

QUESTAR CORP  
Form S-3  
July 02, 2002

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As Filed with the Securities and Exchange Commission on July 1, 2002

Registration No. 333-

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form S-3**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**QUESTAR CORPORATION**

(Exact name of registrant as specified in its charter)

**Utah**

(State or other jurisdiction of  
incorporation or organization)

**87-0407509**

(I.R.S. Employer Identification Number)

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**180 East 100 South  
Salt Lake City, Utah 84111  
801-324-5000**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Connie C. Holbrook, Esq.  
Senior Vice President, General Counsel,  
and Corporate Secretary  
Questar Corporation  
180 East 100 South  
Salt Lake City, Utah 84111  
801-324-5202**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copy to:*

**Richard J. Grossman, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, NY 10036-6522**

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this Registration Statement.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
Debt Securities; Common Stock, without par value (including the related Common Stock Purchase Rights); Stock Purchase Contracts; Stock Purchase Units	\$400,000,000		\$400,000,000	\$36,800

- (1) This Registration Statement also covers such indeterminate number of shares of Common Stock of the Registrant and accompanying Stock Purchase Rights, if any, (i) as shall be issuable or deliverable upon conversion of any Debt Securities, which are convertible into such Common Stock, and (ii) as may be required for delivery upon conversion of any such convertible securities as a result of anti-dilution provisions thereof.
- (2) Not applicable pursuant to Form S-3 General Instruction II(D) under the Securities Act of 1933.
- (3) Estimated solely for the purpose of determining the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATES AS NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT FILES A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT WILL BE EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT BECOMES EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

**Subject to completion, dated July 1, 2002.**

**The information in this prospectus is incomplete and may be changed. We may not sell these securities until a registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.**

### PROSPECTUS

## QUESTAR CORPORATION

**\$400,000,000**

**SENIOR DEBT SECURITIES  
COMMON STOCK  
STOCK PURCHASE CONTRACTS  
STOCK PURCHASE UNITS**

We may offer from time to time:

Senior Debt Securities

Common Stock

Stock Purchase Contracts

Stock Purchase Units

This prospectus provides you with only a general description of these securities. We will provide the specific terms of these securities in supplements to this prospectus. The prospectus supplements may also add, update, or change information contained in this prospectus. This prospectus may not be used to offer and sell these securities unless accompanied by a prospectus supplement. You should read this prospectus and the supplements carefully before you invest.

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Our common stock is traded on the New York Stock Exchange under the trading symbol "STR."

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Investing in our securities involves certain risks. See "Risk Factors" beginning on page 8.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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The date of this prospectus is \_\_\_\_\_, 2002

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the "SEC") utilizing a "shelf" registration process. Under the shelf process, we may offer any combination of the securities described in this prospectus in one or more offerings with a total initial offering price of up to \$400,000,000. This prospectus provides you with a general description of the senior debt securities, common stock, stock purchase contracts or stock purchase units, we may offer. Each time we use this prospectus to offer these securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. Please carefully read this prospectus and the prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized anyone else to provide you with any different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is current only as of the date of this prospectus.

### QUESTAR

We are an integrated natural gas and energy services holding company that conducts business through our two major units Market Resources and Regulated Services. Our Market Resources unit consists of a holding company Questar Market Resources, Inc. ("QMR") and its subsidiaries. QMR is engaged in:

Gas and oil exploration, development and production;

Gas gathering and processing; and

Wholesale gas and hydrocarbon liquids marketing, risk management and storage.

Our Regulated Services group includes two primary business segments Questar Pipeline Company ("Questar Pipeline") and Questar Gas Company ("Questar Gas"). Questar Pipeline has interstate gas transmission, processing and storage facilities and Questar Gas conducts retail gas distribution services. QMR, Questar Pipeline and Questar Gas have publicly registered debt securities and file periodic reports with the SEC.

We were organized in 1984 and became a publicly held entity when the shareholders of Questar Gas (then known as Mountain Fuel Supply Company) approved a corporate reorganization. We are classified as a "holding company" as that term is defined in the Public Utility Holding Company Act of 1935 because Questar Gas is a natural gas utility. We, however, qualify for and claim an exemption from provisions of such act applicable to registered holding companies.

The following chart shows the basic framework of our organization and activities.

**Market Resources.** Market Resources is our primary growth area. We maintain a geographical balance and diversity in our development and production group with core areas of activity including the Uinta Basin of eastern Utah, the Pinedale Anticline area of western Wyoming, the Midcontinent region of Oklahoma, parts of Texas, the Upper Gulf Coast, the Four Corners area of New Mexico and Colorado, and the Western Canadian Sedimentary Basin located primarily in Alberta, Canada.

