "QMR"). The Company is a wholly-owned subsidiary of Questar Corporation ("Questar"). QMR, through its subsidiaries, conducts gas and oil exploration, development and production, gas gathering and processing, and wholesale energy marketing. Questar Exploration and Production Company ("Questar E&P"), formerly named Celsius Energy Company and Universal Resources Corporation, conducts the exploration, development and production activities. Wexpro Company ("Wexpro") operates and develops producing properties on behalf of an affiliate, Questar Gas Company ("Questar Gas"). Questar Gas Management Company ("Questar Gas Management") conducts gas gathering and plant processing activities. Questar Energy Trading Company ("Questar Energy Trading") performs wholesale energy marketing activities and, through a 75% interest in Clear Creek Storage Company, LLC, constructed and operates a gas storage facility. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in Unconsolidated Affiliates: The Company owns a 15% interest in Canyon Creek Compression Co., and a 50% interest in Blacks Fork Gas Processing Co. The Company uses the equity method to account for investments in affiliates in which it does not have control and generally, its investment in these affiliates equals the underlying equity in net assets.

Interim Financial Data: The unaudited consolidated financial statements as of March 31, 2000, and for the three-month periods ended March 31, 2000 and 1999, and all related footnote information for these periods have been prepared on the same basis as the audited financial statements and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition: Revenues are recognized in the period that services are provided or products are delivered.

Wexpro settlement agreement-oil income sharing: Wexpro settlement agreement-oil income sharing represents payments made to Questar Gas for their share of the income from oil and NGL products associated with cost of service oil properties pursuant to the terms of the Wexpro settlement agreement (Note 10).

Cash and Cash Equivalents: Cash equivalents consist principally of repurchase agreements with original maturities of three months or less.

Notes receivable from Questar: Notes receivable from Questar represent interest bearing demand notes for excess cash balances loaned to Questar until the funds are needed in the Company's operations or until bank borrowings can be repaid at maturity. The funds are centrally managed by Questar and earn an interest rate that is identical to the interest rate paid for borrowings from Questar.

Property, Plant and Equipment: QMR uses the full cost accounting method for the majority of its oil and gas exploration and development activities. However, as ordered by the Utah Public Service Commission, the successful efforts method of accounting is utilized with respect to costs associated with certain "cost of service" oil and gas properties managed and developed by Wexpro and regulated for ratemaking purposes. Cost of service oil and gas properties are those properties for which the operations and return on investment are regulated by the Wexpro settlement agreement (see Note 10). Pursuant to the settlement agreement, production from the gas properties operated by Wexpro is delivered

to Questar Gas at Wexpro's cost of providing this service. That cost includes a return on Wexpro's investment. While oil produced from the cost of service properties is sold at market prices, the proceeds are credited pursuant to the terms of the settlement agreement allowing Questar Gas to share in the proceeds for the purpose of reducing natural gas rates.

Full Cost Accounting -

Under the full cost method, all costs associated with the acquisition, exploration and development of oil and gas reserves, including certain directly related internal employee costs, are capitalized. Such amounts include the cost of drilling and equipping productive wells, dry hole costs, lease acquisition costs, delay rentals, and costs related to such activities. Exclusive of field-level costs, the Company capitalized \$3,003,000, \$2,603,000, and \$1,590,000 of internal costs in 1999, 1998, and 1997, respectively. Costs associated with production and general corporate activities are expensed in the period incurred, as are interest costs. Sales of oil and gas properties, whether or not being amortized currently, are accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves.

The Company limits, on a country by country cost center basis, the capitalized costs of oil and gas properties, net of accumulated amortization and related deferred taxes, to the present value of estimated future net revenues from proved oil and gas reserves, based upon current economic and operating conditions and estimated future development expenditures, discounted at 10%, plus the cost of unproved properties not being amortized, as adjusted for related income tax effects (the full cost ceiling). If capitalized costs exceed the full cost ceiling, the excess is expensed. The Company recorded write-downs of oil and gas properties pursuant to the ceiling limitation required by the full cost accounting method amounting to \$31 million in 1998 and \$6 million in 1997.

Capitalized costs are amortized, on a country by country cost center basis, by an equivalent unit of production method based upon production and estimates of proved reserves quantities. The Company presently has two cost centers: the United States and Canada. Amortizable costs include developmental drilling in progress as well as estimates of future development costs of proved reserves, but exclude the costs of certain unproved oil and gas properties until the properties are evaluated.

The aggregate costs of unproved properties not being amortized are assessed at least annually for possible impairments or reduction in value. Significant properties are assessed individually. If a reduction in value has occurred, costs being amortized are increased. Of the \$69.8 million of net unproved property costs at December 31, 1999 excluded from the amortizable base, \$14.2 million, \$27.7 million, and \$7.8 million were incurred in 1999, 1998, and 1997, respectively. Based on anticipated future exploration and development activities, the Company expects the majority of the costs of unproved properties currently excluded to be evaluated and included in the amortization calculation within the next five years.

Successful Efforts Accounting -

The Company uses the successful efforts method of accounting with respect to costs associated with the development of cost of service oil and gas properties. The cost to drill and equip development wells, successful or unsuccessful, and construct appurtenant facilities are capitalized. Geological and geophysical costs are expensed as incurred.

Capitalized costs are amortized on an individual field basis using the unit-of-production method based upon proved oil and gas reserves attributable to the field. Costs of future site restoration, dismantlement, and abandonment for producing properties are accrued as part of depreciation and amortization expense for tangible equipment by assuming no salvage value in the calculation of the unit of production rate.

Gathering, Processing and Marketing -

The investments in gathering facilities, processing plants and other general support property, plant and equipment are generally depreciated using the straight-line method based upon estimated useful lives ranging from 3 to 20 years.

SFAS No. 121 -

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in evaluating impairment of the Company's cost of service oil and gas properties (accounted for under the successful efforts method) and its gathering, processing and other property, plant and equipment. The Company recorded a write-down of its investment in gas gathering properties of \$3 million in 1997 under the provisions of SFAS 121.

Depreciation and amortization -

Depreciation and amortization expense consists of the following components (in thousands, except for rates):

Capitalized Interest: The Company capitalizes interest costs, when applicable, related to cost of service and gathering, processing, and marketing activities during the construction period of plant and equipment. Interest costs related to full cost oil and gas activities are expensed in the period incurred. Capitalized interest aggregated \$357,000, \$1,363,000, and \$604,000 in 1999, 1998, and 1997, respectively, and are included in Interest and Other Income in the Consolidated Statements of Income.

Foreign Currency Translation: The Company conducts gas and oil exploration and production activities in western Canada. The local currency is the functional currency of the Company's foreign operations. Translation from the functional currency to U. S. dollars is performed for balance sheet accounts using the exchange rate in effect at the balance-sheet date. Revenue and expense accounts are translated using an average exchange rate for the period. Adjustments resulting from such translations are reported as a separate component of other comprehensive income in shareholder's equity. Deferred income taxes have been provided on translation adjustments because the earnings are not considered to be permanently invested.

Energy Price Risk Management: QMR enters into swaps, futures contracts or option agreements to hedge exposure to price fluctuations in connection with marketing of the Company's natural gas and oil production, and to secure a known margin for the purchase and resale of gas, oil and electricity in marketing activities. There is a high degree of correlation between such contracts and the physical transactions. The timing of production and of the hedge contracts is closely matched. Hedge prices are established in the areas of QMR's production operations. The Company settles most contracts in cash and recognizes the gains and losses on hedge transactions during the same time period as the related physical transactions. Contracts no longer qualifying for high correlation with the physical transactions would be marked-to-market and recognized in current period income. Cash flows from the hedge contracts are reported in the same category as cash flows from the hedged assets. The Company does not enter into hedging contracts for speculative purposes.

Interest Rate Risk Management: The Company uses variable rate debt as part of its financing plans. These agreements expose the Company to market risk related to changes in interest rates.

Credit Risk: The Company's primary market areas are the Rocky Mountain region of the United States and Canada and the Mid-continent region of the United States. Exposure to credit risk may be impacted by the concentration of customers in these regions due to changes in economic or other conditions. Customers include numerous entities that may be affected differently by changing conditions. Management believes that its credit-review procedures, loss reserves and customer deposits have adequately provided for usual and customary credit-related losses.

Income Taxes: The Company accounts for income tax expense on a separate return basis. Pursuant to Internal Revenue Code Regulations, the Company's operations are consolidated with those of Questar and its subsidiaries for income tax purposes. The income tax arrangement between QMR and Questar provides that the tax liability of the group shall be allocated to the several members of the group on the basis of the percentage of the total tax which the tax of such member if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed. The Company also receives payment for tax benefits used in the consolidated tax return even if such benefits would not have been usable had the Company filed a separate return.

Comprehensive Income: QMR reports comprehensive income on the Consolidated Statements of Shareholder's Equity. Other comprehensive income transactions that currently apply to QMR result from changes in market value of securities available for sale 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. The balances in accumulated foreign currency translation adjustments and unrealized losses on securities available for sale amounted to \$375,000 and \$2,515,000, respectively, at December 31, 1999. The balance in accumulated foreign currency translation adjustments at December 31, 1998, was \$85,000. Income is realized when the securities available for sale are sold. Income taxes associated with realized gains from selling securities available for sale were \$146,000 in 1999.

New accounting standard: The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" in June 1998.

The Statement establishes accounting and reporting standards requiring that the fair value of all derivative instruments be recorded in the balance sheet as either an asset or liability. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met wherein gains and losses are to be reflected in other comprehensive income in shareholder's equity until the hedged item is recognized.

Due to the issuance of SFAS No. 137, which deferred the effective date of SFAS No. 133, the Company is required to adopt the statement for fiscal years beginning after June 15, 2000. The Company has not quantified the impact of adopting SFAS No. 133, but plans on adopting the statement by January 1, 2001.

During 2000, the FASB issued SFAS No. 138, which amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities and should be adopted concurrently with SFAS No. 133, according to its provisions and the issuance of SFAS No. 137. The Company has not quantified the impact SFAS No. 138 will have upon the adoption of SFAS No. 133.

Reclassifications: Certain reclassifications were made to the 1998 and 1997 financial statements to conform with the 1999 presentations.

Note 2 - Acquisitions

HSRTW, Inc.

A subsidiary of QMR acquired 100% of the common stock of HSRTW, Inc., a wholly owned subsidiary of HS Resources, Inc. for \$155 million, effective September 1, 1998. QMR obtained an estimated 150 Bcfe of proved oil and gas reserves primarily in Oklahoma, Texas, Arkansas, and Louisiana as a result of the transaction. The cash transaction was accounted for under the purchase method of accounting for business combinations.

The Company's consolidated statement of income for the year ended December 31, 1998, includes only four months of operations from the HSRTW acquisition. The following unaudited pro forma consolidated results of operations assume the acquisition occurred on January 1 of each year. The pro forma results do not necessarily represent results which would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

For the year ended December 31, (In Thousands)	1998	1997
	(Unaudited)	
Total Revenue	\$479,649	\$573,959
Net Income	\$ 21,215	\$ 45,846

The pro forma amounts reflect the combined results of the Company, HSRTW, and the following purchase accounting adjustments for the periods presented:

depreciation and amortization calculated on the basis of the allocated purchase price and acquired proved reserves;

incremental interest expense on additional debt that would have been incurred to finance the acquisition;

estimated general and administrative expenses based on consolidated efficiencies; and

estimated income tax effects on the pro forma adjustments.

Canor Energy Ltd.

On January 26, 2000, a subsidiary of QMR acquired 100% of the outstanding shares of Canor from NI Canada ULC, a subsidiary of Northwest Natural Gas Co., for cash of \$US 61 million plus the assumption of \$5.4 million of short-term debt. The transaction was accounted for as a purchase. Canor owns and/or operates more than 800 wells located in Alberta, British Columbia, and Saskatchewan provinces of Canada. Canor's proven gas and oil reserves were estimated at 61.1 Bcfe. Assets purchased and liabilities assumed were as follows:

(In Thousands)	
Cash	\$ 245
Other current assets	3,502
Property, plant and equipment	73,720
Other assets	282
Short-term debt	(5,444)
Other current liabilities	(4,356)
Deferred income taxes	(4,976)
Other liabilities	(1,989)
 Total purchase price, including acquisition costs	 \$60,984

Note 3 - Other Assets

Other assets include the following:

	As of March 31,	As of December 31,	
	2000	1999	1998
(In Thousands)	(Unaudited)		
Cash held in escrow account (a)	\$37,310	\$36,727	
Securities available for sale (b)	12,522	10,402	\$628
Other	2,542	952	
 Total other assets	 \$52,374	 \$48,081	 \$628

(a) Proceeds from the sale of nonstrategic oil and gas properties in November and December of 1999, were placed in escrow with a qualified intermediary in accordance with the statutory requirements for a tax-free exchange under U.S. Internal Revenue Code Section 1031.

(b) The value of securities available for sale approximate fair value at the balance sheet date based on published share prices. The Company records unrealized gains or losses, based on market value net of income taxes, as a separate component of other comprehensive income in shareholder's equity. Gains or losses resulting from the sale of securities are included in the determination of income.

Note 4 - Debt

QMR has a \$300 million senior revolving credit facility agent by Bank of America. Borrowing under this agreement amounted to \$264.9 million at December 31, 1999 at a 6.54% interest rate. The agreement was entered into April 1999 and replaced an unsecured short-term and long-term line-of-credit arrangements with various banks. The loan is

segmented into US and Canadian portions. The US portion of the loan is a 5-year facility with \$227 million available. The Canadian portion amounts to \$68 million and is a 6-year facility. The interest rate is generally equal to LIBOR plus a small premium. Under the most restrictive terms of the senior-revolving credit facility, QMR could have paid a dividend of \$57.6 million at December 31, 1999.

Maturities of long-term debt for the five years following December 31, 1999, are as follows:

(In Thousands)	
2000	\$ -
2001	2,995
2002	30,995
2003	2,995
2004	179,995

Questar makes loans to QMR under a short-term borrowing arrangement. Short-term notes payable to Questar outstanding as of December 31, 1999 amounted to \$24.5 million with an average interest rate of 6.61% and \$121.8 million as of December 31, 1998 with an interest rate of 5.71%.

Cash paid for interest was \$16,964,000 in 1999, \$13,229,000 in 1998 and \$11,557,000 in 1997.

Note 5 - Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments were as follows:

	December 31, 1999		December 31, 1998	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
(In Thousands)				
Financial assets				
Cash and cash equivalents			\$1,894	\$1,894
Notes receivable from Questar	\$4,000	\$4,000	25,100	25,100
Financial liabilities				
Short-term loans	25,746	25,746	121,800	121,800
Long-term debt	264,894	264,894	181,624	181,624
Gas and oil price hedging contracts		(6,200)		6,000

The Company used the following methods and assumptions in estimating fair values: (1) Cash and cash equivalents, notes receivable from Questar and short-term loans - the carrying amount approximates fair value; (2) Long-term debt - the carrying amount of variable-rate debt approximates fair value; (3) Gas and oil price hedging contracts - the fair value of contracts is based on market prices as posted on the NYMEX from the last trading day of the year.

The average price of the oil contracts at December 31, 1999 was \$18.83 per bbl and was based on the average of fixed amounts in contracts which settle against the NYMEX. All oil contracts relate to Company-owned production where basis adjustments would result in a net to the well price of between \$17.22 and \$17.67 per bbl. The average price of the gas contracts at December 31, 1999 was \$2.22 per Mcf representing the average of contracts with different terms including fixed, various into-the-pipe postings and NYMEX references. Gas hedging contracts were in place for QMR-owned production and gas marketing transactions. Transportation and heat value adjustments on the hedges of Company-owned gas as of December 31, 1999 would result in an average price of between \$2.15 and \$2.23 per Mcf, net back to the well.

Fair value is calculated at a point in time and does not represent the amount the Company would pay to retire the debt securities. In the case of gas-and-oil price-hedging activities, the fair value calculation does 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 oil or gas production).

Energy Price Risk Management: The Company held open hedge contracts covering the price exposure for about 72.1 million Dth of gas and 2.4 million barrels of oil at December 31, 1999 and 45.3 million Dth of gas and 464,000 barrels of oil at December 31, 1998. The hedging contracts are primarily for gas and oil marketing activities, but also include QMR-owned production. The contracts at December 31, 1999 had terms extending through December 2001 with about 65% of those contracts expiring by the end of 2000. A primary objective of energy-price hedging is to protect product sales from adverse changes in energy prices. The Company does not enter into hedging contracts for speculative purposes.

Credit Risk Management: The Company's primary areas are the Rocky Mountain and Mid-Continent regions of the United States. Exposure to credit risk may be impacted by the concentration of customers in these regions due to changes in economic or other conditions. Customers include numerous industries that may be affected differently by changing conditions. Management believes that its credit review procedures, loss reserves, and collection procedures have adequately protected against unusual credit related losses.

Interest Rate Risk Management: The Company had \$264.9 million of variable rate long-term debt outstanding at December 31, 1999. The book value of variable-rate debt 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. The net assets of the foreign operation were negative at December 31, 1999. Long-term debt owned by the foreign operation, amounting to \$59.9 million (U.S.), is expected to be repaid from the future foreign operations.

Securities Available for Sale: Securities available for sale represent equity instruments traded on national exchanges. The value of these investments is subject to day to day market volatility.

Note 6 - Income Taxes

The components of income taxes expense (benefit) for years ended December 31 were as follows:

	1999	1998	1997
	(In Thousands)		
Federal			
Current	\$11,411	\$4,263	\$14,574
Deferred	4,826	(86)	(1,218)
State			
Current	1,568	228	1,350
Deferred	620	1,007	(291)
Foreign	159	(6,431)	(4,005)
Income taxes	\$18,584	(\$1,019)	\$10,410

The difference between income tax expense and the tax computed by applying the statutory federal income tax rate of 35% to income from continuing operations before income taxes is explained as follows:

	1999	1998	1997
	(In Thousands)		
Income from continuing operations before income taxes	\$64,450	\$15,706	\$49,521
Federal income taxes at statutory rate	\$22,558	\$ 5,497	\$17,332
State income taxes, net of federal income tax benefit	1,422	803	745
Nonconventional fuel credits	(5,282)	(5,736)	(6,633)
Foreign income taxes	48	(1,771)	(630)
Other	(162)	188	(404)
Income taxes	\$18,584	(\$1,019)	\$10,410
Effective income tax rate	28.8%	-	21.0%

Significant components of the Company's deferred tax liabilities and assets at December 31 were as follows:

	1999	1998
	(In Thousands)	
Deferred tax liabilities		
Property, plant and equipment	\$74,333	\$64,674
Other	509	205
	74,842	64,879
Deferred tax assets		
Alternative minimum tax and nonconventional fuel credit carry-forwards	2,468	6,535
Reserves, compensation plans and other	12,438	6,231
	14,906	12,766
Net deferred tax liabilities	\$59,936	\$52,113

The Company paid \$7,183,000 in 1999 and \$9,029,000 in 1997 for income taxes. Cash received for income taxes amounted to \$1,856,000 in 1998.

Note 7 - Litigation and Commitments

Questar E&P, as well as QMR and Questar, are among the named defendants in a class action lawsuit involving royalty payments in Oklahoma state court. In *Bridenstine vs. Kaiser-Francis Oil Company*, the plaintiffs have alleged various fraud and contract claims against all defendants for a 17-year period. While this litigation does not specify the amount of damages being claimed, estimates have at times been in excess of \$80 million, plus punitive damages. Management cannot predict the outcome of the lawsuit, which will be tried before a jury beginning February of 2001, and which may result in a material adverse judgment. The plaintiffs' primary claim alleges that a transportation fee charged against royalty payments was improper or excessive. The claims involve wells connected to an intrastate pipeline system that Questar Gas Management presently owns and operates. Kaiser-Francis and Questar E&P are the major working interest owners and operators of a majority of the wells connected to this pipeline system. Questar E&P disputes plaintiffs' claims and will continue to vigorously defend against such litigation.

The Company regularly reviews potential liabilities related to legal proceedings and records appropriate accruals after considering estimates of the outcome of such matters and our experience in contesting, litigating, and settling similar matters. While it is not currently possible to predict or determine the outcome of the Bridenstine case or various other legal proceedings against QMR, it is the opinion of management that the outcomes will not have a material adverse effect on the Company's future results of operations, financial position or liquidity.

Questar Energy Trading has contracted for firm-transportation services with various pipelines to transport 76.2 MDths per day of gas. The contracts extend for the next seven years and have an annual cost of approximately \$3 million. Due to market conditions and competition, it is possible that Questar Energy Trading may be unable to sell enough gas to fully utilize the contracted capacity. Also, Questar Energy Trading has reserved firm-storage capacity of 1,065 MDths per day with Questar Pipeline through 2008 with an annual cost of \$627,000.

The minimum future payments under the terms of long-term operating leases for the Company's primary office locations for the five years following December 31, 1999, are as follows:

(In Thousands)	
2000	\$1,980
2001	1,918
2002	1,371
2003	507
2004	43

Total minimum future rental payments have not been reduced for sublease rental receipts of \$96,000, \$96,000, and \$24,000, which are expected to be received in the years ended December 31, 2000, 2001, and 2002, respectively.

Total rental expense amounted to \$1,804,000, \$1,397,000, and \$1,112,000 in 1999, 1998, and 1997, respectively. Sublease rental receipts were \$94,000 in 1999.

Note 8 - Employment Benefits

Pension Plan: Substantially all of QMR's employees are covered by Questar's defined benefit pension plan. Benefits are generally based on years of service and the employee's 72-pay period interval of highest earnings during the ten years preceding retirement. It is the Company's policy to make contributions to the plan at least sufficient to meet the minimum funding requirements of applicable laws and regulations. Plan assets consist principally of equity securities and corporate and U.S. government debt obligations. Pension cost was \$887,000 in 1999, \$761,000 in 1998 and \$1,345,000 in 1997. Included in pension cost for 1997 is \$419,000 of expense associated with an early retirement package offered to a limited number of the Company's employees.

