SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

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

Commission File No. 0-30321

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

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

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

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

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

3 Months
Ended 9
Months Ended
September 30,
September 30,
2001 2000
2001 2000 ---
------ ------
--- ---------
--------- (In
Thousands)
REVENUES $
153,339 $
187,403 $
588,927 $

494,365
OPERATING
EXPENSES Cost
of natural
gas and other
products sold
48,976 90,923
268,765
234,606
Operating and
maintenance
28,756 25,240
77,890 72,705
Exploration
expense 2,606
1,621 8,101
8,228
Depreciation,
depletion and
amortization
21,952 21,187
64,267 64,008
Other taxes
8,006 9,764
36,993 25,122
Wexpro
settlement
agreement -
oil income
sharing 578
1,265 2,603
3,458 -------
-- ---------
--------- ---
------ TOTAL
OPERATING
EXPENSES
110,874
150,000
458,619
408,127 -----
---- --------
- --------- -

OPERATING
INCOME 42,465
37,403
130,308
86,238
INTEREST AND
OTHER INCOME
59 3,624
12,819 6,777
MINORITY
INTEREST 85
(441) 254
(441) INCOME
FROM
UNCONSOLIDATED
AFFILIATES
568 827 796
2,132 DEBT
EXPENSE
(7,301)
(5,900)
(16,346)
(17,573) ----
----- -------
-- ---------

INCOME BEFORE
INCOME TAXES
35,876 35,513
127,831
77,133 INCOME
TAXES 12,825
12,362 45,801
25,463 ------
--- ---------
--------- ---
------ NET

INCOME $
23,051 $
23,151 $
82,030 $
51,670
=========
=========
=========
=========

See notes to consolidated financial statements

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

September 30,
December 31,
2001 2000 ---
---------- --
--------- (In
Thousands)
ASSETS
Current
assets Cash
and cash
equivalents $
3,980 Notes
receivable
from Questar
Corp. $
14,400
Accounts
receivable,
net 85,916
148,436
Qualifying
hedging
collateral
48,377
Hedging asset
41,242
Inventories,
at lower of
average cost
or market -
Gas and oil
storage 7,833
7,618
Materials and
supplies
2,113 2,298
Prepaid
expenses and
other 11,242
4,828 -------
---- --------
--- Total
current
assets
162,745
215,537 -----
------ ------

Property,
plant and
equipment
1,898,361
1,400,159
Less
accumulated
depreciation
and
amortization
705,723
662,923 -----

------ ------
----- Net
property,
plant and
equipment
1,192,638
737,236 -----
------ ------

Investment in
unconsolidated
affiliates
15,936 15,417
Other assets
Goodwill
66,823 Cash
held in
escrow
account 210
5,387 Other
3,729 4,344 -
---------- --

70,762 9,731
----------- -
---------- $
1,442,081 $
977,921
===========
===========
LIABILITIES
AND
SHAREHOLDER'S
EQUITY
Current
liabilities
Checks
outstanding
in excess of
cash balance
$ 13,602
Short-term
loans 60,000
$ 12,500
Notes payable
to Questar
Corp. 254,600
51,000
Accounts
payable and
accrued
expenses
118,929
164,330 -----
------ ------
----- Total
current
liabilities
447,131
227,830 -----
------ ------
----- Long-
term debt
321,957
244,377 Other
liabilities
8,953 13,847
Deferred
income taxes
150,631
67,873
Minority
interest
7,763 5,483
Common
shareholder's
equity Common
stock 4,309
4,309
Additional
paid-in

capital
116,027
116,027
Retained
earnings
368,475
299,420 Other
comprehensive
income (loss)
16,835
(1,245) -----
------ ------
----- Total
common
shareholder's
equity
505,646
418,511 -----
------ ------
----- $
1,442,081 $
977,921
===========
===========

See notes to consolidated financial statements

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

9 Months
Ended
September 30,
2001 2000 ---
------ ------
--- (In
Thousands)
OPERATING
ACTIVITIES
Net income $
82,030 $
51,670
Depreciation,
depletion and
amortization
65,092 64,556
Deferred
income taxes
13,737 1,116
Income from
unconsolidated
affiliates,
net of cash
distributions
(649) (1,907)
Gain from
sale of
securities
(1,573)
Changes in
operating
assets and
liabilities
40,575
(6,731) -----
---- --------
- NET CASH
PROVIDED FROM
OPERATING
ACTIVITIES
200,785
107,131
INVESTING
ACTIVITIES
Capital
expenditures