Our operations are focused primarily on natural gas, although the 2001 acquisition of Shenandoah Energy Inc. included some attractive oil exploration and development opportunities. As of year-end 2001, we had proved reserves (excluding our Questar Gas reserves) of 998.0 billion cubic feet ("Bcf") of gas and 31.2 million barrels ("MMBbls") of oil and natural gas liquids. On an energy-equivalent ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of crude oil, natural gas comprised approximately 84.3 percent of our proved reserves (again excluding our Questar Gas reserves).

Wexpro Company ("Wexpro") is a member of the Market Resources unit. It conducts oil and gas development and production activities on specified properties owned by Questar Gas that are located in the Rocky Mountain region and is reimbursed for its costs plus a return on its investment. The terms

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of the arrangement between Wexpro and Questar Gas are contained in a unique settlement agreement that is described in Note 11 of the Notes to Consolidated Financial Statements in our 2001 Form 10-K.

Questar Gas Management Company ("QGM"), another member of the Market Resources unit conducts gas gathering and processing activities in the Rocky Mountain and Midcontinent areas. Another member Questar Energy Trading Company ("QET") conducts energy marketing activities and uses derivatives to hedge the Company's equity production. We do not make a market and we do not engage in speculative hedging transactions. QET also operates a storage facility located in southwestern Wyoming.

**Regulated Services.** Through Questar Gas, we distribute natural gas as a public utility in Utah and southwestern Wyoming and were serving 731,900 sales and transportation customers as of year end 2001. Unlike many gas distribution utilities, we own reserves (427.8 Bcfe as of year-end 2001) that satisfy 40-50 percent of our annual gas supply requirements.

Questar Gas is subject to the jurisdiction of the Public Service Commissions of Utah and Wyoming and recently filed an application for a general rate increase in Utah. The application included requests to use a future test year and to collect an annualized revenue deficiency of \$23.0 million that reflected a return on equity of 12.6 percent.

Questar Pipeline is an interstate pipeline company that is subject to regulation by the Federal Energy Regulatory Commission (the "FERC") as to rates and charges, construction of new facilities, etc. Through Questar Pipeline, we transport natural gas in the Rocky Mountain states of Utah, Wyoming and Colorado for Questar Gas and other customers and store natural gas volumes in Utah and Wyoming. At the end of June 2002, we began transporting volumes of gas on the eastern portion of our Southern Trails line that runs from the Blanco hub area in the San Juan Basin to multiple delivery points near the California state line.

Through Questar Pipeline, we also own Clay Basin, which is the largest underground storage reservoir in the Rocky Mountains. Clay Basin, located in northeastern Utah, has a working gas capacity of 51.3 Bcf and is fully subscribed. Questar Pipeline is seeking regulatory approval from the FERC to offer specified hub services such as "parking" and "loaning" and has installed additional compression capacity at Clay Basin to facilitate such services.

Through Questar TransColorado Inc. ("QTC") and Questar Pipeline, we are involved in a complex litigation with KN TransColorado Inc. ("KNTC") and its parent Kinder Morgan Inc. QTC and KNTC are partners in the TransColorado pipeline project. The case involves the validity of a contractual right claimed by QTC to put its 50 percent interest in TransColorado to KNTC during the 12-month period beginning March 31, 2001, and both sides have claimed damages in excess of \$150 million. The trial before a Colorado state district court judge ended May 2, 2002, but the calendar for post-trial activities will extend to late July. We expect that the trial court judge will issue a decision before the end of the third quarter, but we also expect that appeals may prevent the case from being resolved in 2002.

Our principal executive office is located at 180 East 100 South, Salt Lake City, Utah 84111, and our telephone number is 801-324-5000.

### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Our SEC filings are also available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. Please call the SEC at 1-800-732-0330 for further information on the public reference room.

This prospectus is part of a registration statement we have filed with the SEC relating to the securities we may offer. As permitted by SEC rules, this prospectus does not contain all of the information we have included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement, the exhibits and schedules for more information about us and our securities. The registration statement, exhibits and schedules are available at the SEC's public reference room or through its web site.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference:

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our Annual Report on Form 10-K for the year ended December 31, 2001; and

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

We also incorporate by reference any of our future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), until we sell all of the securities or the registration of these securities is no longer effective.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address and telephone number:

Corporate Secretary  
Questar Corporation  
180 East 100 South  
Salt Lake City, Utah 84111  
801-324-5202

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted.