QMR's portion of plan assets and benefit obligations is not determinable because the plan assets are not segregated or restricted to meet the Company's pension obligations. If the Company were to withdraw from the pension plan, the pension obligation for the Company's employees would be retained by the pension plan. At December 31, 1999, Questar's fair value of plan assets exceeded the accumulated benefit obligation.

Postretirement Benefits Other Than Pensions: QMR pays a portion of health-care costs and life insurance costs for employees. The Company linked the health-care benefits to years of service and limited the Company's monthly health care contribution per individual to 170% of the 1992 contribution. Employees hired after December 31, 1996, do not qualify for postretirement medical benefits under this plan. The Company's policy is to fund amounts allowable for tax deduction under the Internal Revenue Code. Plan assets consist of equity securities, and corporate and U.S. government debt obligations. The Company is amortizing the transition obligation over a 20-year period, which began in 1992. Costs of postretirement benefits other than pensions were \$1,158,000 in 1999 and \$1,018,000 in 1998 and \$1,083,000 in 1997.

QMR's portion of plan assets and benefit obligations related to postretirement medical and life insurance benefits is not determinable because the plan assets are not segregated or restricted to meet the Company's obligations.

Postemployment Benefits: The Company recognizes the net present value of the liability for postemployment benefits, such as long-term disability benefits and health-care and life-insurance costs, when employees become eligible for such benefits. Postemployment benefits are paid to former employees after employment has been terminated but before retirement benefits are paid. The Company accrues both current and future costs. The liability is remeasured each year and the change is recorded in income. Postemployment benefits accumulate for salary continuation, health-care and life-insurance costs. Benefits are paid from the Company's general funds. The Company's postemployment benefit liability at December 31, 1999 was \$381,000 and in 1998 was \$376,000 based on discount rates of 7.75% and 6.75%, respectively.

Employee Investment Plan: The Company participates in Questar's Employee Investment Plan (EIP), which allows eligible employees to purchase Questar common stock or other investments through payroll deduction of pretax earnings. The Company makes matching contributions to the EIP of 80% of the first 6% of salary contributed by employees and contributes an additional \$200 of common stock in the name of each eligible employee. The Company's expense and contribution to the plan was \$895,000 in 1999, \$811,000 in 1998 and \$747,000 in 1997.

Note 9 - Related Party Transactions

QMR receives a significant portion of its revenues from services provided to Questar Gas. The Company received \$79,324,000 in 1999, \$75,171,000 in 1998 and \$72,138,000 in 1997 for operating cost of service oil and gas properties, gathering gas and supplying a portion of gas for resale, among other services provided to Questar Gas. Operation of cost of service oil and gas properties is described in Wexpro Settlement Agreement (Note 10). The Company also received revenues from other affiliated companies totaling \$384,000 in 1999, \$310,000 in 1998 and \$269,000 in 1997.

Questar performs certain administrative functions for QMR. The Company was charged for its allocated portion of these services which totaled \$4,469,000 in 1999, \$3,970,000 in 1998 and \$5,311,000 in 1997. These costs are included in operating and maintenance expenses and are allocated based on each affiliate's proportional share of revenues; net of product costs; property, plant and equipment; and payroll. Management believes that the allocation method is reasonable and that expenses would be substantially the same if incurred on a standalone basis.

QMR's subsidiaries contracted for transportation and storage services with Questar Pipeline and paid \$3,378,000 in 1999, \$3,968,000 in 1998 and \$4,011,000 in 1997 for those services.

Questar InfoComm Inc is an affiliated company that provides some data processing and communication services to QMR. The Company paid Questar InfoComm \$2,276,000 in 1999, \$2,273,000 in 1998 and \$2,391,000 in 1997.

QMR has a 5-year lease with Questar for space in an office building located in Salt Lake City, Utah, and owned by a third party. The annual lease payment, which began October of 1997, is \$863,000.

The Company received interest income from affiliated companies of \$681,000 in 1999, \$1,908,000 in 1998 and \$2,370,000 in 1997. QMR incurred debt expense to affiliated companies of \$3,350,000 in 1999, \$3,331,000 in 1998 and \$2,661,000 in 1997.

Note 10 - Wexpro Settlement Agreement

Wexpro's operations are subject to the terms of the Wexpro settlement agreement. The agreement was effective August 1, 1981, and sets forth the rights of Questar Gas' utility operations to share in the results of Wexpro's operations. The agreement was approved by the PSCU and PSCW in 1981 and affirmed by the Supreme Court of Utah in 1983. Major provisions of the settlement agreement are as follows:

- a. Wexpro continues to hold and operate all oil-producing properties (productive oil reservoirs) previously transferred from Questar Gas' nonutility accounts. The oil production from these properties is sold at market prices, with the revenues used to recover operating expenses and to give Wexpro a return on its investment. The after tax rate of return is adjusted annually and is approximately 13.7%. Any net income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46%.
- b. Wexpro conducts developmental oil drilling on productive oil reservoirs and bears any costs of dry holes. Oil discovered from these properties is sold at market prices, with the revenues used to recover operating expenses and to give Wexpro a return on its investment in successful wells. The after tax rate of return is adjusted annually and is approximately 18.7%. Any net income remaining after recovery of expenses and Wexpro's return on investment is divided between Wexpro and Questar Gas, with Wexpro retaining 46%.
- c. Amounts received by Questar Gas from the sharing of Wexpro's oil income are used to reduce natural-gas costs to utility customers.
- d. Wexpro conducts developmental gas drilling on productive gas reservoirs and bears any costs of dry holes. Natural gas produced from successful drilling is owned by Questar Gas. Wexpro is reimbursed for the costs of producing the gas plus a return on its investment in successful wells. The after tax rate of return allowed Wexpro is approximately 21.7%.
- e. Wexpro operates productive gas reservoir properties owned by Questar Gas. Wexpro is reimbursed for its costs of operating these properties, including a rate of return on any investment it makes. This after tax rate of return is approximately 13.7%.

Note 11 - Discontinued Operations - Transfer of Questar Energy Services

QMR transferred all of its investment in Questar Energy Services, Inc. ("Questar Energy Services"), a wholly-owned subsidiary to Questar Regulated Services Company ("Questar Regulated Services"), an affiliate, effective January 1, 1999.

Questar Regulated Services, a wholly-owned subsidiary of Questar, is a sub-holding company that holds the investment of Questar Gas, a retail natural gas distributor. The transfer was in the form of a dividend of 100% of the shares of Questar Energy Services at book value. No gain or loss was generated as a result of the transfer. Questar Energy Services provides energy management equipment, installation, and service contracts for commercial and industrial clients and home security systems, service contracts, and equipment financing to residential customers and markets its services and products to many of the same customers served by Questar Gas.

Summarized information relating to discontinued operations are as follows:

	For the Year Ended December 31,	
	1998	1997
	(In thousands)	
Revenues	\$2,355	\$595
Operating (loss)	(1,180)	(1,773)
Net (loss)	(563)	(1,021)

	At December 31,	
	1998	1997
	(In thousands)	
Total assets	\$7,230	\$4,326
Total liabilities	9,135	5,668
Common equity (deficit)	(1,905)	(1,342)

Note 12 - Business Segment Information

QMR is a sub-holding company that has three primary business segments: exploration and production; the management and development of cost of service properties; and gathering, processing and marketing. QMR's reportable segments are strategic business units with similar operations and management objectives. The reportable segments are managed separately because each segment requires different operational assets, technology, and management strategies.

Operating Segment Information

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
	(In Thousands)				
Revenues from Unaffiliated Customers					
Exploration and production	\$49,509	\$36,200	\$162,475	\$135,509	\$135,060
Cost of service	3,844	2,124	8,844	10,025	14,474
Gathering, processing, and marketing	66,118	56,319	247,284	237,257	301,699
	\$119,471	\$94,643	\$418,603	\$382,791	\$451,233
Revenues from Affiliated Companies					
Cost of service	\$17,130	\$15,094	\$62,335	\$58,581	\$50,020
Gathering, processing, and marketing	5,160	6,109	17,373	16,900	22,387
	\$22,290	\$21,203	\$79,708	\$75,481	\$72,407
Depreciation and Amortization Expense					
Exploration and production	\$16,076	\$15,401	\$61,057	\$55,015	\$51,175
Cost of service	3,537	3,024	12,665	11,379	10,213
Gathering, processing, and marketing	1,364	1,180	4,886	4,983	5,690
	\$20,977	\$19,605	\$78,608	\$71,377	\$67,078
Operating Income (Loss)					
Exploration and production (1)	\$15,805	\$4,975	\$37,406	(\$6,063)	\$27,555
Cost of service	9,031	7,794	32,948	28,218	24,988
Gathering, processing, and marketing (2)	839	1,574	6,424	3,474	2,294
	\$25,675	\$14,343	\$76,778	\$25,629	\$54,837

Income (Loss) from Continuing Operations					
Exploration and production	\$8,396	\$2,372	\$20,808	(\$3,257)	\$22,281
Cost of service	5,787	5,084	20,880	18,653	16,983
Gathering, processing, and marketing	866	797	4,178	1,329	(153)
	\$15,049	\$8,253	\$45,866	\$16,725	\$39,111
Fixed Assets - Net					
Exploration and production	\$549,552	\$492,815	\$482,043	\$496,884	\$373,070
Cost of service	134,968	128,328	137,584	129,573	113,228
Gathering, processing, and marketing	71,024	66,896	71,354	69,055	68,878
	\$755,544	\$688,039	\$690,981	\$695,512	\$555,176

Geographic Information

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2000	1999	1999	1998	1997
(In Thousands)	(Unaudited)				
Revenues					
United States	\$134,788	\$113,362	\$485,995	\$447,798	\$514,827
Canada	6,973	2,484	12,316	10,474	8,813
	\$141,761	\$115,846	\$498,311	\$458,272	\$523,640
Fixed Assets-Net					
United States	\$648,922	\$653,791	\$654,961	\$662,260	\$511,547
Canada	106,622	34,248	36,020	33,252	43,629
	\$755,544	\$688,039	\$690,981	\$695,512	\$555,176

(1)The exploration and production segment impaired full cost oil and gas properties by \$31 million in 1998 and \$6 million in 1997. The entire 1997 write-down was applicable to Canadian operations, while \$12 million of the 1998 write-down was applicable to Canadian operations.

(2)The gathering, processing, and marketing segment recorded a \$3 million write-down of its gas gathering assets under the provision of SFAS 121 in 1997.

Note 13 - Supplemental Oil and Gas Information (Unaudited)

QMR uses the full cost accounting method for the majority of its oil and gas exploration and development activities. However, as ordered by the Utah Public Service Commission, the successful efforts method of accounting is utilized with respect to costs associated with certain cost of service oil and gas properties managed and developed by Wexpro and regulated for ratemaking purposes. Cost of service oil and gas properties are those properties for which the operations and return on investment are regulated by the Wexpro settlement agreement (see Note 10).

Oil and Gas Exploration and Development Activities: The following information is provided with respect to QMR's oil and gas exploration and development activities, located in the United States and Canada.

Capitalized Costs -

The aggregate amounts of costs capitalized for oil and gas exploration and development activities and the related amounts of accumulated depreciation and amortization follow:

	December 31, 1999		
	United States	Canada	Total
	(In Thousands)		
Proved properties	\$885,333	\$58,016	\$943,349
Unproved properties	58,248	11,529	69,777
Support equipment and facilities	12,418	990	13,408
	955,999	70,535	1,026,534
Accumulated depreciation and amortization	509,976	34,515	544,491
	\$446,023	\$36,020	\$482,043
	December 31, 1998		
	United States	Canada	Total
	(In Thousands)		
Proved properties	\$869,514	\$48,723	\$918,237
Unproved properties	49,724	12,763	62,487
Support equipment and facilities	13,949	929	14,878
	933,187	62,415	995,602
Accumulated depreciation and amortization	469,555	29,163	498,718
	\$463,632	\$33,252	\$496,884

December 31, 1997

	United States	Canada	Total
	(In Thousands)		
Proved properties	\$702,427	\$41,994	\$744,421
Unproved properties	19,200	13,390	32,590
Support equipment and facilities	12,556	888	13,444
	734,183	56,272	790,455
Accumulated depreciation and amortization	404,742	12,643	417,385
	\$329,441	\$43,629	\$373,070

Unproved Properties -

Unproved properties are excluded from amortization until evaluated. A summary of costs excluded from amortization at December 31, 1999, and the period in which these costs were incurred are listed below by cost center:

	Total	Year Costs Incurred			
		1999	1998	1997	1996 and Prior
	(In Thousands)				
United States					
Acquisition	\$45,351	\$11,447	\$24,203	\$1,165	\$ 8,536
Exploration	12,897	2,302	2,542	2,078	5,975
	58,248	13,749	26,745	3,243	14,511
Canada					
Acquisition	10,111	281	585	4,327	4,918
Exploration	1,418	145	414	198	661
	11,529	426	999	4,525	5,579
	\$69,777	\$14,175	\$27,744	\$7,768	\$20,090

Costs Incurred -

The following costs were incurred with respect to oil and gas exploration and development activities:

Year Ended December 31, 1999

United States Canada Total

(In Thousands)

Property acquisition			
Unproved	\$12,547	\$ 351	\$12,898
Proved	3,746	18	3,764
Exploration	7,467	501	7,968
Development	53,488	3,745	57,233
	\$77,248	\$4,615	\$81,863

Year Ended December 31, 1998

United States Canada Total

(In Thousands)

Property acquisition			
Unproved	\$ 29,367	\$ 145	\$ 29,512
Proved	126,723	3,144	129,867
Exploration	10,055	1,222	11,277
Development	43,090	5,363	48,453
	\$209,235	\$9,874	\$219,109

Year Ended December 31, 1997

United States Canada Total

(In Thousands)

Property acquisition			
Unproved	\$4,057	\$203	\$4,260
Proved	2,155		2,155
Exploration	9,975	1,198	11,173
Development	28,511	4,437	32,948
	\$44,698	\$5,838	\$50,536

Results of Operations -

Following are the results of operations of QMR's oil and gas exploration and development activities, before corporate overhead and interest expenses. The Company recorded write-downs of its full cost oil and gas properties pursuant to the ceiling limitation in 1998 and 1997.

Year Ended December 31, 1999

United States Canada Total

(In Thousands)

Revenues	\$150,159	\$ 12,316	\$162,475
Production expenses	41,948	3,681	45,629
Depreciation and amortization	57,545	3,512	61,057
Total expenses	99,493	7,193	106,686
Revenues less expenses	50,666	5,123	55,789
Income taxes - Note A	13,616	2,567	16,183
Results of operations before corporate overhead and interest expenses	\$37,050	\$ 2,556	\$39,606

Year Ended December 31, 1998

United States Canada Total

(In Thousands)

Revenues	\$125,035	\$10,474	\$135,509
Production expenses	38,788	3,004	41,792
Depreciation and amortization	49,740	5,275	55,015
Write-down of oil and gas properties	19,000	12,000	31,000
Total expenses	107,528	20,279	127,807
Revenues less expenses	17,507	(9,805)	7,702
Income taxes - Note A	1,191	(4,030)	(2,839)
Results of operations before corporate overhead and interest expenses	\$16,316	(\$5,775)	\$10,541

Year Ended December 31, 1997

United States Canada Total

(In Thousands)

Revenues	\$126,247	\$ 8,813	\$135,060
Production expenses	36,922	2,424	39,346
Depreciation and amortization	45,801	5,374	51,175
Write-down of oil and gas properties		6,000	6,000
Total expenses	82,723	13,798	96,521
Revenues less expenses	43,524	(4,985)	38,539
Income taxes - Note A	9,330	(3,025)	6,305
Results of operations before corporate overhead and interest expenses	\$34,194	(\$1,960)	\$32,234

Note A - Income tax expense has been reduced by nonconventional fuel tax credits of \$5,282,000 in 1999, \$5,736,000 in 1998, and \$6,633,000 in 1997.

Estimated Quantities of Proved Oil and Gas Reserves -

Estimates of the reserves located in the United States were made by Ryder Scott Company, H. J. Gruy and Associates, Inc., Netherland, Sewell & Associates, and Malkewicz Hueni Associates, Incorporated, independent reservoir engineers. Estimated Canadian reserves were prepared by Gilbert Laustsen Jung Associates Ltd. Reserve estimates are based on a complex and highly interpretive process that is subject to continuous revision as additional production and development-drilling information becomes available. The quantities reported below are based on existing economic and operating conditions at December 31. All oil and gas reserves reported were located in the United States and Canada. The Company does not have any long-term supply contracts with foreign governments or reserves of equity investees.

	Natural Gas			Oil		
	United States	Canada	Total	United States	Canada	Total
	(MMcf)			(MBbls)		
Proved Reserves						
Balance at January 1, 1997	359,542	24,475	384,017	16,129	2,127	18,256
Revisions of estimates	11,177	(4,635)	6,542	(1,929)	(316)	(2,245)
Extensions and discoveries	24,306	4,366	28,672	669	898	1,567
Purchase of reserves in place	8,166		8,166	351		351
Sale of reserves in place	(1,292)		(1,292)	(450)	(3)	(453)
Production	(44,370)	(3,072)	(47,442)	(2,106)	(271)	(2,377)

Year Ended December 31, 1998

	United States	Canada	Total
	(In Thousands)		
Future cash inflows	\$988,365	\$66,873	\$1,055,238
Future production and development costs	(365,493)	(22,784)	(388,277)
Future income tax expenses	(76,935)		(76,935)
Future net cash flows	545,937	44,089	590,026
10% annual discount for estimated timing of net cash flows	(216,505)	(14,809)	(231,314)
Standardized measure of discounted future net cash flows	\$329,432	\$29,280	\$358,712

Year Ended December 31, 1997

	United States	Canada	Total
	(In Thousands)		
Future cash inflows	\$883,723	\$68,550	\$952,273
Future production and development costs	(331,750)	(25,066)	(356,816)
Future income tax expenses	(87,948)		(87,948)
Future net cash flows	464,025	43,484	507,509
10% annual discount for estimated timing of net cash flows	(189,326)	(14,885)	(204,211)
Standardized measure of discounted future net cash flows	\$274,699	\$28,599	\$303,298

The principal sources of change in the standardized measure of discounted future net cash flows were:

Year Ended December 31,

	1999	1998	1997
	(In Thousands)		
Beginning balance	\$358,712	\$303,298	\$395,372
Sales of oil and gas produced, net of production costs	(116,846)	(93,717)	(95,714)
Net changes in prices and production costs	163,239	(51,568)	(132,738)
Extensions and discoveries, less related costs	78,611	24,430	28,964
Revisions of quantity estimates	28,311	(14,583)	(5,529)
Purchase of reserves in place	3,764	129,867	2,155
Sale of reserves in place	(33,043)	(540)	(3,606)
Accretion of discount	35,871	30,330	39,538
Net change in income taxes	(62,263)	10,783	69,691
Change in production rate	(12,627)	7,543	8,077
Other	705	12,869	(2,912)
Net change	85,722	55,414	(92,074)
Ending balance	\$444,434	\$358,712	\$303,298

Cost of Service Activities: The following information is provided with respect to cost of service oil and gas properties managed and developed by Wexpro and regulated by the Wexpro settlement agreement. Information on the standardized measure of future net cash flows has not been included for cost of service activities as the operations of and return on investment for such properties are regulated by the Wexpro settlement agreement.

Capitalized Costs -

Capitalized costs for cost of service oil and gas properties and the related amounts of accumulated depreciation and amortization follow:

	December 31,		
	1999	1998	1997
	(In Thousands)		
Proved properties	\$318,451	\$297,809	\$270,073
Accumulated depreciation and amortization	180,867	168,236	156,845
	\$137,584	\$129,573	\$113,228

Costs Incurred -

Costs incurred by Wexpro for cost of service oil and gas producing activities were \$21,273,000 in 1999, \$26,956,000 in 1998, and \$26,837,000 in 1997.

Results of Operations -

Following are the results of operations of QMR's cost of service activities before corporate overhead and interest expenses.

	Year Ended December 31,		
	1999	1998	1997
	(In Thousands)		
Revenues			
From unaffiliated companies	\$ 8,844	\$10,025	\$14,474
From affiliates - Note A	62,335	58,581	50,020
Total revenues	71,179	68,606	64,494
Production expenses	18,548	22,439	22,280
Depreciation and amortization	12,665	11,379	10,213
Total expenses	31,213	33,818	32,493
Revenues less expenses	39,966	34,788	32,001
Income taxes	14,602	12,441	11,334
Results of operations before corporate overhead and interest expenses	\$25,364	\$22,347	\$20,667

Note A - Represents revenues received from Questar Gas pursuant to Wexpro settlement agreement.

Estimated Quantities of Proved Oil and Gas Reserves -

The following estimates were made by the Company's reservoir engineers. No estimates are available for cost of service proved undeveloped reserves that may exist.

	Natural Gas (MMcf)	Oil (MBbls)
Proved Developed Reserves		
Balance at January 1, 1997	359,907	3,092
Revisions of estimates	7,240	123
Extensions and discoveries	7,486	419
Production	(37,454)	(585)
Balance at December 31, 1997	337,179	3,049
Revisions of estimates	15,017	(46)
Extensions and discoveries	25,077	333
Production	(37,138)	(613)
Balance at December 31, 1998	340,135	2,723
Revisions of estimates	5,699	976
Extensions and discoveries	46,739	213
Production	(38,890)	(623)
Balance at December 31, 1999	353,683	3,289

ITEM 14. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable

ITEM 15. FINANCIAL STATEMENTS AND EXHIBITS

(a)Reference is made to the Index to Consolidated Financial Statements and Supplementary Data appearing at Item 13. Financial Statements and Supplementary Data of this Form.