(144,983)
(132,166)
Acquisition
of SEI
(402,954) ---
------ ------
--- (547,937)
(132,166)
Proceeds from
disposition
of property,
plant and
equipment
21,199 5,481
Proceeds from
sales of
securities
9,478 -------
-- ---------
NET CASH USED
IN INVESTING
ACTIVITIES
(526,738)
(117,207)
FINANCING
ACTIVITIES
Change in
notes
receivable
from Questar
Corp.
(14,400)
1,400 Change
in notes
payable to
Questar Corp.
203,600
(12,800)
Checks
outstanding
in excess of
cash balance
13,602
(1,246)
Change in
short-term
loans 47,500
31,500 Change
in cash
balance in
escrow
account 5,177
36,727 Long-
term debt
issued
321,501
39,793 Long-
term debt
repaid
(241,635)
(48,434)
Other (264)
1,873 Payment
of dividends
(12,975)
(12,975) ----
----- -------
-- NET CASH
PROVIDED FROM
FINANCING
ACTIVITIES
322,106
35,838
Foreign
currency
translation
adjustment
(133) (338) -
-------- ----
----- Change
in cash and

cash
equivalents
(3,980)
25,424
Beginning
cash and cash
equivalents
3,980 -------
-- ---------
Ending cash
and cash
equivalents $
-- $ 25,424
=========
=========

See notes to consolidated financial statements

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

Note 1 - Basis of Presentation

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

Note 2 - Change in Method of Accounting for Gas and Oil Properties

On July 1, 2001, Questar Market Resources (QMR) elected to change its accounting method for gas and oil properties from the full cost method to the successful efforts method. The change was prompted by the recent acquisition of a company that uses successful efforts. A subsidiary, Wexpro, has always employed the successful efforts method. Management believes that the successful efforts method is preferable and will more accurately present the results of operations of the Company's exploration, development and production activities, minimizes asset write-downs caused by temporary declines in gas and oil prices and reflect impairment of the carrying value of the Company's gas and oil properties only when there has been an other-than-temporary decline in their fair value.

As a result of this change in accounting, prior year and interim financial statements have been retroactively restated to reflect this change in accounting method. The effect, net of income taxes, was a reduction of retained earnings recorded retroactively as of December 31, 1995, of $37.6 million. This resulted from a reduction of net property, plant and equipment in the amount of $61.9 million and a reduction of deferred income taxes of $24.3 million. The effect of the change in accounting method on previously reported earnings was an increase in net income of $2.0 million for the six-month period ended June 30, 2001 and a decrease in net income of $4.6 million in the nine-month period ended September 30, 2000.

Note 3 - Acquisition

QMR acquired 100% of the common stock of Shenandoah Energy, Inc. (SEI) on July 31, 2001 for $403 million in cash including assumed debt. SEI was a privately held Denver-based exploration, production, gathering and drilling company. QMR obtained an estimated 415 billion cubic feet equivalent of proved oil and gas reserves, gas processing capacity of 100 MMcf per day, 90 miles of gathering lines, 114,000 acres of net undeveloped leasehold acreage and four drilling rigs. SEI operations are located primarily in the Uintah Basin of eastern Utah. The transaction was accounted for as a purchase business combination in accordance with accounting principles generally accepted in the United States. The purchase price in excess of the estimated fair value of the assets was assigned to goodwill. The acquisition was financed through bank borrowings.