### **A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

Statements contained in or incorporated by reference into this prospectus, any accompanying prospectus supplement, or the additional information described under the heading "Where You Can Find More Information" include forward-looking statements with the meaning of Section 27(a) of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21(e) of the Exchange Act. Forward-looking statements generally can be identified by the use of 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. Forward-looking statements involve certain risks and uncertainties that may cause future results to differ materially from those contemplated, projected, estimated or budgeted in such forward-looking statements. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify a number of important factors that could cause actual results to differ materially from management expectations as suggested by such forward-looking statements. These factors include, but are not limited to, the following:

Changes in general economic conditions at the national, regional or local level, including inflation rates;

Changes in monetary or fiscal policy;

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Gas and oil prices and supplies;

Increased competition in the energy environment, including effects of industry restructuring and unbundling;

Unusual weather conditions; catastrophic weather-related damage; unusual maintenance or repairs; transportation problems or other developments; environmental or pipeline incidents; transmission or distribution incidents; or gas pipeline system constraints;

Regulatory factors such as unanticipated changes in rate-setting policies or procedures, energy-efficiency standards, recovery of investments made under traditional regulation and the frequency and timing of rate increases;

Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the SEC, the FERC, or state public utility commissions;

Availability of capital, cost of capital, changes in our securities ratings, market perceptions of the natural gas utility industry and energy-related industries and other capital market conditions;

Changing natural gas commodity market conditions and other factors associated with physical energy and financial trading activities, including, but not limited to, price, basis, credit, liquidity, volatility, capacity and interest rates;

Changes in federal, state or local laws, regulations or rules, such as changes in tax laws and in environmental laws and regulations;

Employee workforce factors, including availability of workers, work stoppages and changes in key executives; and

Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and other matters, including but not limited to those described in filings made by us with the Securities and Exchange Commission.

Given these and other uncertainties, you should not place undue reliance on any forward-looking statements made by us. Except to the extent required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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## RISK FACTORS

Investment in our securities involves certain risks. We describe some risk factors that apply to our securities in general below, and will include risk factors relating to securities offered using this prospectus in the prospectus supplement relating to the offered securities. Before deciding to invest in our securities you should carefully consider, in consultation with financial and legal advisors, the risk factors discussed below and included in any related prospectus supplement, which we believe are material to your decision.

**We cannot assure you that a trading market for our securities will develop or be maintained, or what the market price will be.** In addition to our creditworthiness and the level, direction and volatility of market interest rates generally, many other factors may affect the trading market for or value of our securities. We will describe the factors relevant to any securities offered under this prospectus in the prospectus supplement relating to the offering. There may be a limited number of buyers when you decide to sell the securities, which may affect the price you receive for the securities or your ability to sell the securities. You should not purchase our securities unless you understand, and know you can bear, all of the investment risks related to the securities.

**Our credit ratings may not reflect all the risks of an investment in our securities.** Our credit ratings are an independent assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of your securities. Our credit ratings, however, may not reflect the potential impact of risks related to structural, market or other factors discussed in this prospectus and any prospectus supplement relating to an offered security on the value of the securities.

**As a holding company, we depend on our subsidiaries to meet our financial obligations.** We conduct all of our operations through our subsidiaries and substantially all of our consolidated assets are held by our subsidiaries. We depend on the earnings and cash flow of, dividends or distributions from and repayments of principal and interest on intercompany loans made by us to our operating subsidiaries to provide the funds necessary to meet our financial needs. Such operating subsidiaries may not generate sufficient net income to pay upstream dividends or cash flow to allow us to make payments of principal or interest on our debt. QMR's subsidiaries have debt covenants that limit leverage and prevent them from taking actions that would create a condition that could lead to default. Except for these debt covenants and the requirements of the Public Service Commission of Utah, there are, however, no contractual or regulatory restrictions on the ability of our subsidiaries to pay dividends to us or repay intercompany debt and we have full discretion over receipt of dividends, intercompany loan repayments and receipt of other payments from our subsidiaries.

**We are dependent on bank credit facilities and continued access to capital markets to successfully execute our operating strategies.** We rely primarily upon bank borrowing and access to capital markets to finance a material portion of our operating strategies, and have relied on short-term commercial paper markets to make intercompany loans to our subsidiaries. We are dependent on these sources for



capital to acquire and develop our properties. The availability and cost of capital from these capital sources is cyclical and may vary greatly, so that capital from these sources may not remain available to us or we may not be able to obtain financing at a reasonable cost in the future.

**Our increased investment in unregulated business activities may affect our credit ratings.** Some of our subsidiaries are businesses involved in open market competition for sales. We have announced an intention to target as much as 70% of capital expenditures towards non-regulated activities related to oil and gas exploration and production and other activities over the next several years. In as much as rating agencies tend to view those ventures as holding more business risk than investment in rate regulated utility properties, we may see pressure on our credit ratings. This pressure could negatively impact the ratings and value of our securities.

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**Our business is affected by many government regulations.** Extensive federal, state and local regulation of the oil and gas industry significantly affects our operations. The regulatory environment applicable to our businesses has undergone substantial changes in recent years, on both the federal and state levels. These changes have significantly affected the nature of the industries of which we are a part and the manner in which their participants conduct their businesses.