(b)The following is an Index of Exhibits required by Item 601 of Regulation S-K filed with the Securities and Exchange Commission as part of this Form:

Exhibit Number	Description
3.1.*	Articles of Incorporation dated April 27, 1988 for Utah Entrada Industries, Inc.
3.2.*	Articles of Merger, dated May 20, 1988, of Entrada Industries, Inc., a Delaware corporation and Utah Entrada Industries, Inc, a Utah corporation.
3.3.*	Articles of Amendment dated August 31, 1998, changing the name of Entrada Industries, Inc. to Questar Market Resources, Inc.

- 3.4.* Bylaws (as amended effective February 8, 2000).
- 4.1.1 U.S. Credit Agreement, dated April 19, 1999, by and among Questar Market Resources, Inc., as U.S. borrower, NationsBank, N.A., as U.S. agent, and certain financial institutions, as lenders, with the First Amendment dated May 17, 1999, the Second Amendment dated July 30, 1999, the Third Amendment dated November 30, 1999, the Fourth Amendment dated April 17, 2000, and the Fifth Amendment dated October 6, 2000.
- 4.2. Long-term debt instruments with principal amounts not exceeding 10% of QMR's total consolidated assets are not filed as exhibits to this Report. QMR will furnish a copy of those agreements to the SEC upon its request.
- 10.1.** Stipulation and Agreement, dated October 14, 1981, executed by Mountain Fuel Supply Company [Questar Gas Company]; Wexpro Company; the Utah Department of Business Regulations, Division of Public Utilities; the Utah Committee of Consumer Services; and the staff of the Public Service Commission of Wyoming. (Exhibit No. 10(a) to Questar Gas Company's Form 10-K Annual Report for 1981.)
- 10.2.2 Questar Market Resources, Inc. Annual Management Incentive Plan, as amended and restated effective October 26, 2000.
- 10.3.**2 Questar Corporation Executive Incentive Retirement Plan, as amended and restated effective May 19, 1998. (Exhibit No. 10.2. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 10.4.2 Questar Corporation Long-Term Stock Incentive Plan, as amended and restated effective October 26, 2000.
- 10.5.**2 Questar Corporation Executive Severance Compensation Plan, as amended and restated effective May 19, 1998. (Exhibit No. 10.3. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 10.6.2 Questar Market Resources, Inc. Deferred Compensation Plan for Directors, as amended and restated effective October 26, 2000.
- 10.7.**2 Questar Corporation Supplemental Executive Retirement Plan, as amended and restated effective June 1, 1998. (Exhibit No. 10.6. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 10.8.**2 Questar Corporation Stock Option Plan for Directors, as amended and restated effective October 29, 1998. (Exhibit No. 10.10. to Form 10-Q Report for Quarter Ended September 30, 1998, filed by Questar Corporation.)
- 10.9.**2 Form of Individual Indemnification Agreement dated February 9, 1993 between Questar Corporation and directors, including directors of Questar Market Resources, Inc. (Exhibit No. 10.11. to Form 10-K Annual Report for 1992 filed by Questar Corporation.)
- 10.10.**2 Questar Corporation Deferred Share Plan, as amended and restated effective May 19, 1998. (Exhibit No. 10.7. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)

- 10.11.**2 Questar Corporation Deferred Compensation Plan, as amended and restated effective May 19, 1998. (Exhibit No. 10.10. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 10.12.**2 Questar Corporation Directors' Stock Plan as approved May 21, 1996. (Exhibit No. 10.15. to Form 10-Q Report for Quarter ended June 30, 1996, filed by Questar Corporation.)
- 10.13.**2 Questar Corporation Deferred Share Make-Up Plan. (Exhibit No. 10.8. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 10.14.**2 Questar Corporation Special Situation Retirement Plan. (Exhibit No. 10.10. to Form 10-Q Report for Quarter Ended June 30, 1998, filed by Questar Corporation.)
- 12. Ratio of Earnings to Fixed Charges.
- 27. Financial Data Schedule.

* Filed previously.

** Exhibits so marked have been filed with the Securities and Exchange Commission as part of the indicated filing and are incorporated herein by reference.

1 Only Annex I and Schedule I to the U.S. Credit Agreement, the Fourth Amendment, and the Fifth Amendment are included. Other items filed previously.

2 Exhibit so marked is a management contract or compensation plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

QUESTAR MARKET RESOURCES, INC.

BY: /s/ G. L. Nordloh
G. L. NORDLOH
PRESIDENT AND CEO

Date: November 9, 2000

EXHIBIT INDEX

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2 Exhibit so marked is a management contract or compensation plan or arrangement.

DEFINED TERMS

"364-Day Commitment Fee Rate" means, on any date, the number of Basis Points per annum set forth below based on the Applicable Rating Level on such date:

Applicable Rating Level	Applicable 364-Day Commitment Fee Rate
Level I	7.0
Level II	8.5
Level III	10.0
Level IV	12.5
Level V	15.0
Level VI	22.5
Level VII	27.5

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any assets acquired by such specified Person, and any refinancing of the foregoing indebtedness on similar terms, taking into account current market conditions.

"Adjusted Canadian Dollar Eurodollar Rate" means, for any Canadian Dollar Eurodollar Loan for any Eurodollar Interest Period therefor, the per annum rate equal to the sum of (a) the Applicable Margin plus (b) the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) determined by Canadian Agent to be equal to the quotient obtained by dividing (i) the Canadian Dollar Eurodollar Rate for such Canadian Dollar Eurodollar Loan for such Eurodollar Interest Period by (ii) 1 minus the Reserve Requirement for such Canadian Dollar Eurodollar Loan for such Interest Period. The Adjusted Canadian Dollar Eurodollar Rate for any Canadian Dollar Eurodollar Loan shall change whenever the Applicable Margin or the Reserve Requirement changes. No Adjusted Canadian Dollar Eurodollar Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"Adjusted US Dollar Eurodollar Rate" means, for any US Dollar Eurodollar Loan for any Eurodollar Interest Period therefor, the per annum rate equal to the sum of (a) the Applicable Margin plus (b) the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) determined by Agent to be equal to the quotient obtained by dividing (i) the US Dollar Eurodollar Rate for such US Dollar Eurodollar Loan for such Eurodollar Interest Period by (ii) 1 minus the Reserve Requirement for such US Dollar Eurodollar Loan for such Interest Period. The Adjusted US Dollar Eurodollar Rate for any US Dollar Eurodollar Loan shall change whenever the Applicable Margin or the Reserve Requirement changes. No Adjusted US Dollar Eurodollar Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"Affiliate" means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 20% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Applicable Currency" means (i) when used with respect to any US Loan or US LC Obligations, US Dollars, and (ii) when used with respect to any Canadian Prime Rate Loan, any Canadian Dollar Eurodollar Loan or any Bankers' Acceptance, Canadian Dollars, and (iii) when used with respect to any Canadian Base Rate Loan or an US Dollar Eurodollar Loan made under the Canadian Agreement, US Dollars.

"Applicable Lending Office" means, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or of an Affiliate of such Lender) designated for such Type of Loan on the

signature pages hereof or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to US Agent, Canadian Agent, and Borrowers by written notice in accordance with the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" means when used in the Canadian Agreement and when used in the US Agreement on any date, the number of Basis Points per annum set forth below based on the Applicable Rating Level on such date:

Applicable Rating Level	Applicable Margin
Level I	30.0
Level II	35.0
Level III	45.0
Level IV	60.0
Level V	75.0
Level VI	100.0
Level VII	125.0

In the event that the Canadian Revolving Loans convert into Canadian Term Loans pursuant to Section 1.7 of the Canadian Agreement, then as of April 20, 2004, and at all times thereafter the Applicable Margin as set forth above on such Canadian Term Loans shall increase by fifteen (15) Basis Points per annum. Changes in the Applicable Margin will occur automatically without prior notice as changes in the Applicable Rating Level occur. US Agent will give notice promptly to Borrowers and the Lenders of changes in the Applicable Margin.

"Applicable Rating Level" means for any day, the highest Rating Level (as such term is defined below in this paragraph) issued by S&P or Moody's (collectively, in this definition called the "Designated Rating Agencies"), provided that if the Rating Level issued by one Designated Rating Agency is more than one level higher than the Rating Level issued by the other Designated Rating Agency, the "Applicable Rating Level" will be one level above the lowest Rating Level. As used in this definition, (i) the term "Rating Level" means for any day with respect to any of the Designated Rating Agencies, the rating level described below (or its then equivalent) applicable on such day, issued by such Designated Rating Agency, from time to time, with respect to US Borrower's Long-Term Debt or if such rating is unavailable, equivalents thereof, including counterparty ratings, implied ratings and corporate ratings; (ii) "US Borrower's Long-Term Debt" means senior, unsecured, non-credit enhanced long-term indebtedness for borrowed money of US Borrower, and (iii) " " means a rating equal to or more favorable than and " " means a rating equal to or less favorable than.

Rating Level	S&P	Moody's
Level I	A	A2
Level II	A-	A3
Level III	BBB+	Baa1
Level IV	BBB	Baa2
Level V	BBB-	Baa3
Level VI	BB+	Ba1
Level VII	BB	Ba2

If either of the Designated Rating Agencies shall not have in effect a rating for US Borrower's Long-Term Debt or if the rating system of any of the Designated Rating Agencies shall change, or if either of the Designated Rating Agencies shall cease to be in the business of rating corporate debt obligations, US Borrower and Required Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such Designated Rating Agency, but until such an agreement shall be reached, the Applicable Rating Level shall be based only upon the rating by the remaining Designated Rating Agency.

"BA Discount Rate" means, in respect of a BA being accepted by a Lender on any date, (i) for a Lender that is listed in Schedule I to the Bank Act (Canada), the average bankers' acceptance rate as quoted on Reuters CDOR page (or such other page as may, from time to time, replace such page on that service for the purpose of displaying quotations for bankers' acceptances accepted by leading

Canadian financial institutions) at approximately 10:00 a.m. (Toronto time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA (the "CDOR Rate"); or, if such rate is not available at or about such time, the average of the bankers' acceptance rates (expressed to five decimal places) as quoted to the Agent by the Schedule I BA Reference Banks as of 10:00 a.m. (Toronto time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA; and (ii) for a Lender that is listed in Schedule II to the Bank Act (Canada), the rate established by the Canadian Agent to be the lesser of (A) the CDOR Rate plus 10 Basis Points; and (B) the average of the bankers' acceptance rates (expressed to five decimal places) as quoted to the Canadian Agent by the Schedule II BA Reference Banks as of 10:00 a.m. (Toronto time) on such drawdown date for bankers' acceptances having a comparable maturity date as the maturity date of such BA;

"Bankers' Acceptance" or "BA" means a Canadian Dollar draft of Canadian Borrower, for a term selected by such Canadian Borrower of either 30, 60, 90 or 180 days (as reduced or extended by the Lender, acting reasonably, to allow the maturity thereof to fall on a Business Day) payable in Canada.

"Bankruptcy and Insolvency Act (Canada)" means the Bankruptcy and Insolvency Act, S.C. 1992, c. 27, including the regulations made and, from time to time, in force under that Act.

"Basis Point" means one one-hundredth of one percent (0.01%).

"Borrower" means any of US Borrower and Canadian Borrower.

"Borrowing" means a borrowing of new Loans of a single Type pursuant to Section 1.2 or a Continuation or Conversion of existing Loans into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 1.3 of the US Agreement or the Canadian Agreement or the acceptance or purchase of Bankers' Acceptances issued by Canadian Borrower under the Canadian Agreement or the Continuation or Conversion of existing Banker's Acceptances into Canadian Loans of a single Type in the case of Eurodollar Loans with the same Interest Period pursuant to Section 1.3 of the Canadian Agreement.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by any Borrower which meets the requirements of Section 1.2 of the US Agreement or Section 1.2 of the Canadian Agreement.

"Business Day" means (a) with respect to the Canadian Agreement, a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Dallas, Texas and Toronto, Ontario and (b) with respect to the US Agreement, a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Dallas, Texas. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of US Agent or Canadian Agent, as applicable, significant transactions in dollars are carried out in the interbank eurocurrency market.

"Canadian Advances" has the meaning given to such term in Section 1.1 of the Canadian Agreement.

"Canadian Agent" means Bank of America Canada, as administrative agent under the Canadian Agreement, and its successors and assigns in such capacity.

"Canadian Agreement" means that certain Credit Agreement dated the Closing Date among Canadian Borrower, Canadian Agent and Lenders, as it may be amended, supplemented, restated or otherwise modified and in effect from time to time.

"Canadian Base Rate Loan" means a Canadian Loan which bears interest at the Canadian US Dollar Base Rate.

"Canadian Borrower" means Celsius Energy.

"Canadian Dollar" or "C\$" means the lawful currency of Canada.

"Canadian Dollar Eurodollar Loan" means a Canadian Loan that bears interest at the Adjusted Canadian Dollar Eurodollar Rate.

"Canadian Dollar Eurodollar Rate" means, for any Canadian Dollar Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on the Dow Jones Market Service (formerly Telerate Access Service) Page 3740 (or any successor page) as the London interbank offered rate for deposits in Canadian Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, then such offered rate shall be otherwise independently determined by Canadian Agent from an alternate, substantially similar independent source available to

Canadian Agent or shall be calculated by Canadian Agent by a substantially similar methodology as that theretofore used to determine such offered rate on Dow Jones Market Service, in the London interbank eurodollar market for a period of time equal or comparable to the related Interest Period and in an amount equal to or comparable to the principal amount of the eurodollar portion to which such Interest Period relates.

"Canadian Facility Maturity Date" means the date which is five years and one day after the Conversion Date.

"Canadian Facility Usage" means, at the time in question, the US Dollar Exchange Equivalent of the aggregate amount of Canadian Loans, Canadian LC Obligations, and BA's outstanding at such time.

"Canadian Guarantor" means US Borrower.

"Canadian LC Issuer" means Bank of America Canada in its capacity as the issuer of Letters of Credit under the Canadian Agreement, and its successors in such capacity. Canadian Agent may, with the consent of Canadian Borrower and the Lender in question, appoint any Canadian Resident Lender hereunder as a Canadian LC Issuer in place of or in addition to Bank of America Canada.

"Canadian LC Obligations" means, at the time in question, the sum of all Matured Canadian LC Obligations plus the maximum amounts which Canadian LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding under the Canadian Agreement.

"Canadian LC Sublimit" means C \$5,000,000.

"Canadian Loan Documents" means the Canadian Agreement, the Canadian Notes, the Letters of Credit issued under the Canadian Agreement, the LC Applications related thereto, the BA's, the Guaranty executed by Canadian Guarantor, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"Canadian Loans" means the Canadian Revolving Loans, the Canadian Term Loans into which such Revolving Loans may be converted and the Competitive Bid Loans made under the Canadian Agreement.

"Canadian Maximum Credit Amount" means the Canadian Dollar Exchange Equivalent of US \$58,000,000 on the Closing Date; provided that the Canadian Maximum Credit Amount may be increased up to US \$70,000,000 pursuant to Section 1.1(b) of the Canadian Agreement.

"Canadian Notes" means each Lender's "Canadian Note", as defined in Section 1.1 of the Canadian Agreement, and the Competitive Bid Notes issued under the Canadian Agreement.

"Canadian Obligations" means all Liabilities from time to time owing by Canadian Borrower to any Lender Party under or pursuant to any of the Canadian Loan Documents, including all Canadian LC Obligations owing thereunder. "Canadian Obligation" means any part of the Canadian Obligations.

"Canadian Prime Rate" means on any day a fluctuating rate of interest per annum equal to the higher of (i) the rate of interest per annum most recently announced by Bank of America Canada as its reference rate for Canadian Dollar commercial loans made to a Person in Canada; and (ii) Bank of America Canada's Discount Rate for Bankers' Acceptances having a maturity of thirty days plus the Applicable Margin. No Canadian Prime Rate charged by any Person shall ever exceed the Highest Lawful Rate

"Canadian Prime Rate Loan" means a Canadian Loan that bears interest at the Canadian Prime Rate.

"Canadian Resident Lender" means each Lender identified as such on the signature pages to the Canadian Agreement or any Assignment and Acceptance executed by a new Lender, each being a Person that is not a non-resident of Canada for the purposes of the Income Tax Act (Canada).

"Canadian Revolving Loans" has the meaning given it in Section 1.1 of the Canadian Agreement.

"Canadian Revolving Period" means the period from and including the Closing Date until the Conversion Date (or, if earlier, the day on which the obligations of Lenders to make Canadian Loans or the obligations of Canadian LC Issuer to issue Letters of Credit under the Canadian Agreement have been terminated or the Canadian Notes first become due and payable in full).

"Canadian Term Loan" has the meaning given it in Section 1.7 of the Canadian Agreement.

"Canadian Term Period" means the period from and including the day immediately following the Conversion Date until and including the Canadian Facility Maturity Date.

"Canadian US Dollar Base Rate" means for a day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the rate of interest per annum most recently established by Bank of America Canada as its reference rate for US Dollar commercial loans made to a Person in Canada. Any change in the Canadian US Dollar Base Rate due to a change in the Bank of America Canada's reference rate shall be effective on the effective date of such change. No Canadian US Dollar Base Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"CBRS" means CBRS Inc., or its successor.

"Celsius Energy" means Celsius Energy Resources Ltd., a Canadian corporation organized under the laws of Alberta.

"Change of Control" means the occurrence of any of the following events: (i) any Person (or syndicate or group (a "Group") of Persons which is deemed a "person" for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) acquires more than fifty percent (50%) of the outstanding stock of either Borrower having ordinary voting power (disregarding changes in voting power based on the occurrence of contingencies) for the election of directors; (ii) during any period of twelve successive months a majority of the Persons who were directors of either Borrower at the beginning of such period cease to be directors of either Borrower; or (iii) such Person or Group succeeds in having sufficient of its nominees elected to the board of directors of either Borrower, such that such nominees, when added to any existing director or remaining director remaining on the board of directors after such election who is an Affiliate of such Person or Group, will constitute a majority of such board of directors.

"Closing Date" means April 19, 1999.

"Companies' Creditors Arrangement Act (Canada)" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, including the regulations made and from time to time in force under that Act.

"Competitive Bid" means (i) with respect to the US Agreement, a response from any Lender to an Invitation to Bid, substantially in the form of Exhibit J to the US Agreement and (ii) with respect to the Canadian Agreement, a response from any Canadian Resident Lender to an Invitation to Bid, substantially in the form of Exhibit K to the Canadian Agreement.

"Competitive Bid Accept/Reject Letter" means (i) with respect to the US Agreement, a notice sent by US Borrower to US Agent, substantially in the form of Exhibit K to the US Agreement, indicating its acceptance or rejection of Competitive Bids from various Lenders and (ii) with respect to the Canadian Agreement, a notice sent by Canadian Borrower to Canadian Agent, substantially in the form of Exhibit L to the Canadian Agreement, indicating its acceptance or rejection of Competitive Bids from various Lenders.

"Competitive Bid Interest Period" means, with respect to any Competitive Bid Loan, a period from seven days or more as specified in the Competitive Bid applicable thereto until, in the case of Competitive Bid Loans made under the US Agreement, the last day of the US Facility Commitment Period and, in the case of Competitive Bid Loans made under the Canadian Agreement, the last day of the Canadian Revolving Period.

"Competitive Bid Loan" means (i) with respect to the US Agreement, a loan from a Lender to US Borrower pursuant to the bidding procedure described in Section 1.7 of the US Agreement and (ii) with respect to the Canadian Agreement, a loan from a Canadian Resident Lender to Canadian Borrower pursuant to the bidding procedure described in Section 1.9 of the Canadian Agreement.

"Competitive Bid Note" (i) with respect to the US Agreement, a "Competitive Bid Note" as defined in Section 1.7 of the US Agreement and (ii) with respect to the Canadian Agreement, a "Competitive Bid Note" as defined in Section 1.9 of the Canadian Agreement.

"Competitive Bid Rate" means, for any Competitive Bid Loan, the fixed rate at which such Lender is willing to make such Competitive Bid Loan indicated in its Competitive Bid. The Competitive Bid Rate shall in no event, however, exceed the Highest Lawful Rate.

"Competitive Bid Request" means (i) with respect to the US Agreement, a request by US Borrower in the form of Exhibit H to the US Agreement for Lenders to submit Competitive Bids and (ii) with respect to the Canadian Agreement, a request by Canadian Borrower in the form of Exhibit I to the Canadian Agreement for Canadian Resident Lenders to submit Competitive Bids.

"Consolidated" refers to the consolidation of any Person, in accordance with US GAAP, with its properly consolidated

subsidiaries. References herein to a Person's Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

"Consolidated Assets" means the total assets of US Borrower and its Restricted Subsidiaries which would be shown as assets on a Consolidated balance sheet of US Borrower and its Restricted Subsidiaries prepared in accordance with US GAAP, after eliminating all amounts properly attributable to minority interest, if any, in the stock and surplus of the Restricted Subsidiaries.

"Consolidated Interest Expense" means, for any period, total interest expense, whether paid or accrued, including without limitation all commissions, discounts and other fees and charges owed with respect to Letters of Credit.

"Consolidated Net Income" means, for any period, US Borrower's and its properly Consolidated subsidiaries' gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus US Borrower's and such subsidiaries' expenses and other proper charges against income (including taxes on income, to the extent imposed), determined on a Consolidated basis after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person other than such a subsidiary in which US Borrower or any of such subsidiaries has an ownership interest.