Assets purchased and liabilities assumed were as follows:

(In thousands)	
Current assets	$ 17,332
Property, plant and equipment	401,054
Goodwill	66,823
Other assets	124
Current liabilities	(24,328)
Other liabilities	(8,410)
Deferred income taxes	(54,364)
Other comprehensive loss	4,723

Purchase price, including acquisition costs	$ 402,954
	=========

The following unaudited pro forma consolidated results of operations assume the acquisition occurred on January 1, 2000. The pro forma combined financial information reflects QMR's gas and oil operations restated using the successful efforts method of accounting. In addition, the combined financial information were adjusted for the following factors:

Adjust depreciation expense to reflect the new basis of SEI's fixed assets.
Adjust interest expense to reflect financing costs of the acquisition.
Reduce operating expenses to reflect the resignation of several SEI executives.
Allocate a portion of corporate overhead costs to SEI.
Exclude results of operations not purchased by QMR.
Calculate income tax expense based on pro forma income before income taxes.

	Nine Months Ended September 30,	
	2001	2000
	--------	--------
	(In thousands)	
Revenues	$637,085	$516,931
Net income	79,448	$ 55,554

Note 4 - Financing

QMR borrowed $403 million, including $280 million of bridge loans, to acquire SEI. QMR expects to refinance $200 million of the temporary loans through an offering of long-term notes sometime in the fourth quarter of 2001.

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

Note 4 - Operations By Line of Business

3 Months

Ended 9 Months Ended September 30, September 30, 2001 2000 2001 2000 ---------- ---------- ---------- ---------- (In Thousands) REVENUES FROM UNAFFILIATED CUSTOMERS Exploration and production $ 69,446 $ 64,786 $ 212,499 $ 171,709 Cost of service 3,073 4,378 11,115 11,302 Gathering, processing and marketing 58,100 96,999 289,927 246,712 ---------- ---------- ---------- ---------- $ 130,619 $ 166,163 $ 513,541 $ 429,723 ========== ========== ========== ========== REVENUES FROM AFFILIATED COMPANIES Exploration and production $ 1 $ 13 $ 5 $ 13 Cost of service 20,783 17,929 66,849 53,162 Gathering, processing and marketing 1,936 3,298 8,532 11,467 ---------- ---------- ---------- ---------- $ 22,720 $ 21,240 $ 75,386 $ 64,642 ========== ==========

==========
==========
DEPRECIATION
AND
AMORTIZATION
EXPENSE
Exploration
and
production
$ 16,839 $
16,242 $
48,934 $
49,620 Cost
of service
3,663 3,451
11,077
10,355
Gathering,
processing
and
marketing
1,450 1,494
4,256 4,033

$ 21,952 $
21,187 $
64,267 $
64,008
==========
==========
==========
==========
OPERATING
INCOME
Exploration
and
production
$ 26,687 $
24,342 $
87,450 $
52,027 Cost
of service
11,732
9,680
32,510
28,076
Gathering,
processing
and
marketing
4,046 3,381
10,348
6,135 -----
----- -----
----- -----
----- -----
----- $
42,465 $
37,403 $
130,308 $
86,238
==========
==========
==========
==========
NET INCOME
Exploration
and
production
$ 13,106 $
13,360 $
54,447 $
27,638 Cost
of service
7,381 6,174
20,452
17,911
Gathering,

processing
and
marketing
2,564 3,617
7,131 6,121

$ 23,051 $
23,151 $
82,030 $
51,670
==========
==========
==========
==========
FIXED
ASSETS -
NET, at
period end
Exploration
and
production
$ 914,633 $
484,010
Cost of
service
186,853
144,981
Gathering,
processing
and
marketing
91,152
75,821 ----
------ ----

$1,192,638
$ 704,812
==========
==========
GEOGRAPHIC
INFORMATION
REVENUES
United
States $
145,092 $
177,488 $
556,015 $
468,697
Canada
8,247 9,915
32,912
25,668 ----
------ ----
------ ----
------ ----
------ $
153,339 $
187,403 $
588,927 $
494,365
==========
==========
==========
==========
FIXED
ASSETS -
NET, at
period end
United
States
$1,114,784
$ 614,657
Canada
77,854
90,155 ----
------ ----

$1,192,638

$ 704,812
==========
==========

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

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

As of January 1, 2001, the Company structured a majority of its energy derivative instruments as cash flow hedges. As a result of adopting SFAS 133 in January 2001, the Company recorded a $121 million hedging liability for derivative instruments. Measured at September 30, 2001, the results of hedging activities amounted to a $41.2 million current asset. Settlement of contracts accounted for $68 million of the change, while a decrease in prices of gas and oil on futures markets resulted in a $94.2 million change. The offset to the hedging asset, net of income taxes, was a $19.3 million unrealized gain on hedging activities recorded in other comprehensive income in the shareholder's equity section of the balance sheet. The ineffective portion of hedging transactions recognized in earnings was not significant. The fair-value calculation does not consider changes in fair value of the corresponding scheduled equity physical transactions.