The production of oil and gas is subject to regulation by appropriate federal and state agencies in the United States and by federal and provincial agencies in Canada. In general, these regulatory agencies are authorized to make and enforce regulations to prevent waste of oil and gas, protect the correlative rights and opportunities to produce oil and gas by owners of a common reservoir, and protect the environment. Many leases held or operated by our subsidiaries involved in exploration and production are federal or Crown (Canadian) leases subject to additional regulatory requirements. Our local natural gas distribution operations are subject to the jurisdiction of the Public Service Commission of Utah and the Public Service Commission of Wyoming. These regulatory commissions approve rate schedules that reflect the return on equity that we may earn on our natural gas sales and transportation services. Although we have requested a return on equity of 12.6% in our general rate case, we may not be authorized to earn this rate and may not retain our current 11% return on equity. Our natural gas pipelines and storage facilities are subject to regulation by the FERC as to rates and charges for storage and transportation of gas in interstate commerce.

Existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to us or our facilities, which may affect our businesses in ways that we cannot predict.

**Environmental regulation significantly affects our businesses.** Our business operations are subject to federal, state and local laws and regulations relating to environmental protection. These laws and regulations concern the generation, storage, transportation, disposal or discharge of contaminants into the environment and the general protection of public health, natural resources, wildlife, and the environment. Costs of compliance and liabilities could negatively affect our level of cash flow. In addition, emission controls required under the Federal Clean Air Act and other similar federal and state laws could require unexpected capital expenditures at our facilities. We do not believe that environmental protection provisions currently in place will have a significant effect on our competitive position; however, because the costs of environmental regulation are already significant, additional regulation could negatively affect our business. Although we cannot predict the impact of Environmental Protection Agency standards or future environmental measures or other state and local regulations, our costs could increase if environmental laws and regulations become stricter.

**Competition could lead to lower levels of profits and lower cash flows over time.** The oil and gas exploration and production industry in which we operate is highly competitive. We compete with major oil companies, independent oil and gas businesses, and individual producers and operators, many of which have greater financial and other resources than us. Industry members compete both in North America and regionally for the acquisition of properties. Prices for production are dictated by national commodity markets and there is very little brand loyalty or distinction between competitors. We must also compete for pipeline capacity to transport gas to our markets. The industry, as a whole, competes with other industries that supply energy to industrial, commercial and other consumers.

Our natural gas pipelines and storage facilities compete against other existing natural gas pipelines originating from the same sources or serving the same markets as our facilities. In addition, we may face competition from natural gas pipelines and storage projects that may be built in the future. We conduct operations without the benefit of exclusive franchises from government entities. We provide open access transportation and storage services pursuant to the terms of tariffs filed with the FERC. Demand for storage service and transportation on our pipelines is primarily a function of customer usage rates, economic conditions, competing transportation and storage sources and price for service.

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Although there are no major distributors marketing natural gas sales service in our service area, marketing firms do arrange direct purchase contracts between large users in our service area and producers outside our service area, taking advantage of the open-access status of the pipeline systems that we use to transport natural gas to our customers. In addition, we may face competition from natural gas distribution operations that may enter the market in the future. Demand for natural gas is primarily a function of customer usage rates, economic conditions, competing distribution operations and price for service.

Our ability to compete in any markets and industries in which we operate depend upon general market conditions, which may change.

**Decreased oil and gas prices could adversely affect the revenues, cash flows and profitability of our subsidiaries and the Company as a whole.** Our QMR operations are materially dependent on prices received for oil and gas production. Both short-term and long-term price trends affect the economics of exploring for, developing, producing, gathering and processing oil and gas. Oil and gas prices can be volatile. We sell most of our oil and gas at current market prices rather than through fixed-price contracts, although we frequently hedge the price of a significant portion of future production in the financial markets. The prices we receive depend upon factors beyond our control, which include:

weather conditions;

the supply and price of foreign oil and gas;

the level of consumer product demand;

national and worldwide economic conditions;

political conditions in foreign countries;

the price and availability of alternative fuels;

the proximity to, and availability of capacity on, transportation facilities;

regional levels of supply and demand;

energy conservation measures; and

government regulations, such as regulation of natural gas transportation, royalties and price controls.

We believe that any prolonged reduction in oil and gas prices would depress our ability to continue the level of activity we would otherwise pursue, which could have a material adverse effect on revenues, cash flows and results of operations.