"Consolidated Net Worth" means as to US Borrower and its properly Consolidated subsidiaries at any time, the remainder of all Consolidated assets of US Borrower and such subsidiaries which would be shown on their Consolidated balance sheet prepared as of such time in accordance with GAAP, minus the sum of (a) all amounts which would be shown on such balance sheet as minority interests in any such subsidiaries, plus (b) all Consolidated Liabilities of US Borrower and such subsidiaries which would be shown on such balance sheet, adjusted by treating as Liabilities rather than equity all capital stock and other equity securities which US Borrower or any such subsidiary would be required to purchase, redeem or otherwise acquire at the election of any holder thereof, upon the passage of time, or upon the occurrence of any contingency (other than the voluntary election of US Borrower or any such subsidiary to make such purchase, redemption or acquisition).

"Continuation" (i) as used in the US Agreement shall refer to the continuation pursuant to Section 1.3 thereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period and (ii) as used in the Canadian Agreement shall refer to the continuation pursuant to Section 1.3 thereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period or a rollover of a Banker's Acceptance at maturity.

"Continuation/Conversion Notice" means (i) with respect to the US Agreement, a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 1.3 of the US Agreement, and (ii) with respect to the Canadian Agreement, a written or telephonic request, or a written confirmation, made by the applicable Canadian Borrower which meets the requirements of Section 1.3 of the Canadian Agreement.

"Conversion" (i) as used in the US Agreement shall refer to a conversion pursuant to Section 1.3 or Article III of one Type of US Loan into another Type of US Loan and (ii) as used in the Canadian Agreement shall refer to a conversion pursuant to Section 1.3 or Article III of one Type of Canadian Advance into another Type of Canadian Advance.

"Conversion Date" means the date which is 364 days after the Closing Date, or such later day to which the Conversion Date is extended pursuant to Section 1.6 of the Canadian Agreement.

"DBRS" means Dominion Bond Rating Service Limited, or its successor.

"Debt to Capitalization Ratio" means, at the time of determination, the ratio of (a) Funded Debt to (b) the sum of the Funded Debt plus Shareholders' Equity.

"Default" means any Event of Default and any default, event or condition which would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

"Default Rate" means at the time in question (i) with respect to any US Base Rate Loan, the rate one percent (1.0%) above the US Base Rate then in effect, (ii) with respect to any US Dollar Eurodollar Loan, the rate one percent (1%) above the Adjusted US Dollar Eurodollar Rate then in effect for such Loan, (iii) with respect to any Canadian Prime Rate Loan, the rate one percent (1.0%) above the Canadian Prime Rate then in effect for such Loan, (iv)

with respect to any Canadian Base Rate Loan, the rate one percent (1%) above the Canadian US Dollar Base Rate then in effect for such Loan, (v) with respect to any Canadian Dollar Eurodollar Loan, the rate one percent (1%) above the Adjusted Canadian Dollar Eurodollar Rate then in effect for such Loan; and (vi) with respect to any Competitive Bid Loan, the rate one percent (1%) above the Competitive Bid Rate then in effect for such Loan. No Default Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"Depository Bills and Notes Act (Canada)" means the Depository Bills and Notes Act (Canada), R.S.C. 1998, c. 13, including the regulations made and, from time to time, in force under that Act.

"Disclosure Schedule" means (i) with respect to the US Agreement, Schedule 1 thereto, and (ii) with respect to the Canadian Agreement, Schedule 1 thereto.

"Discount Proceeds" means, in respect of each Bankers' Acceptance, funds in an amount which is equal to:

((Face Amount) divided by (1 + (Rate x Term)) divided by 365 (where "Face Amount" is the principal amount of the Bankers' Acceptance being purchased, "Rate" is the BA Discount Rate divided by 100 and "Term" is the number of days in the term of the Bankers' Acceptance.)

"Distribution" means (a) any dividend or other distribution made by a Restricted Person on or in respect of any stock, partnership interest, or other equity interest in such Restricted Person (including any option or warrant to buy such an equity interest), or (b) any payment made by a Restricted Person to purchase, redeem, acquire or retire any stock, partnership interest, or other equity interest in such Restricted Person (including any such option or warrant).

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" below its name on its signature page to the Canadian Agreement or the US Agreement, or such other office as such Lender may from time to time specify to any Borrower and Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Transferee" means a Person which either (a) is a Lender or an Affiliate of a Lender, or (b) is consented to as an Eligible Transferee by US Agent or Canadian Agent, as applicable, and, so long as no Default or Event of Default is continuing, by the Borrowers, in each case which consent will not be unreasonably withheld; provided that the no consent shall be required for a Person to be an "Eligible Transferee" for purposes of Section 10.6(d) of the US Agreement and Section 10.6(d) of the Canadian Agreement.

"Environmental Laws" means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with all rules and regulations promulgated with respect thereto.

"ERISA Affiliate" means US Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with US Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Restricted Person has a fixed or contingent liability.

"Eurodollar Interest Period" means, with respect to each particular Eurodollar Loan in a Borrowing, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable thereto, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three, or six months thereafter, as the applicable Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of

such Interest Period) shall end on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, any Interest Period which would otherwise end after the last day of the US Facility Commitment Period or the Canadian Revolving Period shall end on the last day of the US Facility Commitment Period or the Canadian Revolving Period (or, if the last day of such period is not a Business Day, on the next preceding Business Day).

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" below its name on the signature page hereto (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrowers, Canadian Agent, and US Agent.

"Eurodollar Loan" means any Canadian Dollar Eurodollar Loan and any US Dollar Eurodollar Loan.

"Event of Default" means (i) with respect to the US Agreement the meaning given to such term in Section 8.1 thereof and (ii) with respect to the Canadian Agreement the meaning given to such term in Section 8.1 thereof.

"Exchange Equivalent" in respect of one currency (the "Original Currency"), being Canadian Dollars or U.S. Dollars, as the case may be, means, at the date of determination, the amount of currency expressed in the other such currency necessary to purchase, based on the Noon Rate on such date, the specified amount of the Original Currency on such date.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of Dallas, Texas on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to US Agent on such day on such transactions as determined by US Agent.

"Fiscal Quarter" means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Five-Year Commitment Fee Rate" means, on any date, the number of Basis Points per annum set forth below based on the Applicable Rating Level on such date:

Applicable Rating Level	Applicable Five Year Commitment Fee Rate
Level I	8.5
Level II	10.0
Level III	12.5
Level IV	15.0
Level V	17.5
Level VI	25.0
Level VII	30.0

"Funded Debt" means the aggregate of the following Indebtedness of US Borrower and its Subsidiaries, after elimination of intercompany items and other Consolidation in accordance with GAAP: (a) Indebtedness (including the Obligations) for borrowed money, regardless of maturity, (b) Indebtedness constituting an obligation to pay the deferred purchase price of property, (c) Indebtedness evidenced by a bond, debenture, note or similar instrument, and (d) Indebtedness which is due and payable at the time in question, with respect to letters of credit or reimbursement agreements therefor.

"Governmental Authority" means any domestic or foreign, national, federal, provincial, state, municipal or other local government or body and any division, agency, ministry, commission, board or authority or any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign or international judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing.

"Hazardous Materials" means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

"Hedging Contract" means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

"Highest Lawful Rate" means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the Highest Lawful Rate applicable to such Lender Party.

"Income Tax Act (Canada)" means the Income Tax Act, S.C. 1970-71-72, c. 63, including the regulations made and, from time to time, in force under that Act.

"Indebtedness" of any Person means Liabilities in any of the following categories:

- (a) Liabilities for borrowed money,
- (b) Liabilities constituting an obligation to pay the deferred purchase price of property or services, other than customary payment terms taken in the ordinary course of such Person's business,
- (c) Liabilities evidenced by a bond, debenture, note or similar instrument,
- (d) Liabilities arising under conditional sales or other title retention agreements or under leases capitalized in accordance with US GAAP, but excluding customary oil, gas or mineral leases,
- (e) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under "take-or-pay" contracts to deliver gas in return for payments already received and the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment);
- (f) Liabilities under Hedging Contracts,
- (g) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor, or
- (h) Liabilities under direct or indirect guaranties of Liabilities of any Person or constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Indebtedness of the types described in paragraphs (a) through (g) above of any Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase debt, assets, goods, securities or services, but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection),

provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 90 days past the original invoice or billing date therefor. Any Indebtedness owed by a partnership shall be deemed Indebtedness of any partner in such partnership to the extent such partner has any liability of any kind therefor.

"Initial Financial Statements" means the audited annual Consolidated financial statements of US Borrower dated as of December 31, 1997 and December 31, 1998.

"Interest Act (Canada)" means the Interest Act, R.S.C. 1985, c. I-15, including the regulations made and, from time to time, in force under that Act.

"Interest Payment Date" means (a) with respect to each US Base Rate Loan, Canadian US Dollar Base Rate Loan, and Canadian Prime Rate Loan, the last day of each March, June, September and December beginning June 30, 1999, and (b) with respect to each Eurodollar Loan, the last day of the Eurodollar Interest Period that is applicable thereto and, if such Eurodollar Interest Period is six

months in length, the date specified by Agent which is approximately three months after such Eurodollar Interest Period begins; provided that the last day of each calendar month shall also be an Interest Payment Date for each such Loan so long as any Event of Default exists under Section 8.1 (a) or (b).

"Interest Period" means (i) with respect to any Eurodollar Loan, the related Eurodollar Interest Period and (ii) with respect to any Competitive Bid Loan, the related Competitive Bid Interest Period.

"Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended from time to time and any successor statute or statutes.

"Investment" means any investment made directly or indirectly, in any Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means.

"Invitation to Bid" means (i) with respect to the US Agreement, an invitation by US Agent to each Lender, substantially in the form of Exhibit I thereto, inviting such Lender to submit Competitive Bids in response to a Competitive Bid Request under the US Agreement, and (ii) with respect to the Canadian Agreement, an invitation by Canadian Agent to each Lender, substantially in the form of Exhibit J thereto, inviting such Lender to submit Competitive Bids in response to a Competitive Bid Request under the Canadian Agreement.

"Judgment Interest Act (Alberta)" means the Judgment Interest Act, S.A. 1984 c. J-0.5, including the regulations made and, from time to time, in force under that Act.

"Law" means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or Canada or any state, province or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof.

"LC Application" means any application for a Letter of Credit hereafter made by any Borrower to US LC Issuer or Canadian LC Issuer.

"LC Collateral" (i) as used in the US Agreement, has the meaning given to such term in Section 2.6 of the US Agreement and (ii) as used in the Canadian Agreement, has the meaning given such term in Section 2.11 of the Canadian Agreement.

"Lender Parties" means US Agent, Canadian Agent, US LC Issuer, Canadian LC Issuer, and all Lenders.

"Lenders" means each signatory to the US Agreement and the Canadian Agreement (other than any Borrower), including NationsBank, N.A. and Bank of America Canada in their capacity as a Lender hereunder rather than as US Agent or Canadian Agent and US LC Issuer or Canadian LC Issuer, respectively, and the successors of each such party as holder of a US Note or a Canadian Note.

"Lenders Schedule" means Annex II to the US Agreement and Annex II to the Canadian Agreement which are the same.

"Letter of Credit" means any letter of credit issued by US LC Issuer under the US Agreement or by Canadian LC Issuer under the Canadian Agreement at the application of any Borrower.

"Liabilities" means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to US GAAP.

"Lien" means, with respect to any property or assets, any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic's or materialman's lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset. "Lien" also means any filed financing statement, any registration of a pledge (such as with an issuer of uncertificated securities), or any other arrangement or action which would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loan Documents" means, collectively, the Canadian Loan Documents and the US Loan Documents.

"Loans" means, collectively, the Canadian Loans and the US Loans.

"Majority Lenders" means Lenders whose aggregate Percentage Shares exceed sixty-six and two thirds percent (66 2/3%).

"Material Adverse Effect" means any event which would reasonably be expected to have a material and adverse effect upon (a) US Borrower's Consolidated financial condition, (b) US Borrower's Consolidated operations, properties or prospects, considered as a whole, (c) US Borrower's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Documents.

"Matured Canadian LC Obligations" means all amounts paid by Canadian LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit issued under the Canadian Agreement and all other amounts due and owing to Canadian LC Issuer under any LC Application for any such Letter of Credit, to the extent the same have not been repaid to Canadian LC Issuer (with the proceeds of Loans or otherwise).

"Matured US LC Obligations" means all amounts paid by US LC Issuer on drafts or demands for payment drawn or made under or purported to be under any Letter of Credit issued under the US Agreement and all other amounts due and owing to US LC Issuer under any LC Application for any such Letter of Credit, to the extent the same have not been repaid to US LC Issuer (with the proceeds of Loans or otherwise).

"Maximum Canadian Drawing Amount" means at the time in question the sum of the maximum amounts which Canadian LC Issuer might then or thereafter be called upon to advance under all Letters of Credit issued pursuant to the Canadian Agreement which are then outstanding.

"Maximum US Drawing Amount" means at the time in question the sum of the maximum amounts which US LC Issuer might then or thereafter be called upon to advance under all Letters of Credit issued pursuant to the US Agreement which are then outstanding.

"Moody's" means Moody's Investor Service, Inc., or its successor.

"Net Proceeds" means with respect to any Bankers' Acceptance, the Discount Proceeds less the amount equal to the applicable Stamping Fee Rate multiplied by the face amount of such Bankers' Acceptance..

"Non-resident Lender" means any Lender which is not a Canadian Resident Lender, and shall initially mean each Lender identified as such on the signature pages to the Canadian Agreement or thereafter on any Assignment and Acceptance.

"Noon Rate" means, in relation to the conversion of one currency into another currency, the rate of exchange for such conversion as quoted by the Bank of Canada (or, if not so quoted, the spot rate of exchange quoted for wholesale transactions made by Canadian Agent at Toronto, Ontario at approximately noon (Toronto local time)).

"Notes" mean, collectively, the Canadian Notes and the US Notes.

"Obligations" means, collectively, the US Obligations and the Canadian Obligations.

"Offer of Extension" means (a) with respect to the Canadian Agreement, a written offer by Canadian Agent, for and on behalf of Required Lenders, to Canadian Borrower to extend the Canadian Facility Revolving Period to a date 364 days from acceptance by Canadian Borrower of such offer, and setting forth, if applicable, the terms and conditions on which such extension is offered by the Lenders and as may be accepted by Canadian Borrower, and (b) with respect to the US Agreement, a written offer by US Agent, for and on behalf of Required Lenders, to US Borrower to extend the Tranche B Revolving Period to a date 364 days from acceptance by US Borrower of such offer, and setting forth, if applicable, the terms and conditions on which such extension is offered by the Lenders and as may be accepted by US Borrower.

"Percentage Share" means

(a) under the US Agreement with respect to any Lender (i) when used in Article I or Article II of the US Agreement, in any Borrowing Notice thereunder or when no US Loans are outstanding, the percentage set forth opposite such Lender's name on the Lenders Schedule as modified by assignments of a Lender's rights and obligations under the US Agreement made by or to such Lender in accordance with the terms of the US Agreement or pursuant to Section 1.1(f) of the US Agreement, and (ii) when used otherwise, the percentage obtained by dividing (x) the sum of the unpaid principal balance of such Lender's US Loans and such Lender's Percentage Share of the US LC Obligations, by (y) the sum of the aggregate unpaid principal balance of all US Loans at such time plus the aggregate amount of all US LC Obligations outstanding at such time; and

(b) under the Canadian Agreement with respect to any Lender (i) when used in Article I or Article II of the Canadian Agreement, in any Borrowing Notice thereunder or when no Canadian Advances are outstanding, the percentage set forth opposite such Lender's name on the Lenders Schedule as modified by assignments of a Lender's rights and obligations under the Canadian Agreement made by or to such Lender in accordance with the terms of the Canadian Agreement or pursuant to Section 1.1(b) of the Canadian Agreement, and (ii) when used otherwise, the percentage obtained by dividing (x) the sum of the unpaid principal balance of such Lender's Canadian Advances and such Lender's Percentage Share of the Canadian LC Obligations, by (y) the sum of the aggregate unpaid principal balance of all Canadian Advances at such time plus the aggregate amount of all Canadian LC Obligations outstanding at such time.

"Permitted Liens" means:

(a) operators' liens under customary operating agreements, statutory Liens for taxes, statutory mechanics' and materialmen's Liens, and other similar statutory Liens, provided such Liens secure only Liabilities which are not delinquent or which are being contested as provided in Section 6.7 of the US Agreement or Section 6.7 of the Canadian Agreement;

(b) Liens on any oil and gas properties which neither have developed reserves (producing or non-producing) properly attributable thereto nor are otherwise held under lease by production of other reserves;

(c) Liens on the Restricted Persons' office facilities;

(d) Liens on property securing non-recourse debt permitted under Section 7.1(f) of the US Agreement and Section 7.1(f) of the Canadian Agreement which is acquired with proceeds or developed with proceeds of the non-recourse debt; and

(e) Liens to secure the Obligations

provided that nothing in this definition shall in and of itself constitute or be deemed to constitute an agreement or acknowledgment by the US Agent or the Canadian Agent or any Lender that the Indebtedness subject to or secured by any such Permitted Lien ranks (apart from the effect of any Lien included in or inherent in any such Permitted Liens) in priority to the Obligations.

"Person" means an individual, corporation, partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, unincorporated organization or joint venture, Tribunal, or any other legally recognizable entity.

"Rating Agency" means any of S & P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

"Request for an Offer of Extension" means (a) with respect to the Canadian Agreement, a written request made by Canadian Borrower to the Lenders to have Required Lenders issue an offer to Canadian Borrower extending the Canadian Revolving Period for a further 364 days, and (b) with respect to the US Agreement, a written request made by US Borrower to the Lenders to have Required Lenders issue an offer to US Borrower extending the Tranche B Revolving Period for a further 364 days.

"Required Lenders" means Lenders whose aggregate Percentage Shares equal or exceed fifty percent (50%).

"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System of the United States of America (or any successor) by member banks of such Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted US Dollar Eurodollar Rate or the Adjusted Canadian Dollar Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include US Dollar Eurodollar Loans or Canadian Dollar Eurodollar Loans.

"Restricted Person" means any of US Borrower and each Restricted Subsidiary.

"Restricted Subsidiary" means Canadian Borrower and any other Subsidiary of US Borrower that is not an Unrestricted Subsidiary.

"S & P" means Standard & Poor's Ratings Services (a division of McGraw Hill Companies, Inc.), or its successor.

"Schedule I BA Reference Banks" means the Lenders listed in Schedule I to the Bank Act (Canada) as are, at such time, designated by Canadian Agent, with the prior consent of Canadian Borrower (acting reasonably), as the Schedule I BA reference Banks.

"Schedule II BA Reference Banks" means the Lenders listed in Schedule II to the Bank Act (Canada) as are, at such time, designated by Canadian Agent, with the prior consent of Canadian Borrower (acting reasonably), as the Schedule II BA Reference Banks.

"Shareholders' Equity" means the remainder of (i) US Borrower's Consolidated assets minus (ii) the sum of (x) US Borrower's Consolidated liabilities plus (y) all treasury stock of US Borrower and its Subsidiaries.

"Stamping Fee Rate" means with respect to any Bankers' Acceptance accepted by any Canadian Resident Lender at any time, the Applicable Margin then in effect; provided that if an Event of Default has occurred and is continuing, the Stamping Fee Rate shall be increased by one hundred (100) Basis Points.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned fifty percent or more by such Person, provided that (a) associations, joint ventures or other relationships (i) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only, (ii) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state law, and (iii) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties, transportation and related facilities and interests owned directly by the parties in such associations, joint ventures or relationships, shall not be deemed to be "Subsidiaries" of such Person and (b) associations, joint ventures or other relationships (i) which are not corporations or partnerships under applicable provincial law, and (ii) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties, transportation and related facilities and interests owned directly by the parties in such associations, joint ventures or relationships, shall not be deemed to be "Subsidiaries" of such Person.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Sections 4043(b)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(b) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan.

"Total Capitalization" means the sum (without duplication) of (i) the Consolidated Total Funded Debt of US Borrower plus (ii) the Consolidated Shareholder's Equity of US Borrower.

"Total Funded Debt" means Liabilities referred to in clauses (a), (b), (c), (d), and (e) of the definition of "Indebtedness".

"Tranche A Facility Usage" means, at the time in question, the aggregate amount of Tranche A Loans and existing US LC Obligations outstanding at such time under the US Agreement.

"Tranche A Loan" has the meaning given it in Section 1.1(a) of the US Agreement.

"Tranche A Maximum Credit Amount" means \$150,000,000; provided that the Tranche A Maximum Credit Amount may be increased up to \$180,000,000 pursuant to Section 1.1(f) of the US Agreement.

"Tranche A Note" has the meaning given it in Section 1.1(a) of the US Agreement.

"Tranche B Conversion Date" means the date which is 364 days after the Closing Date, or such later day to which the Tranche B Conversion Date is extended pursuant to Section 1.1 of the US Agreement.

"Tranche B Facility Usage" means, at the time in question, the aggregate amount of Tranche B Loans outstanding at such time under the US Agreement.

"Tranche B Loan" has the meaning given it in Section 1.1(b) of the US Agreement.

"Tranche B Maturity Date" means the date which is two (2) years after the Tranche B Conversion Date.

"Tranche B Maximum Credit Amount" means \$42,000,000; provided that the Tranche B Maximum Credit Amount may be increased up to \$50,000,000 pursuant to Section 1.1(f) of the US Agreement.

"Tranche B Note" has the meaning given it in Section 1.1(b) of the US Agreement.

"Tranche B Revolving Period" means the period from the Closing Date until the Tranche B Conversion Date.