The contracts at September 30, 2001 had terms extending through December 2003. About 77% of those contracts, representing approximately $24.6 million, settle and will be reclassified from other comprehensive income in the next 12 months.

Effective October 2001, the Company hedged $100 million of variable-rate debt by entering into a fixed-rate interest swap for one year.

Note 7 - Comprehensive Income

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

3 Months
Ended 9
Months Ended
September
30,
September
30, 2001
2000 2001
2000 -------
-- ---------

(In Thousands)				
Comprehensive Income:				
Net income	$ 23,051	$ 23,151	$ 82,030	$ 51,670
Other comprehensive income (loss)				
Unrealized gain on hedging transaction	27,741		30,769	
Unrealized gain on securities available for sale		957		6,474
Foreign currency translation adjustments	(1,953)	(700)	(2,391)	(2,176)
Other comprehensive income before income taxes	25,788	257	28,378	4,298
Income taxes on other comprehensive income	9,421	7	10,298	1,386
Net other comprehensive income	16,367	250	18,080	2,912
Total comprehensive income	$ 39,418	$ 23,401	$ 100,110	$ 54,582

Note 8 - Reclassifications

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

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

QUESTAR MARKET RESOURCES, INC. AND SUBSIDIARIES
September 30, 2001
(Unaudited)

Operating Results

Questar Market Resources (QMR or the Company) through its subsidiaries conducts gas and oil exploration, development and production, gas gathering and processing, and energy marketing operations. Wexpro, a subsidiary of QMR, conducts cost of service development of gas reserves on behalf of affiliated company, Questar Gas. Following is a summary of QMR's financial results and operating information.

	3 Months Ended September 30,		9 Months Ended September 30,	
	2001	2000	2001	2000
FINANCIAL RESULTS - (dollars in thousands)				
Revenues				
From unaffiliated customers	$130,619	$166,163	$513,541	$429,723
From affiliates	22,720	21,240	75,386	64,642
Total revenues	$153,339	$187,403	$588,927	$494,365
Operating income	$ 42,465	$ 37,403	$130,308	$ 86,238
Net income	$ 23,051	$ 23,151	$ 82,030	$ 51,670
OPERATING STATISTICS				
Production volumes				
Natural gas (in million cubic feet)	18,451	17,361	50,082	

51,985 Oil and natural gas liquids (in thousands of barrels) Questar E & P, SEI 715 562 1,732 1,679 Wexpro 108 126 347 395 Production revenue Natural gas (per thousand cubic feet) $ 2.94 $ 2.98 $ 3.44 $ 2.55 Oil and natural gas liquids (per barrel) Questar E & P, SEI $ 20.24 $ 20.06 $ 20.63 $ 20.48 Wexpro $ 24.08 $ 29.06 $ 26.12 $ 26.63 Wexpro investment base at Sept. 30, net of deferred income taxes (in millions) $ 153 $ 116 Marketing volumes in energy equivalent decatherms (in thousands of decatherms) 20,758 26,943 68,310 79,148 Natural gas gathering volumes (in thousands of decatherms) For unaffiliated customers 21,474 23,205 68,085 68,244 For Questar Gas 8,083 7,500 26,989 26,588 For other affiliated customers 6,382 6,476 19,782

18,154 ----
---- ------
-- --------

Total
gathering
35,939
37,181
114,856
112,986
========
========
========
========
Gathering
revenue
(per
decatherm)
$ 0.13 $
0.13 $ 0.13
$ 0.13

Revenues

Revenues were 18% lower in the third quarter of 2001 when compared with the third quarter of 2000 due to a 23% reduction of energy marketing volumes and a 26% decrease in energy market prices. Gas production increased 6% over year earlier levels while average selling prices declined 1%. Production of oil and natural gas liquids (NGL) rose 27%, excluding Wexpro. Gas and oil production increases resulted from the acquisition of Shenandoah Energy Inc (SEI) on July 31, 2001. The Company estimates production for the 12 months of 2001 in the range of 83 to 85 billion cubic feet equivalent.