**We use derivatives to hedge commodity prices.** In order to protect to some extent against unusual price volatility and to lock in favorable pricing on oil and gas production, we periodically enter into commodity price derivatives contracts (hedging arrangements) for a portion of our expected production. These contracts may at any time cover as much as 75% of our energy production. These contracts reduce exposure to subsequent price drops but can also limit the opportunity to benefit when commodity prices rise. Use of energy price hedges also exposes parties to the risk of non-performance by a contract counterparty. We carefully evaluate the financial strength of all contract counterparties, but these parties might not be able to perform their obligations under the hedge arrangements. It is our policy that the use of commodity derivatives contracts be strictly confined to the price hedging of existing and forecast production, and we maintain a system of internal controls to assure there is no unauthorized trading or speculation on commodity prices. Unauthorized speculative trades could however occur that may expose us to substantial losses to cover a position in the contract, which may in turn have a material adverse effect on our revenues, cash flows and results of operations. In addition,

changes in commodity prices may subject us to margin calls that may require us to give material amounts of collateral to counter-parties in the form of cash. We use our credit lines to fund these margin calls, but such funding requirements could exceed our ability to access capital.

**There are many risks in drilling for oil and gas.** Our drilling activities subject us to many risks, including the risk that we will not find commercially productive reservoirs. Drilling for oil and gas can be unprofitable, not only from dry wells, but from productive wells that do not produce sufficient revenues to return a profit. Also, title problems, weather conditions, governmental requirements and shortages or delays in the delivery of equipment and services can delay our drilling operations or result in their cancellation. The cost of drilling, completing and operating wells is often uncertain, and new wells may not be productive or we may not recover all or any portion of our investment.

We have significant investment in Canadian oil and gas properties. We have significant foreign investment in Canada. In order to protect against foreign exchange translation losses on a portion of our Canadian investment, we borrow money in Canadian dollars, the value of which changes as the value of the Canadian assets change. We could however lose the continued availability of Canadian dollar debt. A portion of our Canadian investment is funded with US dollars, which is not hedged. We are also exposed to foreign currency risk in the value of our income from these operations. For the present time this risk is reduced by our desire to reinvest the cash flows of the Canadian operation. In Canada we are also exposed to foreign laws, drilling and transportation constraints, business and labor practices and markets that may be different from our experience in the United States. We believe we can reduce this risk by retaining competent local professionals with experience in Canadian operating and legal practices, but unexpected developments could expose us to risk of investment loss in Canada or qualified personnel might not be available to manage this investment.

**The nature of our operations presents inherent risks of loss that, if not insured or indemnified against, could adversely affect our results of operations.** Our operations are subject to inherent hazards and risks such as:

fires;

natural disasters;

explosions;

formations with abnormal pressures;

blowouts;

collapses of wellbore, casing or other tubulars;

pipeline ruptures; and

spills.

Any of these events could cause a loss of hydrocarbons, environmental pollution, personal injury or death claims, damage to our properties or damage to the properties of others. As protection against operation hazards, we maintain insurance coverage against some, but not all, potential losses. Our coverages include:

operator's extra expense;

physical damage to certain assets;

employer's liability;

business interruption;

comprehensive general liability;

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automobile; and

workers' compensation.

Generally, the agreements that we execute with contractors provide for the division of responsibilities between the contractor and ourselves, and we seek to obtain an indemnification from the contractor for certain of these risks. To the extent we are unable to transfer such risks to the contractor, we seek protection through insurance that our management considers to be adequate. Such insurance or indemnification agreements may not adequately protect us against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, or the failure of a contractor to meet its indemnification obligations, could result in substantial losses to us. In addition, insurance may not be available to cover any or all of these risks, or, even if available, it may not be adequate or insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive.

**Through QTC and Questar Pipeline, we are involved in a complex litigation with KNTC and its parent Kinder Morgan Inc. which could expose us to material losses.** QTC and KNTC are partners in the TransColorado pipeline project. The case involves the validity of a contractual right claimed by QTC to put its 50 percent interest in the TransColorado project to KNTC during the 12-month period beginning March 31, 2001, and both sides have claimed damages in excess of \$150 million. The trial before a Colorado state district court judge ended May 2, 2002, but the calendar for post-trial activities will extend to late July. We expect that the trial court judge will issue a decision before the end of the third quarter, but we also expect that appeals may prevent the case from being resolved in 2002.

**Certain provisions of Utah law, our Articles of Incorporation, our Bylaws and our Shareholder Rights Plan summarized below may have an anti-takeover effect.** Such provisions may discriminate against holders of a substantial amount of the shares of our common stock and may delay, defer or prevent a tender offer or takeover attempt that a holder of our securities might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock. For general information regarding these anti-takeover provisions, refer to "Description of Capital Stock" in this prospectus.