"Tribunal" means any government, any arbitration panel, any court or any governmental department, commission, board, bureau, agency or instrumentality of the United States of America or Canada or any state, province, commonwealth, nation, territory, possession, county, parish, town, township, village or municipality, whether now or hereafter constituted or existing.

"Type" means (i) with respect to any US Loans, the characterization of such US Loans as either US Base Rate Loans or US Dollar Eurodollar Loans and (ii) with respect to any Canadian Advances, the characterization of such Canadian Advances as Canadian Base Rate Loans, Canadian Prime Rate Loans, US Dollar Eurodollar Loans, Canadian Dollar Eurodollar Loans or Bankers' Acceptances.

"Unrestricted Subsidiary" means any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization in which US Borrower does not presently own an interest (directly or indirectly) which hereafter becomes a Subsidiary of US Borrower and which, within 90 days thereafter, is designated as an Unrestricted Subsidiary by US Borrower to US Agent, provided that US Borrower may not designate as an Unrestricted Subsidiary any Subsidiary in which it has made an investment of more than US \$25,000,000 (directly or indirectly) by any means other than newly issued stock or treasury stock of US Borrower, which may be used to make an investment in Unrestricted Subsidiaries without limit and provided further that in the event the book value of the assets of any Unrestricted Subsidiary at any time exceeds US \$25,000,000, such Subsidiary shall cease to be an Unrestricted Subsidiary and shall automatically become a Restricted Person.

"Utilization Fee Rate" means, on any date, the number of Basis Points per annum set forth below based on the Applicable Rating Level on such date:

Applicable Rating Level	Applicable Utilization Fee Rate
Level I	10.0
Level II	10.0
Level III	15.0
Level IV	15.0
Level V	20.0
Level VI	20.0
Level VII	20.0

"US Account" means an account established by Canadian Agent in New York into which funds to be advanced to Canadian Borrower by Lenders in US Dollars and funds to be paid by Canadian Borrower to Lenders in US Dollars will be deposited.

"US Agent" means NationsBank, N.A., as administrative agent, under the US Agreement and its successors and assigns in such capacity.

"US Agreement" means that certain Credit Agreement of even date herewith among US Borrower, Agent and the Lenders, as it may be amended, supplemented, restated or otherwise modified and in effect from time to time.

"US Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the US Reference Rate for such day. Any change in the US Base Rate due to a change in the US Reference Rate or the Federal Funds Rate shall be effective on the effective date of such change in the US Reference Rate or Federal Funds Rate. No US Base Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"US Base Rate Loan" means a US Loan made in US Dollars which bears interest at the US Base Rate.

"US Borrower" means Questar Market Resources, Inc., a Utah corporation.

"US Dollar" or "US \$" means the lawful currency of the United States of America.

"US Dollar Equivalent" means, with respect to an amount denominated in Canadian Dollars, the amount of US Dollars required to purchase the relevant stated amount of Canadian Dollars on the date of determination.

"US Dollar Eurodollar Loan" means a US Loan or a Canadian Loan, in each case, which bears interest at the Adjusted US Dollar Eurodollar Rate.

"US Dollar Eurodollar Rate" means, for any US Dollar Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on the Dow Jones Market Service (formerly Telerate Access Service) Page 3750 (or any successor page) as the London interbank offered rate for deposits in US Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "US Dollar Eurodollar Rate" shall mean, for any US Dollar Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits of US Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/1000 of 1%).

"US Facility Commitment Period" means the period from and including the Closing Date until the US Facility Maturity Date (or, if earlier, the day on which the obligations of Lenders to make US Loans hereunder or the obligations of US LC Issuer to issue Letters of Credit hereunder have been terminated or the US Notes first become due and payable in full).

"US Facility Maturity Date" means April 19, 2004.

"US Facility Usage" means, at the time in question, the aggregate amount of US Loans and existing US LC Obligations outstanding at such time under the US Agreement.

"US GAAP" means those generally accepted accounting principles and practices which are recognized as such from time to time by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of US Borrower and its Consolidated Subsidiaries, are applied for all periods after the Closing Date in a manner consistent with the manner in which such principles and practices were applied to the Initial Financial Statements.

"US LC Issuer" means NationsBank, N.A. in its capacity as the issuer of Letters of Credit under the US Agreement, and its successors in such capacity.

"US LC Obligations" means, at the time in question, with respect to the US Agreement, the sum of all Matured US LC Obligations plus the maximum amounts which US LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"US LC Sublimit" means US \$8,000,000.

"US Loans" means the Tranche A Loans, the Tranche B Loans and Competitive Bid Loans made under the US Agreement.

"US Loan Documents" means the US Agreement, the US Notes issued under the US Agreement, the Letters of Credit issued under the US Agreement, the LC Applications related thereto, and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

"US Maximum Credit Amount" means the amount of US \$192,000,000; provided that the US Maximum Credit Amount may be increased up to US \$230,000,000 pursuant to Section 1.1(f) of the US Agreement.

"US Notes" means the Tranche A Notes, the Tranche B Notes and the Competitive Bid Notes issued under the US Agreement.

"US Obligations" means all Liabilities from time to time owing by any Restricted Person to any Lender Party under or pursuant to any of the US Loan Documents, including all US LC Obligations owing thereunder. "US Obligation" means any part of the US Obligations.

"US Reference Rate" means the per annum rate of interest established from time to time by NationsBank, N.A. as its prime rate, which rate may not be the lowest rate of interest charged by NationsBank, N.A. to its customers.

"Withholding Tax" has the meaning given it in Section 3.2(d) of the Canadian Agreement.

US Schedules and Exhibits

SCHEDULE 1

DISCLOSURE SCHEDULE

EXHIBIT A-1

PROMISSORY NOTE

US\$ _____, 1999

FOR VALUE RECEIVED, the undersigned, Questar Market Resources, Inc., a Utah corporation (herein called "Borrower"), hereby promises to pay to the order of

(herein called "Lender"), the principal sum of

Dollars (US\$ _____), or, if greater or less, the aggregate unpaid principal amount of the Tranche A Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of US Agent under the Credit Agreement, 901 Main Street, Dallas, Texas or at such other place within Dallas County, Texas, as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain US Credit Agreement of even date herewith among Borrower, NationsBank, N.A., individually and as administrative agent ("US Agent"), and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Tranche A Note" as defined therein and (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events. Payments on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the US Facility Maturity Date.

Tranche A Loans that are US Base Rate Loans (exclusive of any past due principal or interest) from time to time outstanding shall bear interest on each day outstanding at the US Base Rate in effect on such day; provided that if an Event of Default has occurred and is continuing, US Base Rate Loans shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date Borrower shall pay to the holder hereof all unpaid interest which has accrued on the US Base Rate Loans to but not including such Interest Payment Date. Each Tranche A Loan that is a US Dollar Eurodollar Loan (exclusive of any past due principal or interest) shall bear interest on each day during the related Interest Period at the related Adjusted US Dollar Eurodollar Rate in effect on such day; provided that if an Event of Default has occurred and is continuing, such US Dollar Eurodollar Loan shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date relating to such US Dollar Eurodollar Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such US Dollar Eurodollar Loan to but not including such Interest Payment Date.

All past due principal of and past due interest on the Loans shall bear interest on each day outstanding at the applicable Default Rate in effect on such day, and such interest shall be due and payable daily as it accrues. Notwithstanding the foregoing provisions of this paragraph: (a) this Note shall never bear interest in excess of the Highest Lawful Rate, and (b) if at any time the rate at which interest is payable on this Note is limited by the Highest Lawful Rate (by the foregoing subsection (a) or by reference to the Highest Lawful Rate in the definitions of US Base Rate, Adjusted US Dollar Eurodollar Rate, and Default Rate), this Note shall bear interest at the Highest Lawful Rate and shall continue to bear interest at the Highest Lawful Rate until such time as the total amount of interest accrued hereon equals (but does not exceed) the total amount of interest which would have accrued hereon had there been no Highest Lawful Rate applicable hereto.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon. The term "applicable Law" as used in this Note shall mean the laws of the State of Utah or the laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT A-2

PROMISSORY NOTE

US\$ _____, 1999

FOR VALUE RECEIVED, the undersigned, Questar Market Resources, Inc., a Utah corporation (herein called "Borrower"), hereby promises to pay to the order of

(herein called "Lender"), the principal sum of

Dollars (US\$ _____), or, if greater or less, the aggregate unpaid principal amount of the Tranche B Loans made under this Note by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of US Agent under the Credit Agreement, 901 Main Street, Dallas, Texas or at such other place within Dallas County, Texas, as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain US Credit Agreement of even date herewith among Borrower, NationsBank, N.A., individually and as administrative agent ("US Agent"), and the lenders (including Lender) referred to therein (herein, as from time to time supplemented, amended or restated, called the "Credit Agreement"), and is a "Tranche B Note" as defined therein and (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events. Payments on this Note shall be made and applied as provided herein and in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the Tranche B Maturity Date.

Tranche B Loans that are US Base Rate Loans (exclusive of any

past due principal or interest) from time to time outstanding shall bear interest on each day outstanding at the US Base Rate in effect on such day; provided that if an Event of Default has occurred and is continuing, US Base Rate Loans shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date Borrower shall pay to the holder hereof all unpaid interest which has accrued on the US Base Rate Loans to but not including such Interest Payment Date. Each Tranche B Loan that is a US Dollar Eurodollar Loan (exclusive of any past due principal or interest) shall bear interest on each day during the related Interest Period at the related Adjusted US Dollar Eurodollar Rate in effect on such day; provided that if an Event of Default has occurred and is continuing, such US Dollar Eurodollar Loan shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Interest Payment Date relating to such US Dollar Eurodollar Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such US Dollar Eurodollar Loan to but not including such Interest Payment Date.

All past due principal of and past due interest on the Loans shall bear interest on each day outstanding at the applicable Default Rate in effect on such day, and such interest shall be due and payable daily as it accrues. Notwithstanding the foregoing provisions of this paragraph: (a) this Note shall never bear interest in excess of the Highest Lawful Rate, and (b) if at any time the rate at which interest is payable on this Note is limited by the Highest Lawful Rate (by the foregoing subsection (a) or by reference to the Highest Lawful Rate in the definitions of US Base Rate, Adjusted US Dollar Eurodollar Rate, and Default Rate), this Note shall bear interest at the Highest Lawful Rate and shall continue to bear interest at the Highest Lawful Rate until such time as the total amount of interest accrued hereon equals (but does not exceed) the total amount of interest which would have accrued hereon had there been no Highest Lawful Rate applicable hereto.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon. The term "applicable Law" as used in this Note shall mean the laws of the State of Utah or the laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT B

BORROWING NOTICE

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc., a Utah corporation ("US Borrower"), NationsBank, N.A., as individually and as administrative agent ("US Agent"), and certain financial

institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement. Pursuant to the terms of the Agreement, US Borrower hereby requests Lenders to make [Tranche A/Tranche B] Loans to US Borrower as follows:

Aggregate amount of US Loans: US \$ _____

Type of US Loans in Borrowing: _____

[US Base Rate Loans or US Dollar Eurodollar Loans]

Date on which US Loans are to be made: _____

Length of Interest Period for Eurodollar Loans _____ months
[1, 2, 3 or 6 months]

To induce Lenders to make such Loans, US Borrower hereby represents, warrants, acknowledges, and agrees to and with US Agent and each Lender that:

(a) The officer of US Borrower or such other Person duly authorized by the President of US Borrower signing this instrument is the duly elected, qualified and acting officer of US Borrower or such other Person duly authorized by the President of US Borrower as indicated below such officer's signature hereto having all necessary authority to act for US Borrower in making the request herein contained.

(b) The representations and warranties of US Borrower set forth in the Agreement and the other US Loan Documents are true and correct on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon US Borrower's receipt and application of the Loans requested hereby. US Borrower will use the Loans hereby requested in compliance with Section 1.4 of the Agreement.

(d) Except to the extent waived in writing as provided in Section 10.1(a) of the Agreement, US Borrower has performed and complied with all agreements and conditions in the Agreement required to be performed or complied with by US Borrower on or prior to the date hereof, and each of the conditions precedent to US Loans contained in the Agreement remains satisfied.

(e) The US Facility Usage, after the making of the Loans requested hereby, will not be in excess of the US Maximum Credit Amount on the date requested for the making of such Loans. [The Tranche A Facility Usage, after the making of the Loans requested hereby, will not be in excess of the Tranche A Maximum Credit Amount on the date requested for the making of such Loans./ The Tranche B Loans, after the making of such Loans, will not be in excess of the Tranche B Maximum Credit Amount.]

(f) The US Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Agreement and the other US Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of US Borrower or such other Person duly authorized by the President of US Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of US Borrower are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 1999.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT C

CONTINUATION/CONVERSION NOTICE

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc., a Utah corporation ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"). Terms which are defined in the Agreement and which are used but not defined herein are used herein with the meanings given them in the Agreement.

US Borrower hereby requests a conversion or continuation of existing [Tranche A/Tranche B] Loans into a new Borrowing pursuant to Section 1.3 of the Agreement as follows:

Existing Borrowing(s) to be continued or converted:

US \$ _____ of US Dollar Eurodollar Loans with Eurodollar Interest Period ending _____

US \$ _____ of US Base Rate Loans

If being combined with new US Loans, US \$ _____ of new US Loans to be advanced on _____, _____

Aggregate amount of new Borrowing: US \$ _____

Type of US Loans in new Borrowing: _____

Date of continuation or conversion: _____

Length of Eurodollar Interest Period for US Dollar Eurodollar Loans (1, 2, 3 or 6 months): _____ months

To meet the conditions set out in the Credit Agreement for such conversion/continuation, US Borrower hereby represents, warrants, acknowledges, and agrees to and with US Agent and each Lender that:

(a) The officer of US Borrower or such other Person duly authorized by the President of US Borrower signing this instrument is the duly elected, qualified and acting officer of US Borrower or such other Person duly authorized by the President of US Borrower as indicated below such officer's signature hereto having all necessary authority to act for US Borrower in making the request herein contained.

(b) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Credit Agreement.

(c) The US Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1(a) of the Agreement. The Credit Agreement and the other US Loan Documents are hereby ratified, approved, and confirmed in all respects.

The officer of US Borrower or such other Person duly authorized by the President of US Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of US Borrower are true, correct and complete.

IN WITNESS WHEREOF this instrument is executed as of _____, 1999.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT D

CERTIFICATE ACCOMPANYING
FINANCIAL STATEMENTS

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc., a Utah corporation ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"), which Agreement is in full force and effect on the date hereof. Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Section 6.1(b) of the Agreement. Together herewith US Borrower is furnishing to US Agent and each Lender US Borrower's *[audited/unaudited] financial statements (the "Financial Statements") as at

(the "Reporting Date"). US Borrower hereby represents, warrants, and acknowledges to US Agent and each Lender that:

(a) the officer of US Borrower signing this instrument is the duly elected, qualified and acting Vice President - Finance of US Borrower and as such is US Borrower's chief financial officer;

(b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;

(c) attached hereto is a schedule of calculations showing US Borrower's compliance as of the Reporting Date with the requirements of Sections _____ of the Agreement *[and US Borrower's non-compliance as of such date with the requirements of Section(s) 7.11 and 7.12 of the Agreement];

(d) on the Reporting Date US Borrower was, and on the date hereof US Borrower is, in full compliance with the disclosure requirements of Section 6.2(c) and 6.4 of the Agreement, and no Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except for Default(s) under Section(s) _____ of the Agreement, which *[is/are] more fully described on a schedule attached hereto].

(e) *[Unless otherwise disclosed on a schedule attached hereto,] The representations and warranties of US Borrower set forth in the Agreement and the other US Loan Documents are true and correct on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement), with the same effect as though such representations and warranties had been made on and as of the date hereof.

The officer of US Borrower signing this instrument hereby certifies that he has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of US Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 1999.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT E

OPINION OF US BORROWER'S COUNSEL

[To be inserted.]

EXHIBIT F

ASSIGNMENT AND ACCEPTANCE

Reference is made to the US Credit Agreement dated as of April 19, 1999 (the "Credit Agreement") among Questar Market Resources, Inc., a Utah corporation (the "US Borrower"), the Lenders (as defined in the Credit Agreement) and NationsBank, N.A., individually and as administrative agent for the Lenders (the "US Agent"). Terms defined in the Credit Agreement are used herein with the same meaning.

The "Assignor" and the "Assignee" referred to on Schedule 1 agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse and without representation or warranty except as expressly set forth herein, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement and the other US Loan Documents as of the date hereof equal to the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement and the other US Loan Documents. After giving effect to such sale and assignment, the Assignee's Maximum US Credit Amount and the amount of the Loans owing to the Assignee will be as set forth on Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the US Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the US Loan Documents or any other instrument or document furnished pursuant thereto; (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Restricted Person or the performance or observance by any Restricted Person of any of its obligations under the US Loan Documents or any other instrument or document furnished pursuant thereto; and (iv) attaches the US Note held by the Assignor and requests that US Agent exchange such US Note for new US Notes payable to the order of the Assignee in an amount equal to the Maximum US Credit Amount assumed by the Assignee pursuant hereto and to the Assignor in an amount equal to the Maximum US Credit Amount retained by the Assignor, if any, as specified on Schedule 1.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 6.2 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon US Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Transferee; (iv) appoints and authorizes US Agent to take such action as US Agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to US Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender; and (vi) attaches any U.S. Internal Revenue Service or other forms required under Section 3.9

4. Following the execution of this Assignment and Acceptance, it will be delivered to US Agent for acceptance and recording by US Agent. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by US Agent, unless otherwise specified on Schedule 1.

5. Upon such acceptance and recording by US Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by US Agent, from and after the Effective Date, US Agent shall make all payments under the Credit Agreement and the US Notes in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and commitment fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the US Notes for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the Laws of the State of Utah.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

SCHEDULE 1
to
ASSIGNMENT AND ACCEPTANCE

Percentage interest assigned:	_____%
Assignee's Maximum US Credit Amount:	US \$ _____
Aggregate outstanding principal amount of Loans assigned:	US \$ _____
Principal amount of US Note payable to Assignee:	US \$ _____

Principal amount of US Note payable to Assignor: US \$ _____

Effective Date (if other than date of acceptance by US Agent): *_____, ____

[NAME OF ASSIGNOR], as Assignor

By:
Title:

Dated: _____, _____

[NAME OF ASSIGNEE], as Assignee

By:
Title:

Domestic Lending Office:

Eurodollar Lending Office:

* This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to US Agent.

Accepted [and Approved] **
this _____ day of _____, 19 ____

[NationsBank, N.A./Bank of America]

By:
Title:

[Approved this _____ day
of _____, 19 ____

QUESTAR MARKET RESOURCES, INC.

By: _____]**
Title:

** Required if the Assignee is an Eligible Transferee solely by reason of subsection (b) of the definition of "Eligible Transferee".

EXHIBIT G

LETTER OF CREDIT APPLICATION AND AGREEMENT

[To Be Inserted]

EXHIBIT H

COMPETITIVE BID REQUEST

NationsBank, N.A.
as US Agent
901 Main Street
Post Office Box 830104
Dallas, Texas 75202

Attention: _____ [Date]

QUESTAR MARKET RESOURCES, INC.

Ladies and Gentlemen:

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc. ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"). Terms which are defined in the Agreement and which are used but not defined herein are used herein with the meanings given them in the Agreement. US Borrower hereby gives notice pursuant to Section 2.__(a) of the Agreement that it requests Competitive Bids under the Agreement on the terms set forth below:

1. Proposed Date of Competitive Bid Loan: _____
(which is a Business Day)

2. Aggregate Principal Amount of Competitive Bid Loan:
 US \$ _____
 (US \$5,000,000 or greater integral multiple of US
 \$1,000,000)
3. Competitive Bid Interest Period and last day thereof:

 (1 day to 7 days)

To induce Lenders to make such Competitive Bids, US Borrower hereby represents, warrants, acknowledges, and agrees to and with US Agent and each Lender that:

(a) The officer of US Borrower signing this instrument is the duly elected, qualified and acting officer of US Borrower as indicated below such officer's signature hereto having all necessary authority to act for US Borrower in making the request herein contained.

(b) The representations and warranties of US Borrower set forth in the Agreement and the other US Loan Documents, except as expressly made as of specific date, are true and correct in all material respects on and as of the date hereof (except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Agreement), with the same effect as though such representations and warranties had been made on and as of the date hereof.

(c) There does not exist on the date hereof any condition or event which constitutes a Default which has not been waived in writing as provided in Section 10.1(a) of the Agreement; nor will any such Default exist upon US Borrower's receipt and application of any Competitive Bid Loan made pursuant hereto.

(d) The sum of (i) the aggregate unpaid principal balance of the US Loans, after the making of any Competitive Bid Loan in the amount indicated hereby, plus (ii) the US LC Obligations outstanding, will not be in excess of the Maximum US Credit Amount on the date requested for the making of such Loans.

The officer of US Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of US Borrower are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 1999.

QUESTAR MARKET RESOURCES, INC.

By:
 Name:
 Title:

EXHIBIT I

INVITATION TO BID

To Lenders under the
 (as defined below)

Attention: _____ [Date]

QUESTAR MARKET RESOURCES, INC.