In the comparison of the nine month periods, revenues increased 19% in the 2001 period due to higher energy prices for natural gas production and energy marketing transactions. Average realized gas prices were 35% higher. Gas production declined 4% due, in part, to sales of assets in the first quarter and a planned shift in expenditures to cost of service drilling by Wexpro.

The Company enters hedging transactions to support the earnings targets and to protect earnings from downward moves in commodity prices. Currently, 62% of projected gas production for the fourth quarter of 2001, including production from SEI properties, is hedged at an average net-to-the-well price of $2.90 per Mcf. For the first half of 2002, about 35% of natural gas production is hedged at a price of $3.51 per Mcf. Approximately, 29% of second half 2002 gas production is hedged at $3.40 per Mcf, net-to-the-well. The Company has hedged 65% of projected fourth quarter 2001 oil production, at an average price of $20.19 per barrel, net-to-the-well. Approximately, 40% of forecast 2002 oil production is hedged at an average price of $24.45 per barrel. The forecast excludes Wexpro production and NGL production. Hedging activities reduced revenues from gas sales by $55.8 million in the first nine months of 2001 and revenues from oil sales by $8.2 million in the first nine months of 2001.

Expenses

Operating and maintenance expenses were higher in the 2001 periods presented when compared with the corresponding 2000 periods. The expenses of operating producing properties increased $5.1 million in the first nine months primarily due to adding properties. Also, the expenses of operating a gas storage facility that began operations in the third quarter of 2000 resulted in a $600,000 increase in the first nine months of 2001. However, legal costs were $4.9 million lower in the first nine months of 2001 following the settlement of a major lawsuit in the second half of 2000. Exploration expenses were unchanged in the nine month comparison.

Depreciation, depletion and amortization expense increased slightly in the comparison of the third quarter and first nine months of 2001 with the prior year periods. The average rate for the nine-month period was $.80 per energy equivalent Mcf (Mcfe) in 2001 compared with $.79 in 2000. Other taxes increased because of higher gas prices and the effect on production-related taxes.

Debt expense was lower in the nine month period of 2001 because of lower debt levels in the first half of 2001. However, debt expense was higher in the third quarter of 2001 as a result of borrowings to finance the acquisition of SEI.

The effective income tax rate for the first nine months of 2001 was 35.8% compared with 33.0% for the same period of 2000. The effective income tax rate increased because of a higher portion of earnings derived from Canada, where income tax rates are higher. The Company recognized $3.6 million of nonconventional fuel tax credits in the 2001 period and $3.3 million in the 2000 period.

Other income

Other income includes a $10.4 million pretax gain from selling nonstrategic gas and oil and gathering properties in the first quarter of 2001. Questar Energy Trading recorded $1.9 million of capitalized interest in the third quarter of 2000 and a $1.6 million pretax gain from selling securities in the second and third quarters of 2000.

Net income

QMR's net income for the first nine months of 2001 improved 59% over the first nine months of 2000. The increase resulted from higher natural gas prices and increased earnings for Wexpro. Wexpro's net income was $2.5 million higher in 2001. Wexpro increased its investment in development-drilling projects resulting in a $37 million increase in the Wexpro investment base since September 30, 2000.

Liquidity and Capital Resources

Operating Activities

Net cash provided from operating activities in the first nine months of 2001 was $93.7 million more than was generated in the first nine months of 2000. The increase in cash flow from operating activities resulted from higher net income, the release of cash deposited as collateral for qualifying hedging contracts and the collection of receivables.

Investing Activities

Capital expenditures were $547.9 million in the first nine months of 2001 including $403 million in cash paid for SEI. Forecasted capital expenditures for calendar year 2001 are $620 million.