**Terrorist attacks, such as the attacks that occurred in New York, Pennsylvania and Washington, D.C. on September 11, 2001, and future war or risk of war may adversely impact our results of operations, our ability to raise capital and our future growth.** The impact that the terrorist attacks of September 11, 2001 may have on our industry in general, and on us in particular, is not known at this time. Uncertainty surrounding future military strikes or sustained military campaigns may impact our operations in unpredictable ways, including disruptions of fuel or gas supplies and markets, particularly oil, and the possibility that infrastructure facilities, including pipelines, processing plants and storage facilities, could be direct targets of, or indirect casualties of, an act of terror. Terrorist activity may also hinder our ability to transport oil and gas if transportation facilities or pipelines become damaged as a result of an attack. In addition, war or risk of war may also have an adverse effect on the economy. A lower level of economic activity could result in a decline in energy consumption which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital. Terrorist activity could likely lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. In addition, the insurance premiums charged for some or all of the coverages currently maintained could increase dramatically, or the coverages could be unavailable in the future.

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#### USE OF PROCEEDS

Except as otherwise provided in the related prospectus supplement, we will use the net proceeds from the sale of the offered securities for general corporate purposes. These purposes may include:

debt reduction;

working capital;

capital expenditures;

acquisitions;

repurchase or redemption of securities; and

investments in subsidiaries or affiliates.

Pending any specific application, we may initially invest funds in short-term marketable securities or apply them to the reduction of short-term indebtedness.

### RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the periods indicated:

	12 Months Ended March 31, 2002	Year Ended December 31,				
		2001	2000	1999	1998	1997
Ratio of Earnings to Fixed Charges	3.81	4.41	4.24	3.41	3.43	3.98

For the purposes of this presentation, earnings represent income before income taxes, cumulative effect of accounting change and fixed charges. Fixed charges consist of total interest charges, amortized debt issuance costs and losses from reacquiring debt, and the interest portion of rental costs, estimated at 50%.

### DESCRIPTION OF DEBT SECURITIES

Any debt securities that we offer will be our direct unsecured general obligations. These debt securities will be senior debt securities and will be issued under an indenture between us and Wells Fargo Bank Northwest, National Association, as trustee. The indenture will be qualified under the Trust Indenture Act of 1939.

We have summarized the material provisions of the indenture in this section, but this is only a summary. The form of indenture is being filed with the SEC and is incorporated by reference in our registration statement that contains this prospectus. You should read the indenture for provisions that may be important to you. You should review the applicable indenture for additional information before you buy any debt securities. Capitalized terms used in the following summary have the meanings specified in the indenture unless otherwise defined below.

#### General Information About the Debt Securities

Our primary operating subsidiaries have ongoing debt programs to finance their business activities. As of March 31, 2002, our subsidiaries had approximately \$1.1 billion of long-term debt. Our ability to pay principal and interest on our debt securities is, to a large extent, dependent upon our receiving dividends, interest or other amounts from our subsidiaries. The indenture under which the debt securities are to be issued does not contain any limitation on our ability to incur additional debt or on our subsidiaries' ability to incur additional debt to us or to unaffiliated third parties. In addition, we

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borrow funds from and lend funds to our subsidiaries from time to time to manage working capital needs. Our indebtedness to our subsidiaries will rank equally in right of payment to our senior debt securities.

A prospectus supplement, and any supplemental indenture, relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

the title, type and amount of the debt securities;

the total principal amount and priority of the debt securities;

the percentage of the principal amount at which the debt securities will be issued and any payments due if the maturity of the debt securities is accelerated;

the dates on which the principal of the debt securities will be payable;

the interest rate that the debt securities will bear, the method for determining the interest rate (if the interest rate is variable) and the interest payment dates for the debt securities;

whether we will issue the debt securities of a particular series in individual certificates to each holder or in the form of global securities that a depository will hold on behalf of holders;

any optional redemption periods;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities;

the terms of any right to convert or exchange debt securities into or for shares of our common stock or other securities or property;

any provisions granting special rights to holders when a specified event occurs;

any changes to or additional events of default or covenants;

any special tax implications of the debt securities, including provisions for original issue discount securities, if offered; and

any other terms of the debt securities.

The indenture does not limit the aggregate amount of debt securities that may be issued. It allows debt securities to be issued up to the principal amount that may be authorized by us and in any currency or currency unit designated by us. We may issue the debt securities from time to time in one or more series. We need not issue all debt securities of one series at the same time and, unless otherwise provided, we may reopen a series, without the consent of the holders of the debt securities of that series, for issuances of additional debt securities of that series.

### **Covenants Included in the Indenture**

Under the indenture, we will:

pay the principal, interest and any premium on the debt securities when due;

maintain a place of payment;

deliver a report to the trustee at the end of each fiscal year reviewing our obligations under the indenture; and

deposit sufficient funds with any paying agent on or before the due date for any principal, interest or premium.