Ladies and Gentlemen:

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc. ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"). Terms which are defined in the Agreement and which are used but not defined herein are used herein with the meanings given them in the Agreement. US Borrower has delivered a Competitive Bid Request dated _____ pursuant to Section 1.7(a) of the Agreement, and you are invited to submit a Competitive Bid by not later than 9:00 a.m., Dallas, Texas time on the date specified for the proposed Competitive Bid Loan. Your Competitive Bid must comply with Section 1.7(b) of the Agreement and the following terms as set forth in US Borrower's Competitive Bid Request:

1. Proposed Date of Competitive Bid Loan:

 (which is a Business Day)
2. Aggregate Principal Amount of Competitive Bid Loan:

US \$.
(US \$5,000,000 or greater integral multiple of US
\$1,000,000)

3. Competitive Bid Interest Period and last day thereof:
.
(from 7 days or more to the last day of the US Facility
Commitment Period)

NATIONSBANK, N.A.,
as US Agent

By:
Name:
Title:

EXHIBIT J

COMPETITIVE BID

NationsBank, N.A.
as US Agent
901 Main Street
Post Office Box 830104
Dallas, Texas 75202

Attention: _____ [Date]

QUESTAR MARKET RESOURCES, INC.

Ladies and Gentlemen:

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc.. ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"). Terms which are defined in the Agreement and which are used but not defined herein are used herein with the meanings given them in the Agreement. The undersigned Lender hereby makes a Competitive Bid pursuant to Section 1.7(b) of the Agreement, in response to the Competitive Bid Request of US Borrower dated _____, on the following terms:

1. Principal Amount: US \$.
(US \$5,000,000 or greater integral multiple of US
\$1,000,000; multiple Competitive Bids may be accepted by
US Borrower)
2. Competitive Bid Rate: _____ percent (___%) .
(expressed in decimal form to no more than four decimal
places)
3. Competitive Bid Interest Period and last day thereof:
.
(1 day to 7 days)

The undersigned Lender hereby confirms that it is prepared to extend credit to US Borrower upon acceptance by US Borrower of this Competitive Bid pursuant to Section 1.7(d) of the Agreement.

, Lender

By:
Name:
Title:

EXHIBIT K

COMPETITIVE BID ACCEPT/REJECT LETTER

NationsBank, N.A.
as US Agent
901 Main Street
Post Office Box 830104
Dallas, Texas 75202

Attention: _____ [Date]

QUESTAR MARKET RESOURCES, INC.

Ladies and Gentlemen:

Reference is made to that certain US Credit Agreement dated as of April 19, 1999 (as from time to time amended, the "Agreement"), by and among Questar Market Resources, Inc. ("US Borrower"), NationsBank, N.A., individually and as administrative agent ("US Agent"), and certain financial institutions ("Lenders"). Terms which are defined in the Agreement and which are used but not defined herein are used herein with the meanings given them in the Agreement. Pursuant to Section 1.7(c) of the Agreement, US Borrower hereby accepts the following Competitive Bids made in response to US

Borrower's Competitive Bid Request dated _____ for
Competitive Bid Loans maturing _____:

Lender	Principal Amount	Interest Rate
	US \$	%
	US \$	%
	US \$	%

US Borrower hereby rejects the following Competitive Bids:

Lender	Principal Amount	Interest Rate
	US \$	%
	US \$	%
	US \$	%

The proceeds of the Competitive Bid Loans made pursuant to the
Competitive Bids accepted hereby should be deposited in NationsBank,
N.A. account number _____ on _____ [or wire
transferred to _____].

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

EXHIBIT L

COMPETITIVE BID NOTE

_____, 1999

FOR VALUE RECEIVED, the undersigned, Questar Market Resources,
Inc., a Utah corporation ("Borrower"), hereby promises to pay to the
order of

("Lender"), the aggregate unpaid principal
amount of all Competitive Bid Loans made under this Note by Lender
to Borrower pursuant to the terms of the Credit Agreement (as
hereinafter defined), together with interest on the unpaid principal
balance thereof as hereinafter set forth, both principal and
interest payable as herein provided in lawful money of the United
States of America at the offices of US Agent under the Credit
Agreement, 901 Main Street, Dallas, Texas or at such other place
within Dallas County, Texas, as from time to time may be designated
by the holder of this Note.

This Note (a) is issued and delivered under that certain US
Credit Agreement dated as of [_____], 1999, among Borrower,
NationsBank, N.A., individually and as administrative agent ("US
Agent"), and the lenders (including Lender) referred to therein (as
from time to time supplemented, amended or restated, the "Credit
Agreement"), and is a "Competitive Bid Note" as defined therein, and
(b) is subject to the terms and provisions of the Credit Agreement,
which contains provisions for payments and prepayments hereunder and
acceleration of the maturity hereof upon the happening of certain
stated events. Payments on this Note shall be made and applied as
provided herein and in the Credit Agreement. Reference is hereby
made to the Credit Agreement for a description of certain rights,
limitations of rights, obligations and duties of the parties hereto
and for the meanings assigned to terms used and not defined herein.

For the purposes of this Note, "Competitive Bid Rate Payment
Date" means, with respect to each Competitive Bid Loan: (i) the day
on which the related Competitive Bid Interest Period ends, and (ii)
any day on which past due interest or past due principal is owed
hereunder with respect to such Competitive Bid Loan and is unpaid.
If the terms hereof or of the Credit Agreement provide that payments
of interest or principal with respect to such Competitive Bid Loan
shall be deferred from one Competitive Bid Rate Payment Date to
another day, such other day shall also be a Competitive Bid Rate
Payment Date.

The principal amount of this Note and interest accrued hereon,
shall be due and payable as set forth in the Credit Agreement, and
shall in any event be due in full on the last day of the US Facility
Commitment Period.

Each Competitive Bid Loan (exclusive of any past due principal or past due interest) shall bear interest on each day during the related Competitive Bid Interest Period at the Competitive Bid Rate in effect on such day for such Competitive Bid Loan, provided that if an Event of Default has occurred and is continuing such Competitive Bid Loan shall bear interest on each day outstanding at the applicable Default Rate in effect on such day. On each Competitive Bid Rate Payment Date relating to any Competitive Bid Loan, Borrower shall pay to the holder hereof all unpaid interest which has accrued on such Competitive Bid Loan to but not including such Competitive Bid Rate Payment Date.

All past due principal of and past due interest on Competitive Bid Loans shall bear interest on each day outstanding at the applicable Default Rate in effect on such day, and such interest shall be due and payable daily as it accrues. Notwithstanding the foregoing provisions of this paragraph: (a) this Note shall never bear interest in excess of the Highest Lawful Rate, and (b) if at any time the rate at which interest is payable on this Note is limited by the Highest Lawful Rate (by the foregoing clause (a) or by reference to the Highest Lawful Rate in the definitions of Competitive Bid Rate and Default Rate), this Note shall bear interest at the Highest Lawful Rate and shall continue to bear interest at the Highest Lawful Rate until such time as the total amount of interest accrued hereon equals (but does not exceed) the total amount of interest which would have accrued hereon had there been no Highest Lawful Rate applicable hereto.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable Law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon. The term "applicable Law" as used in this Note shall mean the laws of the State of Utah or the laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF UTAH (WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW), EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

QUESTAR MARKET RESOURCES, INC.

By:
Name:
Title:

[Execution]

FOURTH AMENDMENT TO US CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO US CREDIT AGREEMENT (herein called the "Amendment") dated effective as of April 17, 2000, by and among Questar Market Resources, Inc., a Utah corporation ("US Borrower"), Bank of America, N.A. ("Bank of America"), individually and as administrative agent for the Lenders, as defined below ("US Agent"), and the undersigned Lenders.

W I T N E S S E T H:

WHEREAS, US Borrower, US Agent and the lenders as signatories thereto (the "Original Lenders") entered into that certain US Credit

Agreement dated as of April 19, 1999, as amended by that certain First Amendment to US Credit Agreement dated as of May 17, 1999, as amended by that certain Second Amendment to US Credit Agreement dated as of July 30, 1999, and as amended by that certain Third Amendment to US Credit Agreement dated as of November 30, 1999 (the "Original Agreement"), for the purpose and consideration therein expressed, whereby the Original Lenders became obligated to make loans to US Borrower as therein provided; and

WHEREAS, US Borrower, Agent and The Sumitomo Bank, Limited ("Sumitomo") desire that Sumitomo make a commitment under the US Credit Agreement in the aggregate amount of \$7,666,666.67, of which fifty percent (50%) shall be through assignment from Bank of America (the "Bank of America Assigned Amount") and fifty percent (50%) shall be through an increase in the US Maximum Credit Amount, the Tranche A Maximum Credit Amount and the Tranche B Maximum Credit Amount; and

WHEREAS, US Borrower, Agent, Mellon Bank, N.A. ("Mellon"), and The Industrial Bank of Japan, Limited ("IBJ") desire that IBJ make a commitment under the US Credit Agreement in the aggregate amount of \$7,666,666.67, all of which shall be through assignment from Mellon (the "Mellon Assigned Amount"); and

WHEREAS, contemporaneously with the execution and delivery of this Amendment, Bank of America and Sumitomo are entering into that certain Assignment and Acceptance dated of even date herewith, whereby Bank of America is selling and assigning to Sumitomo the Bank of America Assigned Amount of Bank of America's rights and obligations under the US Credit Agreement and the other US Loan Documents as of the date hereof; and

WHEREAS, contemporaneously with the execution and delivery of this Amendment, Mellon and IBJ are entering into that certain Assignment and Acceptance dated of even date herewith, whereby Mellon is selling and assigning to IBJ the Mellon Assigned Amount of Mellon's rights and obligations under the US Credit Agreement and the other US Loan Documents as of the date hereof; and

WHEREAS, US Borrower, US Agent, Sumitomo, IBJ and the other undersigned Lenders desire to amend the definitions of the Tranche A Maximum Credit Amount, the Tranche B Conversion Date, the Tranche B Maximum Credit Amount and the US Maximum Credit Amount, and desire to amend the Lenders Schedule; and

WHEREAS, the increases in the US Maximum Credit Amount, the Tranche A Maximum Credit Amount and the Tranche B Maximum Credit Amount will be provided by commitments of Sumitomo, and the obligations of the Original Lenders to make Loans will not be increased by this Amendment; and

WHEREAS, now that the US Maximum Credit Amount is fully committed by US Lenders, minor adjustments in the Tranche B Note amounts shall be made and new Tranche B Notes shall be issued to US Lenders;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Lenders to US Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2.

"Amendment" means this Fourth Amendment to US Credit Agreement.

"Amendment Documents" means this Amendment, the IBJ Assignment and Acceptance, the Sumitomo Assignment and Acceptance and the New US Notes.

"IBJ Assignment and Acceptance" means the Assignment and Acceptance of even date herewith by and between IBJ, Mellon, Agent and US Borrower, in form attached hereto as Exhibit C-1.

"Lenders" means the Original Lenders, IBJ and Sumitomo.

"New US Notes" means (i) the Tranche A Notes of even date herewith made payable to the order of each of Bank of America, IBJ, Mellon and Sumitomo, in form attached hereto as Exhibit A-1, with appropriate insertions, (ii) the Tranche B Notes of even date herewith made payable to the order of US

Lenders, in form attached hereto as Exhibit A-2, with appropriate insertions, and (iii) the Competitive Bid Notes of even date herewith made payable to the order of IBJ and Sumitomo, in form attached hereto as Exhibit A-3.

"Sumitomo Assignment and Acceptance" means the Assignment and Acceptance of even date herewith by and between Bank of America, Sumitomo and US Borrower, in form attached hereto as Exhibit C-2.

"US Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms. The definitions of "US Maximum Credit Amount", "Tranche A Maximum Credit Amount", "Tranche B Maximum Credit Amount" and "Tranche B Conversion Date" in Annex I of the Original Agreement are hereby amended in their entirety to read as follows:

"'Tranche B Conversion Date' means April 16, 2001, or such later day to which the Tranche B Conversion Date is extended pursuant to Section 1.1 of the US Agreement."

"'Tranche A Maximum Credit Amount' means the amount of US \$180,000,000."

"'Tranche B Maximum Credit Amount' means the amount of US \$50,000,000."

"'US Maximum Credit Amount' means the amount of US \$230,000,000."

Section 2.2. Lenders Schedule. Annex II to the Original Agreement is hereby amended in its entirety to read as set forth in Exhibit B attached hereto.

ARTICLE III.

Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective as of the date first above written when, and only when:

(i) US Agent shall have received, at US Agent's office, a counterpart of this Amendment executed and delivered by Required Lenders, US Borrower, IBJ and Sumitomo;

(ii) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to IBJ, a Tranche A Note with appropriate insertions payable to the order of IBJ, duly executed on behalf of US Borrower, dated the date hereof;

(iii) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to Mellon, a Tranche A Note with appropriate insertions payable to the order of Mellon, duly executed on behalf of US Borrower, dated the date hereof;

(iv) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to Sumitomo, a Tranche A Note with appropriate insertions payable to the order of Sumitomo, duly executed on behalf of US Borrower, dated the date hereof;

(v) US Borrower shall have issued and delivered to US Agent, a Tranche A Note with appropriate insertions payable to the order of Bank of America, duly executed on behalf of US Borrower, dated the date hereof;

(vi) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to each US Lender, a Tranche B Note for each US Lender with appropriate insertions payable to the order of the appropriate US Lender;

(vii) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to IBJ, a Competitive Bid Note with appropriate insertions payable to the order of IBJ, duly executed on behalf of US Borrower, dated the date hereof;

(viii) US Borrower shall have issued and delivered to US Agent, for subsequent delivery to Sumitomo, a Competitive Bid Note with appropriate insertions payable to the order of Sumitomo, duly executed on behalf of US Borrower, dated the date hereof;

(ix) US Agent shall have received, at US Agent's office, a counterpart of the IBJ Assignment and Acceptance executed and delivered by US Borrower, Mellon and IBJ;

(x) US Agent shall have received, at US Agent's office, a counterpart of the Sumitomo Assignment and Acceptance executed and delivered by US Borrower and Sumitomo;

(xi) US Agent shall have received, at US Agent's office, a certificate of the Secretary or Assistant Secretary and of the President, Chief Financial Officer or Vice President of Administrative Services of US Borrower dated the date of this Amendment certifying: (a) that resolutions adopted in connection with the Original Agreement by the Board of Directors of the US Borrower authorize the execution, delivery and performance of this Amendment by US Borrower, (b) to the names and true signatures of the officers of the US Borrower authorized to sign this Amendment, and (c) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness; and

(xii) US Agent shall have additionally received from US Borrower, in connection with such US Loan Documents, all other fees and reimbursements to be paid to US Agent pursuant to any US Loan Documents, or otherwise due US Agent and including fees and disbursements of US Agent's attorneys.

ARTICLE IV.

Representations and Warranties

Section 4.1. Representations and Warranties of Borrower. In order to induce US Agent and the undersigned Lenders to enter into this Amendment, US Borrower represents and warrants to US Agent that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof; except that US Borrower currently has a Subsidiary by the name of Canor Energy Ltd. ("Canor"), which is not listed in the Disclosure Schedule. Canor shall be merged with and into Celsius Energy Resources, Ltd. ("Celsius"), with the surviving entity being Celsius by December 31, 2000.

(b) US Borrower has duly taken all action necessary to authorize the execution and delivery by it of the Amendment Documents and to authorize the consummation of the transactions contemplated hereby and thereby and the performance of its obligations hereunder and thereunder. US Borrower is duly authorized to borrow funds under the US Credit Agreement.

(c) The execution and delivery by the various Restricted Persons of the Amendment Documents to which each is a party, the performance by each of its obligations under such Amendment Documents and the consummation of the transactions contemplated by the various Amendment Documents do not and will not (a) conflict with any provision of (i) any Law, (ii) the organizational documents of any Restricted Person, or (iii) any agreement, judgment, license, order or permit applicable to or binding upon any Restricted Person, or (b) result in the acceleration of any Indebtedness owed by any Restricted Person, or (c) result in or require the creation of any Lien upon any assets or properties of any Restricted Person, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with any Tribunal or third party is required in connection with the execution, delivery or performance by any Restricted Person of any Amendment Document or to consummate any transactions contemplated by the Amendment Documents.

(d) This Amendment is, and the other Amendment Documents when duly executed and delivered will be, a legal, valid and binding obligation of each Restricted Person which is a party hereto or thereto, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application relating to the enforcement of creditor's rights.

ARTICLE V.

Miscellaneous

Section 5.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The US Loan Documents, as they may be amended or affected by the various Amendment Documents, are hereby ratified and confirmed in all respects. Any reference to the US Credit Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. Any reference to the Lenders or the Lender Parties in any Loan Document shall be deemed to include IBJ and Sumitomo. Any reference to the Tranche A Notes, the Tranche B Notes and the Competitive Bid Notes in any other US Loan Document shall be deemed to include a reference to the New US Notes issued and delivered pursuant to this Amendment. The execution, delivery and effectiveness of this Amendment and each of the New US

Notes shall not, except as expressly provided herein or therein, operate as a waiver of any right, power or remedy of Lenders under the US Credit Agreement, the US Notes, or any other US Loan Document nor constitute a waiver of any provision of the US Credit Agreement, the US Notes or any other US Loan Document.

Section 5.2. Survival of Agreements; Cumulative Nature. All of Restricted Persons' various representations, warranties, covenants and agreements herein shall survive the execution and delivery of this Amendment and the other Amendment Documents and the performance hereof and thereof, including without limitation the making or granting of the US Loans and the delivery of the New US Notes and shall further survive until all of the US Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to US Borrower are terminated. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the US Credit Agreement to any Lender Party shall be deemed representations and warranties by US Borrower or agreements and covenants of US Borrower under this Amendment and under the US Credit Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the US Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the US Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Amendment or any other Amendment Document to any representation, warranty, indemnity, or covenant herein or therein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various US Loan Documents.

Section 5.3. Loan Documents. This Amendment, the IBJ Assignment and Acceptance, the Sumitomo Assignment and Acceptance and the New US Notes are each a US Loan Document, and all provisions in the US Credit Agreement pertaining to US Loan Documents apply hereto and thereto.

Section 5.5. Governing Law. This Amendment, the IBJ Assignment and Acceptance, the Sumitomo Assignment and Acceptance and the New US Notes shall each be governed by and construed in accordance the laws of the State of Utah and any applicable laws of the United States of America in all respects, including construction, validity and performance. US Borrower hereby irrevocably submits itself and each other Restricted Person to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Utah and agrees and consents that service of process may be made upon it or any Restricted Person in any legal proceeding relating to the Amendment Documents or the Obligations by any means allowed under Utah or federal law.

Section 5.6. Counterparts. This Amendment may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment may be validly executed and delivered by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER US LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

QUESTAR MARKET RESOURCES, INC.
US Borrower

By:
G. L. Nordloh
President and Chief Executive
Officer

BANK OF AMERICA, N.A.,
Administrative Agent, US LC Issuer and
Lender

By:
Tracey S. Barclay
Principal

THE SUMITOMO BANK, LIMITED
Lender

By:
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED
Lender

By:
Name:
Title:

TORONTO DOMINION (TEXAS), INC.
Lender

By:
Name:
Title:

BANK OF MONTREAL
Lender

By:
Name:
Title:

BANK ONE, N.A. (Main Office Chicago)
Lender

By:
Name:
Title:

FIRST SECURITY BANK, N.A.
Lender

By:
Name:
Title:

MELLON BANK, N.A.
Lender

By:
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION
Lender

By:
Name:
Title:

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY
Lender

By:
Name:
Title:

EXHIBIT A-1

Tranche A Notes

EXHIBIT A-2

Tranche B Notes

EXHIBIT A-3

Competitive Bid Notes

EXHIBIT B

LENDER'S SCHEDULE

EXHIBIT C-1

IBJ ASSIGNMENT AND ACCEPTANCE

EXHIBIT C-2

SUMITOMO ASSIGNMENT AND ACCEPTANCE

[Execution]

FIFTH AMENDMENT TO US CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO US CREDIT AGREEMENT (herein called the "Amendment") made as of October 6, 2000, by and among Questar Market Resources, Inc., a Utah corporation ("US Borrower"), Bank of America, N.A., individually and as administrative agent for the Lenders as defined below ("US Agent"), and the undersigned Lenders.

W I T N E S S E T H:

WHEREAS, US Borrower, US Agent and the lenders as signatories thereto (the "Lenders") entered into that certain US Credit Agreement dated as of April 19, 1999, as amended by that certain First Amendment to US Credit Agreement dated as of May 17, 1999, as amended by that certain Second Amendment to US Credit Agreement dated as of July 30, 1999, as amended by that certain Third Amendment to US Credit Agreement dated as of November 30, 1999, and as amended by that certain Fourth Amendment to US Credit Agreement dated as of April 17, 2000 (the "Original Agreement"), for the purpose and consideration therein expressed, whereby the Lenders became obligated to make loans to US Borrower as therein provided; and

WHEREAS, US Borrower, US Agent and the undersigned Lenders desire to amend the Original Agreement for the purposes as provided herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Agreement, in consideration of the loans which may hereafter be made by Lenders to US Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2.

"Amendment" means this Fifth Amendment to US Credit Agreement.

"US Credit Agreement" means the Original Agreement as amended hereby.

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Hedging Contracts. Section 7.10(i)(B) of the Original Agreement is hereby amended in its entirety to read as follows:

"(B) such contracts do not require any Restricted Person to provide any Lien or letter of credit to secure US Borrower's obligations thereunder, other than Liens on cash or cash equivalents and letters of credit; provided that the aggregate amount of cash and cash equivalents subject to Liens securing such contracts and the undrawn amount of all letters of credit securing such contracts shall not exceed (i) US \$45,000,000 at any time, through and including December 31, 2000 and (ii) US \$30,000,000 at any time thereafter."

ARTICLE III.

Waiver

Section 3.1. Waiver. US Borrower has informed US Agent that US Borrower and Restricted Persons may have violated the provisions of Section 7.10(i) of the Original Agreement for the Fiscal Quarter ended September 30, 2000. US Agent and the undersigned Lenders hereby (a) waive any such violation of Section 7.10(i) and (b) waive any Default or Event of Default resulting from such violation.

ARTICLE IV.