Financing Activities

Net cash provided from operating activities plus borrowings enabled QMR to repay short-term debt, finance capital expenditures and loan the remaining cash to Questar. In addition, proceeds from the sale of assets in 2001 provided approximately $21.2 million of funds. QMR borrowed $403 million to finance the acquisition of SEI and plans to repay the debt with cash flow from operations and the sale of nonstrategic assets. QMR expects to refinance $200 million of temporary loans from the SEI acquisition through an offering of long-term notes in the fourth quarter of 2001. On March 6, 2001, offering, issued $150 million of 7.5% notes due 2011. QMR applied the proceeds of the debt offering to repay a portion of its outstanding floating-rate debt. QMR expects to finance remaining 2001 capital expenditures with the proceeds of net cash provided from operating activities, bank loans, loans from a private placement and borrowing from Questar.

Quantitative and Qualitative Disclosures about Market Risk

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

HEDGING POLICY

The Company has established policies and procedures for managing market risks through the use of commodity-based derivative arrangements. Primary objectives of these hedging transactions are to support the Company's earnings targets and to protect earnings from downward moves in commodity prices. The Company will target between 50 and 75% of the current year's production to be hedged at or above budget levels by the end of March in the current year. The Company will ladder in these hedges, to reach forward beyond the current year when price levels are attractive. The volume of production hedged and the mix of derivative instruments employed are regularly evaluated and adjusted by management in response to changing market conditions and reviewed periodically by the Board of Directors. Additionally, under the terms of the Market Resources' revolving credit facility, not more than 75% of Market Resources' production quantities can be committed to hedging arrangements. The Company does not enter into derivative arrangements for speculative purposes.

ENERGY-PRICE RISK MANAGEMENT

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

QMR held hedge contracts covering the price exposure for about 69.1 million dth of gas and 1.4 million barrels of oil at September 30, 2001. A year earlier the contracts covered 49.8 million dth of natural gas and 1.3 million barrels of oil. The hedging contracts exist for a significant share of QMR-owned gas and oil production and for a portion of energy-marketing transactions. A portion of the contracts at September 30, 2001 had terms extending through December 2003. About 77% of those contracts, representing approximately $24.6 million, settle and will be reclassified from other comprehensive income in the next 12 months.

The undiscounted mark-to-market adjustment of financial gas and oil price-hedging contracts at September 30, 2001 was a positive $33.1 million. A 10% decline in gas and oil prices would add $12.6 million to the mark-to-market calculation; while a 10% increase in prices would deduct $12.7 million. The mark-to-market adjustment of gas and oil price-hedging contracts at September 30, 2000 was a negative $80.8 million. A 10% decline in gas and oil prices at that time would decrease the mark-to-market adjustment by $18.9 million to $61.9 million. Conversely, a 10% increase in prices would have resulted in an $18.8 million negative mark-to-market adjustment to a negative $99.6 million balance at that date. The calculations reflect energy prices posted on the NYMEX, various "into the pipe" postings, and fixed prices on the indicated dates. These sensitivity calculations do not consider changes in the fair value of the corresponding scheduled physical transactions (i.e., the correlation between the index price and the price to be realized for the physical delivery of gas or oil production), which should largely offset the change in value of the hedge contracts.

INTEREST-RATE RISK MANAGEMENT

As of September 30, 2001, QMR had $172 million of floating-rate long-term debt. The book value approximates fair value. Effective October 2001, the Company hedged $100 million of variable-rate debt by entering a fixed-rate interest swap for one year.

FOREIGN CURRENCY RISK MANAGEMENT

The Company does not hedge the foreign currency exposure of its foreign operation's net assets and long-term debt. Long-term debt held by the foreign operation, amounting to $35.5 million (U.S.), is expected to be repaid from future operations of the foreign company.

Business Development

On October 5, 2001, QMR announced an agreement with Western Gas Resources, Inc. to form a joint venture that will provide gas gathering and compression services to the Hoback Basin, including Pinedale Anticline and Jonah Field areas in southwest Wyoming. A subsidiary of Questar Gas Management (QGM) and a subsidiary of Western Gas Resources have formed Rendezvous Gas Services, L.L.C. Each entity will contribute certain assets to the joint venture and Rendezvous will construct and operate gas pipeline and compression facilities with the capacity to transport approximately 275 MMcf per day of gas product from Hoback Basin. In addition, the joint venture will deliver gas for blending and processing services to Granger and Blacks Fork processing plants. QGM is a 50% owner and the operator of the Blacks Fork processing plant. Western Gas Resources owns the Granger plant.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) 141, "Business Combinations," which addresses financial accounting and reporting for business

combinations. SFAS 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for under the pooling method initiated before but completed after June 30, 2001. The Company complied with this new accounting pronouncement in recording the SEI acquisition closed in the third quarter of 2001.