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### **Payment of Principal, Interest and Premium; Transfer of Securities**

We will pay principal, interest and any premium on fully registered securities at the office of the paying agent designated by us. We will make payments by check mailed to the persons in whose names the debt securities are registered on days specified in the indenture or any prospectus supplement. We will make debt securities payments in other forms at a place we designate and specify in a prospectus supplement. You may transfer or exchange fully registered securities at the corporate trust office of the trustee or at any other office or agency maintained by us for such purposes, without having to pay any service charge except for any tax or governmental charge.

### **Specific Characteristics of Our Debt Securities**

All series of debt securities issued under the indenture will rank equally in right of payment with each other. Any additional debt securities we may issue will rank equally in right of payment with the debt securities offered and sold under this prospectus and the related prospectus supplement. Further, the indenture does not prohibit us from issuing such additional debt securities.

Any capitalized words used in this description of debt securities are defined in the indenture.

### **Interest Rate**

Debt securities that bear interest will do so at a fixed rate or a floating rate.

### **Global Certificates**

The debt securities of a series may be issued in whole or in part in the form of one or more global certificates that will be deposited with a depository identified in a prospectus supplement.

The specific terms of the depository arrangements with respect to any debt securities of a series will be described in a prospectus supplement.

Unless otherwise specified in a prospectus supplement, debt securities issued in the form of a global certificate to be deposited with a depository will be represented by a global certificate registered in the name of the depository or its nominee. Upon the issuance of a global certificate in registered form, the depository for the global certificate will credit, on its book-entry registration and transfer system, the respective principal amounts of the debt securities represented by the global certificate to the accounts of institutions that have accounts with the depository or its nominee. The accounts to be credited shall be designated by the underwriters or agents of the debt securities or by us, if the debt securities are offered and sold directly by us. Ownership of beneficial interests in a global certificate will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests by participants in a global certificate will be shown on, and the transfer of that ownership interest will be effected only through, records maintained by the depository or its nominee for the global certificate. Ownership of beneficial interests in a global certificate by persons that hold through participants will be shown on, and the transfer of that ownership interest within the participant will be effected only through, records maintained by the participant. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global certificate.

So long as the depository for a global certificate in registered form, or its nominee, is the registered owner of the global certificate, the depository or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities of the series represented by the global certificate for all purposes under the indenture. Generally, owners of beneficial interests in a global certificate will not be entitled to have

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debt securities of the series represented by the global certificate registered in their names, will not receive or be entitled to receive physical delivery of debt securities in

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definitive form, and will not be considered the owners or holders of the global certificate under the applicable indenture.

Payment of principal, premium, if any, and any interest on debt securities of a series registered in the name of or held by a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner or the holder of a global certificate representing the debt securities. None of the trustee, any paying agent, nor the applicable debt security registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global certificate for the debt securities or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depository for debt securities of a series, upon receipt of any payment of principal, premium or interest in respect of a permanent global certificate, will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global certificate as shown on the records of the depository. We also expect that payments by participants to owners of beneficial interests in a global certificate held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and the payments will be the responsibility of the participants. However, we have no control over the practices of the depository and/or the participants and there can be no assurance that these practices will not be changed.

Unless it is exchanged in whole or in part for debt securities in definitive form, a global certificate may generally be transferred only as a whole unless it is being transferred to certain nominees of the depository.

Unless otherwise stated in any prospectus supplement, The Depository Trust Company, New York, New York will act as depository. Beneficial interests in global certificates will be shown on, and transfers of global certificates will be effected only through, records maintained by The Depository Trust Company and its participants.

### **Limitation on Liens**

Subject to certain exceptions, we will not, and will not permit any Subsidiary to, create, assume or suffer to exist, otherwise than in favor of us or a Subsidiary, any mortgage, pledge, lien, encumbrance, or security interest (collectively, "Liens") upon any of our properties or assets or upon any income or profits therefrom unless the debt securities shall be equally and ratably secured. This prohibition will not apply to:

Liens existing as of the date of the indenture;

any purchase money mortgage or Lien created to secure all or part of the purchase price of any property (or to secure a loan made to us or any Subsidiary to enable it to acquire such property), provided that such Lien shall extend only to the property so acquired, improvements thereon, replacements thereof and the income or profits therefrom;

Liens on any property at the time of the acquisition thereof, whether or not assumed by us or a Subsidiary; provided that such Lien shall extend only to the property so acquired, improvements thereon, replacements thereof and income or profits therefrom;

Liens on property or any contract for the sale of any product or service or any rights thereunder or any proceeds therefrom, acquired or constructed by us or a Subsidiary and created within one year after the later of (1) the completion of such acquisition or construction or (2) the commencement of operation of the project, provided that such Lien shall extend only to the

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property so acquired or constructed, improvements thereon, replacements thereof and income profits therefrom;



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Liens of Subsidiaries outstanding at the time they become Subsidiaries;

Liens created or assumed by us or a Subsidiary on oil, natural gas, coal, geothermal, inert gas, other hydrocarbon or mineral properties owned or leased by us or a Subsidiary to secure loans to us or a Subsidiary, for the purpose of developing such properties;