Conditions of Effectiveness

Section 4.1. Effective Date. This Amendment shall become effective as of the date first above written when, and only when, (i) US Agent shall have received, at US Agent's office, a counterpart of this Amendment executed and delivered by US Borrower and Required Lenders, (ii) a certificate of the Secretary or Assistant Secretary and of the President, Chief Financial Officer or Vice President of Administrative Services of US Borrower dated the date of this Amendment certifying: (a) that resolutions adopted in connection with the Original Agreement by the Board of Directors of the US Borrower authorize the execution, delivery and performance of this Amendment by US Borrower, (b) to the names and true signatures of the officers of the US Borrower authorized to sign this Amendment, and (c) that all of the representations and warranties set forth in Article V hereof are true and correct at and as of the time of such effectiveness; and (iii) US Agent shall have additionally received from US Borrower, in connection with such US Loan Documents, all other fees and reimbursements to be paid to US Agent pursuant to any US Loan Documents, or otherwise due US Agent and including fees and disbursements of US Agent's attorneys.

ARTICLE V.

Representations and Warranties

Section 5.1. Representations and Warranties of Borrower. In order to induce US Agent and Lenders to enter into this Amendment, US Borrower represents and warrants to US Agent that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof.

(b) US Borrower has duly taken all action necessary to authorize the execution and delivery by it of this Amendment and to authorize the consummation of the transactions contemplated hereby and the performance of its obligations hereunder. US Borrower is duly authorized to borrow funds under the US Credit Agreement.

(c) The execution and delivery by US Borrower of this Amendment, the performance by US Borrower of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not (a) conflict with any provision of (i) any Law, (ii) the organizational documents of US Borrower, or (iii) any agreement, judgment, license, order or permit applicable to or binding upon US Borrower, or (b) result in the acceleration of any Indebtedness owed by US Borrower, or (c) result in or require the creation of any Lien upon any assets or properties of US Borrower, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with any Tribunal or third party is required in connection with the execution, delivery or performance by US Borrower of this Amendment or to consummate any transactions contemplated herein.

(d) This Amendment is a legal, valid and binding obligation of US Borrower, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application relating to the

enforcement of creditor's rights.

ARTICLE VI.

Miscellaneous

Section 6.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The US Loan Documents, as they may be amended or affected by this Amendment, are hereby ratified and confirmed in all respects. Any reference to the US Credit Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lenders under the US Credit Agreement, the US Notes, or any other US Loan Document nor constitute a waiver of any provision of the US Credit Agreement, the US Notes or any other US Loan Document.

Section 6.2. Survival of Agreements; Cumulative Nature. All of US Borrower's various representations, warranties, covenants and agreements herein shall survive the execution and delivery of this Amendment and the performance hereof, including without limitation the making or granting of the US Loans, and shall further survive until all of the US Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to US Borrower are terminated. All statements and agreements contained in any certificate or instrument delivered by any Restricted Person hereunder or under the US Credit Agreement to any Lender Party shall be deemed representations and warranties by US Borrower or agreements and covenants of US Borrower under this Amendment and under the US Credit Agreement. The representations, warranties, indemnities, and covenants made by Restricted Persons in the US Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the US Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Amendment to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions which are expressly made applicable to it by the terms of the various US Loan Documents.

Section 6.3. Loan Documents. This Amendment is a US Loan Document, and all provisions in the US Credit Agreement pertaining to US Loan Documents apply hereto.

Section 6.4. Governing Law. This Amendment shall be governed by and construed in accordance the laws of the State of Utah and any applicable laws of the United States of America in all respects, including construction, validity and performance. US Borrower hereby irrevocably submits itself and each other Restricted Person to the non-exclusive jurisdiction of the state and federal courts sitting in the State of Utah and agrees and consents that service of process may be made upon it or any Restricted Person in any legal proceeding relating to the Amendment Documents or the Obligations by any means allowed under Utah or federal law.

Section 6.5. Counterparts. This Amendment may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment may be validly executed and delivered by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER US LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Amendment is executed as of the date first above written.

QUESTAR MARKET RESOURCES, INC.
US Borrower

By:
G. L. Nordloh
President and Chief Executive
Officer

Mailing Address:
P.O. Box 45433
Salt Lake City, Utah 84145
Attention: Martin H. Craven

Street Address:
180 East 100 South
Salt Lake City, Utah 84111
Telephone: (801) 324-5497
Fax: (801) 324-5483

BANK OF AMERICA, N.A.
Administrative Agent, US LC Issuer
and Lender

By:
Name:
Title:

TORONTO DOMINION (TEXAS), INC.
Lender

By:
Name:
Title:

BANK OF MONTREAL
Lender

By:
James Whitmore
Director

BANK ONE, N.A., f/k/a THE FIRST
NATIONAL BANK OF CHICAGO
Lender

By:
Name:
Title:

FIRST SECURITY BANK, N.A.
Lender

By:
Name:
Title:

MELLON BANK, N.A.
Lender

By:
Roger E. Howard
Vice President

U.S. BANK NATIONAL ASSOCIATION
Lender

By:
Mark E. Thompson
Vice President

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY
Lender

By:

Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED
Lender

By:
Name:
Title:

THE SUMITOMO BANK, LIMITED
Lender

By:
Name:
Title:

QUESTAR MARKET RESOURCES, INC.
ANNUAL MANAGEMENT INCENTIVE PLAN

(As Amended and Restated Effective October 26, 2000)

Paragraph 1. Name. The name of this Plan is the Annual Management Incentive Plan (the Plan) for Questar Market Resources, Inc. (the Company).

Paragraph 2. Purpose. The purpose of the Plan is to provide an incentive to officers and key employees of the Company for the accomplishment of major organizational and individual objectives designed to further the efficiency, profitability, and growth of the Company.

Paragraph 3. Administration. The Management Performance Committee (Committee) of the Board of Directors of Questar Corporation (Questar) shall have full power and authority to interpret and administer the Plan. Such Committee shall consist of no less than three disinterested members of the Board of Directors. Recommendations made by the Committee shall be reviewed by the Boards of Directors of participating employers.

Paragraph 4. Participation. Within 60 days after the beginning of each year, the Committee shall nominate Participants from the officers and key employees for such year. The Committee shall also establish a target bonus for the year for each Participant expressed as a percentage of base salary or specified portion of base salary. Participants shall be notified of their selection and their target bonus as soon as practicable.

Paragraph 5. Determination of Performance Objectives. Within 60 days after the beginning of each year, the Committee shall establish target, minimum, and maximum performance objectives for the Company and for its affiliates and shall determine the manner in which the target bonus is allocated among the performance objectives. The Committee shall also recommend a dollar maximum for payments to Participants for any Plan year. The Board of Directors shall take action concerning the recommended dollar maximum within 60 days after the beginning of the Plan year. Participants shall be notified of the performance objectives as soon as practicable once such objectives have been established.

Paragraph 6. Determination and Distribution of Awards. As soon as practicable, but in no event more than 90 days after the close of each year during which the Plan is in effect, the Committee shall compute incentive awards for eligible participants in such amounts as the members deem fair and equitable, giving consideration to the degree to which the Participant's performance has contributed to the performance of the Company and its affiliated companies and using the target bonuses and performance objectives previously specified. Aggregate awards calculated under the Plan shall not exceed the maximum limits approved by the Board of Directors for the year involved. To be eligible to receive a payment, the Participant must be actively employed by the Company or an affiliate as of the date of distribution except as provided in Paragraph 8.

Amounts shall be paid (less appropriate withholding taxes and FICA deductions) according to the following schedule:

Award Distribution Schedule		
	Percent of Award	Date
Initial Award (First Year of Participation)	75%	As soon as possible after initial award is of determined
	25	One year after initial award is determined
	100%	
Subsequent Awards	50%	As soon as possible after award is determined
	25	One year after award is determined
	25	Two years after award is determined
	100%	

Paragraph 7. Restricted Stock in Lieu of Cash. Participants who have a target bonus of \$10,000 or higher shall be paid all deferred portions of such bonus with restricted shares of Questar's common stock under Questar's Long-Term Stock Incentive Plan. Such stock shall be granted to the participant when the initial award is determined, but shall vest free of restrictions according to the schedule specified above in Paragraph 6.

Paragraph 8. Termination of Employment.

(a) In the event a Participant ceases to be an employee during a year by reason of death, disability or approved retirement, an award, or a reduction in force, if any, determined in accordance with Paragraph 6 for the year of such event, shall be reduced to reflect partial participation by multiplying the award by a fraction equal to the months of participation during the applicable year through the date of termination rounded up to whole months divided by 12.

For the purpose of this Plan, approved retirement shall mean any termination of service on or after age 60, or, with approval of the Board of Directors, early retirement under Questar's qualified retirement plan. For the purpose of this Plan, disability shall mean any termination of service that results in payments under Questar's long-term disability plan. A reduction in force, for the purpose of this Plan, shall mean any involuntary termination of employment due to the Company's economic condition, sale of assets, shift in focus, or other reasons independent of the Participant's performance.

The entire amount of any award that is determined after the death of a Participant shall be paid in accordance with the terms of Paragraph 11.

In the event of termination of employment due to disability, approved retirement, or a reduction in force, a Participant shall be paid the undistributed portion of any prior awards in his final paycheck or in accordance with the terms of elections to voluntarily defer receipt of awards earned prior to February 12, 1991, or deferred under the terms of Questar's Deferred Compensation Plan. In the event of termination due to disability, approved retirement, or a reduction in force, any shares of common stock previously credited to a Participant shall be distributed free of restrictions during the last month of employment. The current market value (defined as the closing price for the stock on the New York Stock Exchange on the date in question) of such shares shall be included in the Participant's final paycheck. Such Participant shall be paid the full amount of any award (adjusted for partial participation) declared subsequent to the date of such termination within 30 days of the date of declaration. Any partial payments shall be made in cash.

(b) In the event a Participant ceases to be an employee during a year by reason of a change in control, he shall be entitled to receive all amounts deferred by him prior to February 12, 1991, and all undistributed portions for prior Plan years. He shall also be entitled to an award for the year of such event as if he had been an employee throughout such year. The entire amount of any award for such year shall be paid in a lump sum within 60 days after the end of the year in question. Such amounts shall be paid in cash.

For the purpose of this Plan, a "change in control" shall be deemed to have occurred if (i) any Acquiring Person (as that term is used in the Rights Agreement dated February 13, 1996, between Questar and ChaseMellon Shareholder Services, L.L.C. ("Rights Agreement")) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of Questar representing 25 percent or more of the combined voting power of Questar, or (ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving as directors of Questar: individuals who, as of May 19, 1998, constitute Questar's Board of Directors (Board) and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Questar) whose appointment of election by the Board or nomination for election by Questar's stockholders was approved or recommended by a vote of at least two-thirds of the directors when still in office who either were directors on May 19, 1998, or who appointment, election or nomination for election was previously so approved or recommended; or (iii) Questar stockholders approve a merger or consolidation of Questar or any direct or indirect subsidiary of Questar with any other corporation, other than a merger or consolidation that would result in the voting securities of Questar outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60 percent of the combined voting power of the securities of Questar or such surviving entity or its parent outstanding immediately after such merger or consolidation, or a merger or consolidation effected to implement a recapitalization of Questar (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of Questar representing 25 percent or more of the combined voting power of Questar's then outstanding securities; or (iv) Questar's stockholders approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by Questar of all or substantially all of Questar's assets, other than a sale of disposition by Questar of all or substantially all of the Company's assets to an entity, at least 60 percent of the combined voting power of the voting securities of which are owned by stockholders of Questar in substantially the same proportion as their ownership of

Questar immediately prior to such sale. A change in control, however, shall not be considered to have occurred until all conditions precedent to the transaction, including but not limited to, all required regulatory approvals have been obtained.

Paragraph 9. Interest on Previously Deferred Amounts. Amounts voluntarily deferred prior to February 12, 1991, shall be credited with interest from the date the payment was first available in cash to the date of actual payment. Such interest shall be calculated at a monthly rate using the typical rates paid by major banks on new issues of negotiable Certificates of Deposit in the amounts of \$1,000,000 or more for one year as quoted in The Wall Street Journal on the Thursday closest to the end of the month or other published source of rates as identified by Questar Corporation's Treasury department.

Paragraph 10. Coordination with Deferred Compensation Plan. Some Participants are entitled to defer the receipt of their cash bonuses under the terms of Questar's Deferred Compensation Plan, which became effective November 1, 1993. Any cash bonuses deferred pursuant to the Deferred Compensation Plan shall be accounted for and distributed according to the terms of such plan and the choices made by the Participant.

Paragraph 11. Death and Beneficiary Designation. In the event of the death of a Participant, any undistributed portions of prior awards shall become payable. Amounts previously deferred by the Participant, together with credited interest to the date of death, shall also become payable. Each Participant shall designate a beneficiary to receive any amounts that become payable after death under this Paragraph or Paragraph 8. In the event that no valid beneficiary designation exists at death, all amounts due shall be paid as a lump sum to the estate of the Participant. Any shares of restricted stock previously credited to the Participant shall be distributed to the Participant's beneficiary or, in the absence of a valid beneficiary designation, to the Participant's estate, at the same time any cash is paid.

Paragraph 12. Amendment of Plan. The Company's Board of Directors, at any time, may amend, modify, suspend, or terminate the Plan, but such action shall not affect the awards and the payment of such awards for any prior years. The Board of Directors cannot terminate the Plan in any year in which a change of control has occurred without the written consent of the Participants. The Plan shall be deemed suspended for any year for which the Board of Directors has not fixed a maximum dollar amount available for award.

Paragraph 13. Nonassignability. No right or interest of any Participant under this Plan shall be assignable or transferable in whole or in part, either directly or by operation of law or otherwise, including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, or in any other manner, and no right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant. Any assignment, transfer, or other act in violation of this provision shall be void.

Paragraph 14. Effective Date of the Plan. The Plan shall be effective with respect to the fiscal year beginning January 1, 1998, and shall remain in effect until it is suspended or terminated as provided by Paragraph 12. This Plan replaces the individual plans previously adopted by entities within Questar Market Resources. Plan participants who previously received awards under any Annual Management Incentive Plan adopted by the Company or an affiliate shall be treated as ongoing participants for purposes of the distribution schedule in Paragraph 6.

QUESTAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN
(As Amended and Restated October 26, 2000)

Section 1. Purpose

The Questar Corporation Long-Term Stock Incentive Plan (the "Plan") is designed to encourage officers and selected key employees of and consultants to Questar Corporation and its affiliated companies (the "Company") to acquire a proprietary interest in the Company, to generate an increased incentive to contribute to the Company's future growth and success, and to enhance the Company's ability to attract and retain talented officers and employees. Accordingly, the Company, during the term of this Plan, may grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, performance shares, and other awards valued in whole or in part by reference to the Company's stock.

Section 2. Definitions

"Affiliate" shall mean any business entity in which the Company directly or indirectly has an equity interest deemed significant by the Company's Board of Directors.

"Approved Termination" shall mean any retirement under the Company's Retirement Plan, with approval of the Board of Directors, or any termination of service on or after age 55, with approval of the Board.

"Award" shall mean a grant or award under Section 6 through 10, inclusive, of the Plan, as evidenced in a written document delivered to a Participant as provided in Section 12(b).

"Board" shall mean the Board of Directors of the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Committee" shall mean the Management Performance Committee of the Board of Directors.

"Common Stock" or "Stock" shall mean the Common Stock, no par value, of the Company. The term shall also include any Common Stock Purchase Rights attached to the Common Stock.

"Company" shall mean Questar Corporation on a consolidated basis.

"Designated Beneficiary" shall mean the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due the Participant in the event of the Participant's death. In the absence of an effective designation by the Participant, Designated Beneficiary shall mean the Participant's estate.

"Disability" shall mean permanent and total disability within the meaning of Section 105(d)(4) of the Code.

"Employee" shall mean any officer or key employee of or consultant to the Employer.

"Employer" shall mean the Company and any Affiliate.

"Fair Market Value" shall mean the regular closing benchmark price of the Company's Common Stock reported on the New York Stock Exchange on the date in question, or, if the Common Stock shall not have been traded on such date, the closing price on the next preceding day on which a sale occurred.

"Family Member" shall mean the Participant's spouse, children, grandchildren, parents, siblings, nieces and nephews.

"Fiscal Year" shall mean the fiscal year of the Company.

"Incentive Stock Option" shall mean a stock option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code.

"Nonqualified Stock Option" shall mean a stock option granted under Section 6 that is not intended to be an Incentive Stock Option.

"Option" shall mean an Incentive Stock Option or a Nonqualified Stock Option.

"Participant" shall mean an Employee who is selected by the Committee to receive an Award under the Plan.

"Payment Value" shall mean the dollar amount assigned to a Performance Share which shall be equal to the Fair Market Value of the Common Stock on the day of the Committee's determination under Section 8(c)(2) with respect to the applicable Performance Period.

"Performance Period" or "Period" shall mean the period of years selected by the Committee during which the performance is measured for the purpose of determining the extent to which an Award of Performance Shares has been earned.

"Performance Goals" shall mean the objectives established by the Committee for a Performance Period, for the purpose of determining the extent to which Performance Shares that have been contingently awarded for such Period are earned.

"Performance Share" shall mean an Award granted pursuant to Section 8 of the Plan expressed as a share of Common Stock.

"Reduction in Force" shall mean an involuntary termination of employment due to economic conditions, sale of assets, shift in focus, or other reasons independent of the Participant's performance.

"Restricted Period" shall mean the period of years selected by the Committee during which a grant of Restricted Stock or Restricted Stock Units may be forfeited to the Company.

"Restricted Stock" shall mean shares of Common Stock contingently granted to a Participant under Section 9 of the Plan.

"Restricted Stock Unit" shall mean a fixed or variable dollar denominated unit contingently awarded under Section 9 of the Plan.

"Right" shall mean a Stock Appreciation Right granted under Section 7.

"Stock Unit Award" shall mean an Award of Common Stock or units granted under Section 10.

"Termination of Employment" shall mean the date on which a Participant actually notifies his/her supervisor of his/her resignation, in the case of a voluntary termination; and the date on which the Company actually notifies the Participant of his/her termination, in the case of an involuntary termination. This term, as defined, does not include termination of employment as the result of an Approved Termination, Disability, death, or Reduction in Force.

Section 3. Administration

The Plan shall be administered by the Committee. The Committee shall have sole and complete authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan, and to interpret the terms and provisions of the Plan. The Committee's decisions shall be binding upon all persons, including the Company, stockholders, an Employer, Employees, Participants, Designated Beneficiaries, and Family Members.

Section 4. Eligibility

Awards may only be granted to officers and key employees of or consultants to the Company or any Affiliate who have the capacity to contribute to the success of the Company. When selecting Participants and making Awards, the Committee may consider such factors as the Employee's functions and responsibilities and the Employee's past, present and future contributions to the Company's profitability and growth.

Neither the members of the Committee nor any member of the Board who is not an Employee of the Company shall be eligible to receive awards.

Nothing contained in the Plan or in any individual agreement pursuant to the terms of the Plan shall confer upon any Participant any right to continue in the employment of the Company or to limit in any respect the right of the Company to terminate the Participant's employment at any time and for any reason.

Section 5. Maximum Amount Available for Awards and Maximum Award

The aggregate number of shares of Common Stock that may be issued under Awards pursuant to this Plan on an annual basis shall not exceed one percent (1%) of the issued and outstanding shares of Common Stock as of the first day of each calendar year for which the Plan is in effect. Any shares available in any year using this formula that are not granted under this Plan or other plans in which stock is awarded to Employees would be available for use in subsequent years. Shares of Common Stock may be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. In the event that an Option or Right expires or is terminated unexercised as to any shares of Common Stock covered thereby, or any Award in respect of shares is forfeited for any reason under the Plan, such shares, to the extent not precluded by applicable law or regulation, shall be again available for Awards pursuant to the Plan.

In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under this Plan, then the Committee, in its sole discretion, may take action. The Committee may adjust any or all of the number and kind of shares that thereafter may be awarded or optioned and sold or made the subject of Rights under the Plan, the number and kind of shares subject to outstanding Options and other Awards, and the grant, exercise or conversion

price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a Participant or a person who has an outstanding Option or other Award.

There is a maximum of 200,000 shares that can be the subject of Awards granted to any single Participant in any given fiscal year.

Section 6. Stock Options

(a) Grant. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees to whom Options shall be granted, the number of shares to be covered by each Option, the option price therefor and the conditions and limitations, applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, Nonqualified Stock Options, or both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code and any implementing regulations.

(b) Option Price. The Committee shall establish the option price at the time each Option is granted, which price shall not be less than 100 percent of the Fair Market Value of the Common Stock on the date of grant.

(c) Exercise. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee, in its sole discretion, may specify in the applicable Award or thereafter; provided, however, that in no event may any Option granted hereunder be exercisable earlier than six months after the date of such grant or after the expiration of ten years from the date of such grant. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any conditions relating to the application of federal or state securities laws, as it may deem necessary or advisable.

No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price is received by the Company. Such payment may be made in cash, or its equivalent, or, if and to the extent permitted by the Committee, by exchanging shares of Common Stock owned by the optionee (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Common Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price.

(d) Transferability. Participants are allowed to transfer vested Nonqualified Stock Options to Family Members or family trusts, provided that such options were granted as of and after February 10, 1998 and provided that such transfers are made and transferred Options are exercised in accordance with procedural rules adopted by the Committee.

Section 7. Stock Appreciation Rights

(a) The Committee may, with sole and complete authority, grant Rights in tandem with an Option. Rights shall not be exercisable earlier than six months after grant, shall not be exercisable after the expiration of ten years from the date of grant and shall have an exercise price of not less than 100 percent of the Fair Market Value of the Common Stock on the date of grant.