In June 2001, the FASB issued SFAS 142, "Goodwill and Other Intangible Assets," which addresses, among other things, the financial accounting and reporting for goodwill subsequent to an acquisition. The new standard eliminates the requirement to amortize acquired goodwill; instead, such goodwill shall be reviewed at least annually for impairment. SFAS 142 is effective for fiscal years beginning after December 15, 2001. In 2001, the Company recorded goodwill acquired subsequent to July 1, 2001, that will not be amortized but will be subject to a yearly impairment test. The Company has not evaluated the impact of the remaining provisions of SFAS 142.

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations," which addresses, among other things, the financial accounting and reporting of the fair value of legal obligations associated with the retirement of tangible long-lived assets. The new standard requires that retirement costs be estimated at fair value, capitalized and depreciated over the life of the assets. The new standard may affect the cost basis of gas and oil assets. SFAS 143 is effective for years beginning after June 15, 2002. The Company has not evaluated the impact of SFAS 143.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The new standard addresses financial accounting and reporting for the impairment or disposal of long-lived assets, specifically, for a segment of a business accounted for as a discontinued operation. SFAS 144 is effective for years beginning after December 15, 2001. The Company has not evaluated the impact of SFAS 144.

Forward-Looking Statements

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

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

Part II

Other Information

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

a. Questar Market Resources, Inc. ("Questar Market Resources" or the "Company") is filing the following exhibit as part of this report.

Exhibit
No.
Exhibit

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12.
Ratio

of earnings to fixed charges.

b. On October 12, 2001, the Company filed a Current Report on Form 8-K with the required financial statements for Shenandoah Energy Inc. ("Shenandoah") and pro forma financial information reflecting the acquisition of Shenandoah, which occurred on July 31, 2001. In its Current Report, Questar Market Resources also disclosed that it was changing its accounting method for gas and oil properties from full cost to successful efforts.

SIGNATURES

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

QUESTAR MARKET RESOURCES, INC.
(Registrant)

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

EXHIBIT INDEX

Exhibit Number	Exhibit
12.	Ratio of earnings to fixed charges.

Exhibit No. 12.

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

9 months
ended
September
30, --------

2001 2001
(Pro forma)
2000 -------
-- ---------
------- ----

(Dollars in
Thousands)
EARNINGS
Income
before
income taxes
$ 127,831 $
123,667 $
77,133 Less
income from
Canyon Creek
(229) (229)
(128) Plus
distributions
from Canyon
Creek 174
174 225 Less
income from
Roden (145)
(145) Plus
distributions
from Roden
228 228 Plus
debt expense
16,346
29,132
17,573 Plus
interest
capitalized
during
construction
559 559 168
Plus
interest
portion of
rental
expense 978
1,680 713 --
------- ----
----- ------
--- $
145,742 $
155,066 $
95,684
=========
=========
=========
FIXED
CHARGES Debt
expense $
16,346 $
29,132 $
17,573 Plus
interest
capitalized
during
construction
559 559 168
Plus
interest

portion of
rental
expense 978
1,680 713 --
------- ----
----- ------
--- $ 17,883
$ 31,371 $
18,454
=========
=========
=========
Ratio of
Earnings to
Fixed
Charges 8.15
4.94 5.19

1/ For purposes of this presentation, earnings represent income 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 estimated at 50%.

2/ Income before income taxes includes QMR's 50% share of pretax earnings of Blacks Fork.

3/ Distributions from less than 50% owned enterprises are included in the calculation, while earnings are excluded. QMR's ownership interest in both Canyon Creek and Roden is about 15%.

4/ Pro forma to reflect the acquisition of Shenandoah Energy Inc as of January 1, 2001.