(b) A Right shall entitle the Participant to receive from the Company an amount equal to the excess of the Fair Market Value of a share of Common Stock on the exercise of the Right over the grant price thereof. The Committee shall determine whether such Right shall be settled in cash, shares of Common Stock or a combination of cash and shares of Common Stock.

Section 8. Performance Shares

(a) The Committee shall have sole and complete authority to determine the Employees who shall receive Performance Shares and the number of such shares for each Performance Period and to determine the duration of each Performance Period and the value of each Performance Share. There may be more than one Performance Period in existence at any one time, and the duration of Performance Periods may differ from each other.

(b) Once the Committee decides to use Performance Shares, it shall establish Performance Goals for each Period on the basis of criteria selected by it. During any Period, the Committee may adjust the Performance Goals for such Period as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

(c) As soon as practicable after the end of a Performance Period, the Committee shall determine the number of Performance Shares that have been earned on the basis of performance in relation to the established Performance Goals. Payment Values of earned Performance Shares shall be distributed to the Participant or as soon as practicable after the expiration of the Performance Period and the Committee's determination. The Committee shall determine whether Payment Values are to be distributed in the form of cash and/or shares of Common Stock.

Section 9. Restricted Stock and Restricted Stock Units

(a) Subject to the provisions of the Plan, the Committee shall have

sole and complete authority to determine the Employees to whom shares of Restricted Stock and Restricted Stock Units shall be granted, the number of shares of Restricted Stock and the number of Restricted Stock Units to be granted to each Participant, the duration of the Restricted Period during which and the conditions under which the Restricted Stock and Restricted Stock Units may be forfeited to the Company, and the other terms and conditions of such Awards.

(b) Shares of Restricted Stock and Restricted Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered, except as herein provided, during the Restricted Period. At the expiration of the Restricted Period, the Company shall deliver such certificates to the Participant or the Participant's legal representative. Payment for Restricted Stock Units shall be made to the Company in cash and/or shares of Common Stock, as determined at the sole discretion of the Committee.

Section 10. Other Stock Based Awards

(a) In addition to granting Options, Rights, Performance Shares, Restricted Stock, Restricted Stock Units, the Committee shall have authority to grant Stock Unit Awards to Participants that can be in the form of Common Stock or units, the value of which is based, in whole or in part, on the value of Common Stock. Subject to the provisions of the Plan, Stock Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its sole and complete discretion at the time of grant.

(b) Any shares of Common Stock that are part of a Stock Unit Award may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of grant of the Stock Unit Award.

Stock Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award, and any Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration, provided that for any Common Stock to be purchased in connection with a Stock Unit Award the purchase price shall be at least 50 percent of the Fair Market Value of such Common Stock on the date such Award is granted.

Stock Unit Awards may relate in whole or in part to certain performance criteria established by the Committee at the time of grant. Stock Unit Awards may provide for deferred payment schedules and/or vesting over a specified period of employment. In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restriction or limitation to which a Stock Unit Award was made subject at the time of grant.

(c) In the sole and complete discretion of the Committee, an Award, whether made as a Stock Unit Award under this Section 10 or as an Award granted pursuant to Sections 6 through 9, may provide the Participant with dividends or dividend equivalents (payable on a current or deferred basis) and cash payments in lieu of or in addition to an Award.

Section 11. Termination of Employment

The following provisions define a Participant's status in the event of termination of employment:

(a) Options and Rights. If a Participant shall cease to be employed by the Company or an Affiliate either directly or in a consulting role, any Option and any Right granted to him under the Plan shall terminate in accordance with the following rules:

(1) A Participant who terminates employment for any reason other than Approved Termination, Disability, death, or Reduction in Force shall lose the right to exercise any Options or Rights as of Termination of Employment. Any Options transferred to a Family Member or family trust shall also be terminated as of the Participant's Termination of Employment for any reason other than Approved Termination, Disability, death or Reduction in Force.

(2) A Participant who terminates employment as a result of an Approved Termination shall have a period of time specified in the individual agreements by which Options are granted to exercise such Options or Rights.

(3) A Participant who is Disabled shall have 12 months after Termination of Employment in which to exercise an Option or Right.

(4) A Participant whose employment is terminated as a result of a Reduction in Force shall have 30 days from the date on which he is notified of his termination to exercise any Options or Rights that were vested as of the date of notification.

(5) Upon the death of a Participant during employment, the Participant's Designated Beneficiary shall have 12 months from the date of death to exercise the Participant's Option or Right. Upon the death of a Participant after an Approved Termination but within the period specified by the Committee to exercise Options or Rights after the Participant's Approved Termination, the Participant's Designated Beneficiary shall have the period specified by the Committee to exercise the Option or Right.

(6) The foregoing notwithstanding, a Participant or the

Participant's Designated Beneficiary shall not be permitted to exercise an Option or Right after the expiration date and a Participant shall forfeit any Options or Rights upon a determination made by the Board that the Participant has accepted employment or provided consulting services to a direct competitor of the Company.

(b) Restricted Stock. If a Participant terminates employment before the end of the Restricted Period for a reason other than death, Approved Termination, Disability, Change of Control, or Reduction in Force, the Participant shall forfeit all shares of Restricted Stock as of Termination of Employment. If a Participant terminates employment as a result of death, Approved Termination, Change of Control, or Reduction in Force, the Committee, in its sole discretion, shall determine what portion, if any, of the Restricted Stock shall be freed from restrictions.

(c) Performance Shares and Other Awards. If a Participant ceases to be an Employee before the end of any Performance Period as a result of death, Approved Termination, Disability, or Reduction in Force, the Committee may authorize the payment to such Participant or his Designated Beneficiary of a pro rata portion of the amount that would have been paid to him had he continued as an Employee to the end of the Performance Period. In the event a Participant terminates employment for any other reason, any amounts for outstanding Performance Periods shall be forfeited as of Termination of Employment.

Section 12. General Provisions

(a) Withholding. The Employer shall have the right to deduct from all amounts paid to a Participant in cash any taxes required by law to be withheld in respect of Awards under this Plan. In the case of payments of Awards in the form of Common Stock, the Committee shall require the Participant to pay to the Employer the amount of any taxes required to be withheld with respect to such Common Stock, or, in lieu thereof, the Employer shall have the right to retain (or the Participant may be offered the opportunity to elect to tender) the number of shares of Common Stock whose Fair Market Value equals the amount required to be withheld.

(b) Awards. Each Award shall be evidenced in writing delivered to the Participant and shall specify the terms and conditions and any rules applicable to such Award.

(c) Nontransferability. Except as provided in Section 6(d), no Award shall be assignable or transferable, and no right or interest of any Participant shall be subject to any lien, obligation or liability of the Participant, except by will or the laws of descent and distribution.

(d) No Rights as Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed under the Plan until becoming the holder. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(e) Construction of the Plan. The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of Utah.

(f) Effective Date. Subject to the approval of the stockholders of the Company, the Plan shall be effective on March 1, 1991. No Options or Awards may be granted under the Plan, however, until the Plan is approved by the Company's shareholders or after May 20, 2001.

(g) Amendment of Plan. The Board of Directors may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no amendment shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement, including for these purposes any approval requirement that is a prerequisite for exemptive relief under Section 16(b) of the Securities Exchange Act of 1934.

(h) Amendment of Award. The Committee may amend, modify or terminate any outstanding Award with the Participant's consent at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, including without limitation, to change the date or dates as of which an Option or Right becomes exercisable; a Performance Share is deemed earned; Restricted Stock becomes nonforfeitable; or to cancel and reissue an Award under such different terms and conditions as it determines appropriate.

Section 13. Change of Control.

In the event of a Change of Control of the Company, all Options, Restricted Stock, and other Awards granted under the Plan shall vest immediately.

A Change in Control of the Company shall be deemed to have occurred if (i) any "Acquiring Person" (as such term is defined in the Rights Agreement dated as of February 13, 1996, between the Company and ChaseMellon Shareholder Services L.L.C. ("Rights Agreement")) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company representing 25 percent or more of the combined voting power of the Company; or (ii) the following

individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, as of May 19, 1998, constitute the Company's Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on May 19, 1998, or whose appointment, election or nomination for election was previously so approved or recommended; or (iii) the Company's stockholders approve a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60 percent of the combined voting power of the securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation, or a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent or more of the combined voting power of the Company's then outstanding securities; or (iv) the Company's stockholders approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 60 percent of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale. A Change in Control, however, shall not be considered to have occurred until all conditions precedent to the transaction, including but not limited to, all required regulatory approvals have been obtained.

QUESTAR MARKET RESOURCES, INC.
DEFERRED COMPENSATION PLAN FOR DIRECTORS
(As Amended and Restated May 19, 1998)

1. Purpose of Plan.

The purpose of the Deferred Compensation Plan for Directors ("Plan") is to provide Directors of Questar Market Resources, Inc. (the "Company") with an opportunity to defer compensation paid to them for their services as Directors of the Company and to maintain a Deferred Account Balance until they cease to serve as Directors of the Company or its affiliates.

2. Eligibility.

Subject to the conditions specified in this Plan or otherwise set by the Company's Board of Directors, all voting Directors of the Company who receive compensation for their service as Directors are eligible to participate in the Plan. Eligible Directors are referred to as "Directors." Directors who elect to defer receipt of fees or who have account balances are referred to as "Participants" in this Plan.

3. Administration.

The Company's Board of Directors shall administer the Plan and shall have full authority to make such rules and regulations deemed necessary or desirable to administer the Plan and to interpret its provisions.

4. Election to Defer Compensation.

(a) Time of Election. A Director can elect to defer future compensation or to change the nature of his election for future compensation by submitting a notice prior to the beginning of the calendar year. A newly elected Director is entitled to make a choice within five days of the date of his election or appointment to serve as a Director to defer payment of compensation for future service. An election shall continue in effect until the termination of the Participant's service as a Director or until the end of the calendar year during which the Director serves written notice of the discontinuance of his election.

All notices of election, change of election, or discontinuance of election shall be made on forms prepared by the Corporate Secretary and shall be dated, signed, and filed with the Corporate Secretary. A notice of change of election or discontinuance of election shall operate prospectively from the beginning of the calendar year, but any compensation deferred shall continue to be held and shall be paid in accordance with the notice of election under which it was withheld.

(b) Amount of Deferral. A Participant may elect to defer receipt of all or a specified portion of the compensation payable to him for serving as a Director and attending Board and Committee Meetings as a Director. For purposes of this Plan, compensation does not include any funds paid to a Director to reimburse him for expenses.

(c) Period of Deferral. When making an election to defer all or a specified percentage of his compensation, a Participant shall elect to receive the deferred compensation in a lump sum payment within 45 days following the end of his service as a Director or in a number of annual installments (not to exceed four), the first of which would be payable within 45 days following the end of his service as a Director with each subsequent payment payable one year thereafter. Under an installment payout, the Participant's first installment shall be equal to a fraction of the balance in his Deferred Compensation Account as of the last day of the calendar month preceding such payment, the numerator of which is one and the denominator of which is the total number of installments selected. The amount of each subsequent payment shall be a fraction of the balance in the Participant's Account as of the last day of the calendar month preceding each subsequent payment, the numerator of which is one and the denominator of which is the total number of installments elected minus the number of installments previously paid. The term "balance," as used herein, refers to the amount credited to a Participant's Account or to the Fair Market Value (as defined in Section 5 (a)) of the Phantom Shares of Questar Corporation's common stock ("Common Stock") credited to his Account.

(d) Phantom Stock Option and Certificates of Deposit Option. When making an election to defer all or a specified percentage of his compensation, a Participant shall choose between two methods of determining earnings on the deferred compensation. He may choose to have such earnings calculated as if the deferred compensation had been invested in Common Stock at the Fair Market Value (as defined in Section 5 (a)) of such stock

as of the date such compensation amount would have otherwise been payable to him ("Phantom Stock Option"). Or he may choose to have earnings calculated as if the deferred compensation had been invested in negotiable certificates of deposit at the time such compensation would otherwise be payable to him ("Certificates of Deposit Option").

The Participant must choose between the two options for all of the compensation he elects to defer in any given year. He may change the option for future compensation by filing the appropriate notice with the Corporate Secretary before the first day of each calendar year, but such change shall not affect the method of determining earnings for any compensation deferred in a prior year.

5. Deferred Compensation Account.

A Deferred Compensation Account ("Account") shall be established for each Participant.

(a) Phantom Stock Option Account. If a Participant elects the Phantom Stock Option, his Account will include the number of shares and partial shares of Common Stock (to four decimals) that could have been purchased on the date such compensation would have otherwise been payable to him. The purchase price for such stock is the Fair Market Value of such stock, i.e., the closing price of such stock as reported on the Composite Tape of the New York Stock Exchange for such date or the next preceding day on which sales took place if no sales occurred on the actual payable date.

The Participant's Account shall also include the dividends that would have become payable during the deferral period if actual purchases of Common Stock had been made, with such dividends treated as if invested in Common Stock as of the payable date for such dividends.

(b) Certificates of Deposit Option Account. If a Participant elects the Certificates of Deposit Option, his Account will be credited with any compensation deferred by the Participant at the time such compensation would otherwise be payable and with interest calculated at a monthly rate using the typical rates paid by major banks on new issues of negotiable Certificates of Deposit on amounts of \$1,000,000 or more for one year as quoted in The Wall Street Journal under "Money Rates" on the first day of the relevant calendar month or the next preceding business day if the first day of the month is a non-business day. The interest credited to each Account shall be based on the amount held in the Account at the beginning of each particular month.

6. Statement of Deferred Compensation Account.

Within 45 days after the end of the calendar year, a statement will be sent to each Participant listing the balance in his Account as of the end of the year.

7. Retirement.

Upon retirement or resignation as a Director from the Board of Directors, a Participant shall receive payment of the balance in his Account in accordance with the terms of his prior instructions and the terms of the Plan unless he is still serving as a voting director of Questar Corporation ("Questar"). Upon retirement or resignation as a Director of Questar or upon appointment as a non-voting Senior Director of Questar, a Participant shall receive payment of the balance in his Account in accordance with the terms of his prior instructions and the terms of the Plan unless he is currently serving as a Director of the Company.

8. Payment of Deferred Compensation.

(a) Phantom Stock Option. The amount payable to the Participant choosing the Phantom Stock Option shall be the cash equivalent of the stock using the Fair Market Value of such stock on the date of withdrawal.

(b) Certificates of Deposit Option. The amount payable to the Participant choosing the Certificate of Deposit Option shall include the interest on all sums credited to the Account, with such interest credited to the date of withdrawal.

(c) The date of withdrawal for both the Phantom Stock Option Account and the Certificates of Deposit Option Account shall be the last day of the calendar month preceding payment or if payment is made because of death, the date of death.

(d) The payment shall be made in the manner (lump sum or installment) chosen by the Participant. In the event of a Participant's death, payment shall be made within 45 days of the Participant's death to the beneficiary designated by the Participant or, in the absence of such designation, to the Participant's estate.

9. Payment, Change in Control.

Notwithstanding any other provisions of this Plan or deferral elections made pursuant to Section 4 of this Plan, a Director, in the event of a Change in Control of Questar, shall be entitled to elect a distribution of his account balance within 60 days following the date of a Change in Control. For the purpose of this Plan, a "Change in Control" shall be deemed to have occurred if (i) any "Acquiring Person" (as that term is used in the Rights Agreement dated February 13, 1996, between Questar and ChaseMellon Shareholder Services, L.L.C. ("Rights Agreement")) is or becomes the beneficial owner (as such term is used in Rule 13d-3 under the Securities Exchange Act of 1934) of securities of Questar representing 25 percent or more of the combined voting power of Questar, or (ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving as directors of Questar: individuals who, as of May 19, 1998, constitute Questar's Board of Directors ("Board") and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Questar) whose appointment of election by the Board or nomination for election by Questar's stockholders was approved or recommended by a vote of at least two-thirds of the directors when still in office who either were directors on May 19, 1998, or who appointment, election or nomination for election was previously so approved or recommended; or (iii) Questar stockholders approve a merger or consolidation of Questar or any direct or indirect subsidiary of Questar with any other corporation, other than a merger or consolidation that would result in the voting securities of Questar outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 60 percent of the combined voting power of the securities of Questar or such surviving entity or its parent outstanding immediately after such merger or consolidation, or a merger or consolidation effected to implement a recapitalization of Questar (or similar transaction) in which no person is or becomes the beneficial owner, directly or indirectly, of securities of Questar representing 25 percent or more of the combined voting power of Questar's then outstanding securities; or (iv) Questar's stockholders approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by Questar of all or substantially all of Questar's assets, other than a sale of disposition by Questar of all or substantially all of the Company's assets to an entity, at least 60 percent of the combined voting power of the voting securities of which are owned by stockholders of Questar in substantially the same proportion as their ownership of Questar immediately prior to such sale. A Change in Control, however, shall not be considered to have occurred until all conditions precedent to the transaction, including but not limited to, all required regulatory approvals have been obtained.

10. Hardship Withdrawal.

Upon petition to and approval by the Company's Board of Directors, a Participant may withdraw all or a portion of the balance in his Account in the case of financial hardship in the nature of an emergency, provided that the amount of such withdrawal cannot exceed the amount reasonable necessary to meet the financial hardship. The Board of Directors shall have sole discretion to determine the circumstances under which such withdrawals are permitted.

11. Amendment and Termination of Plan.

The Plan may be amended, modified or terminated by the Company's Board of Directors. No amendment, modification, or termination shall adversely affect a Participant's rights with respect to amounts accrued in his Account. In the event that the Plan is terminated, the Board of Directors has the right to make lump-sum payments of all Account balances on such date as it may determine.

12. Nonassignability of Plan.

The right of a Participant to receive any unpaid portion of his Account shall not be assigned, transferred, pledged or encumbered or be subject in any manner to alienation or attachment.

13. No Creation of Rights.

Nothing in this Plan shall confer upon any Participant the right to continue as a Director. The right of a Participant to receive any unpaid portion of his Account shall be an unsecured claim against the general assets and will be subordinated to

the general obligations of the Company.

14. Effective Date.

The Plan was effective on June 1, 1982, and shall remain in effect until it is discontinued by action of the Company's Board of Directors. The effective date of the amendment to the Plan establishing a Phantom Stock Option is January 1, 1983. The Plan was amended and restated effective April 30, 1991, was amended and restated effective February 13, 1996, and was further amended and restated effective May 19, 1998.

Questar Market Resources, Inc. and Subsidiaries
Ratio of Earnings to Fixed Charges

The ratios of earnings to fixed charges for 1997, 1998 and 1999 are derived from audited financial statements of Questar Market Resources. The ratios for 1995, 1996 and the 12 months ended March 31, 2000 and 1999 are from unaudited financial statements.

	12 months ended 2000 (Dollars in Thousands)	March 31, 1999	12 months ended 1999	December 31, 1998	1997	1996	1995
Earnings							
Income from continuing operations before income taxes	\$75,951	13519	\$64,450	\$15,706	\$49,521	\$56,134	\$43,638
Less income, plus loss from Canyon Creek	(216)	(233)	(231)	(202)	(160)	35	(141)
Plus distribution from Canyon Creek	304	244	266	281	334	60	314
Plus loss from Questar WMC					65	546	114
Plus debt expense	18,470	14,255	17,363	12,631	10,882	8,699	6,323
Plus interest capitalized during construction	884	542	357	1,363	604	70	63
Plus interest portion of rental expense	1,773	1,487	855	699	556	500	441
	\$97,190	\$29,814	\$83,091	\$30,478	\$61,802	\$66,044	\$50,752
Fixed Charges							
Debt expense	\$18,470	\$14,255	\$17,363	\$12,631	\$10,882	\$8,699	\$6,323
Plus interest capitalized during construction	884	542	357	1,363	604	70	63
Plus interest portion of rental expense	1,773	1,487	855	699	556	500	441
	\$21,127	\$16,284	\$18,575	\$14,693	\$12,042	\$9,269	\$6,827
Ratio of Earnings to Fixed Charges	4.60	1.83	4.47	2.07	5.13	7.13	7.43

1/ For purposes of this presentation, earnings represent income from continuing operations before income taxes and fixed charges. Fixed charges consist of total interest charges, amortization of debt issuance costs, and the interest portion of rental costs (which is estimated at 50%).

2/ Income from continuing operations before income taxes includes QMR's 50% share of pretax earnings of Blacks Fork.

3/ Distributions from Canyon Creek are included and earnings are excluded because QMR owns less than 50%. QMR's ownership interest in Canyon Creek is 15%.

4/ Write-downs of investment in oil and gas properties reduced income before income taxes of \$31 million in 1998 and \$9 million in 1997.

Exhibit 27.

The following schedule contains summarized financial information extracted from the Questar Market Resources Consolidated Statements of Income and Balance Sheet for the periods ended March 31, 2000 and 1999, and is qualified in its entirety by reference to such unaudited financial statements.

1,000

3-MOS	3-MOS	3-MOS	3-MOS
DEC-31-2000	DEC-31-2000	DEC-31-1999	DEC-31-1999
MAR-31-2000	MAR-31-2000	MAR-31-1999	MAR-31-1999
	2,206		4,566
	0		0
	84,380		102,266
	(1,321)		(3,092)
	5,120		3,497
	96,191		111,059
	1,556,761		1,424,392
	755,544		736,353
	918,334		804,227
143,692		186,937	
	293,074		186,008
0		0	
	0		0
	4,309		4,309
	395,246		361,406
918,334		804,227	
	0		0
	141,761		115,846
	0		0
	86,811		76,561
	29,275		24,942
	0		0
	5,370		4,263
	22,397		10,896
	7,348		2,643
15,049		8,253	
	0		0
	0		0
	0		0
	15,049		8,253
	0		0
	0		0