Liens on any investment (as defined in the indenture) of ours or a Subsidiary in any Person other than a Subsidiary or on any security representing any investment of ours or a Subsidiary;

any Lien not otherwise permitted by the indenture, provided that after giving effect to such Liens the sum of (1) all indebtedness of ours and our Subsidiaries secured by Liens not otherwise permitted by the indenture and (2) all Attributable Debt of ours and our Subsidiaries (to the extent not included in (1) above) does not exceed 10% of Consolidated Capitalization;

any refunding or extension of Maturity, in whole or in part, of any obligation or indebtedness secured by certain permitted Liens, provided that the principal amount of the obligation or indebtedness secured by such refunding or extension shall not exceed the principal amount of the obligation or indebtedness then outstanding and shall be limited in lien to the same or substituted property and after-acquired property that secured the refunded or extended obligation or indebtedness;

Liens upon any office equipment, data processing equipment or any motor vehicles, tractors or trailers, communication equipment;

Liens of or upon or in current assets of ours or a Subsidiary created or assumed to secure indebtedness incurred in the ordinary course of business;

any Lien that is payable, both with respect to principal and interest, solely out of the proceeds of natural gas, oil, coal, geothermal resources, inert gas, hydrocarbons or minerals to be produced from the property subject thereto and to be sold or delivered by us or a Subsidiary;

Liens to secure indebtedness incurred to finance advances made by us or any Subsidiary to any third party for the purpose of financing oil, natural gas, hydrocarbon, inert gas or other mineral exploration or development, provided that such Liens shall extend only to the receivables of ours or such Subsidiary in respect of such advances;

any rights reserved in others to take or reserve any part of the natural gas, oil, coal, geothermal resources, inert gas, hydrocarbons or minerals produced at any time on any property of ours or a Subsidiary; and

Liens that secure indebtedness of a Subsidiary.

Also excepted from the general prohibition are various other liens including, but not limited to: mechanics' or materialmen's liens, certain governmental liens, certain leases, certain judgment liens, and certain liens arising in connection with leases, easements and rights-of-way for pipeline or distribution plant purposes.

### **Consolidation, Merger and Sale of Assets**

Nothing contained in the indenture or in any of the debt securities shall prevent any consolidation or merger of us with or into any other Person (whether or not affiliated with us), or successive consolidations or mergers in which we or our successor shall be a party, or shall prevent any conveyance, transfer or lease of our property as an entirety or substantially as an entirety, to any other Person (whether or not affiliated with

us); provided, however, that:

in case of such a transaction, the entity formed by such consolidation or into which we are merged or the Person that acquires or leases our properties and assets substantially as an entirety shall be a corporation organized under the laws of the United States of America, any state thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal, premium, if any, and interest on and any Additional Amounts (as defined in the indenture) with respect to all the debt securities and the performance of every other covenant of the indenture;

immediately after giving effect to such transaction, no event that, after notice or lapse of time, would become an Event of Default, shall have occurred and be continuing; and

each of us and the successor Person shall have delivered to the trustee an Officers' Certificate and an Opinion of Counsel, each stating that such transaction complies with the above paragraphs and that all conditions precedent relating to such transaction have been satisfied.

### Events of Default

The following are Events of Default under the indenture with respect to any debt securities:

failure to pay the principal of (or premium, if any, on) any debt security when due;

failure to make any mandatory sinking fund payment on any debt security when due or failure to pay any interest installment on or any Additional Amounts with respect to any debt security when due, in each case, continued for 30 days;

failure to perform any of our other covenants, continued for 90 days after written notice as provided in the indenture;

the occurrence of an event of default in other indebtedness of ours or our material subsidiaries resulting in indebtedness in excess of \$100,000,000 principal amount being due and payable prior to maturity and such acceleration shall not have been rescinded or annulled or such indebtedness shall not have been discharged after written notice as provided in the indenture; and

certain events of bankruptcy, insolvency or reorganization.

If an Event of Default with respect to debt securities at the time outstanding shall occur and be continuing, then and in every such case (unless the principal of all the debt securities shall have already become due and payable) the trustee or the holders of at least 33<sup>1</sup>/<sub>3</sub>% in principal amount of the outstanding debt securities may declare to be due and payable immediately, by a notice in writing to us (and to the trustee if given by holders), the entire principal amount of all the outstanding debt securities. At any time after such declaration of acceleration has been made, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding debt securities, by written notice to us and the trustee, may, in certain circumstances, rescind and annul such declaration.

No holder of any debt securities shall have any right to institute any proceeding with respect to the indenture or for any remedy thereunder, unless such holder previously shall have given to the trustee written notice of a default and unless also the holders of at least 25% of the principal amount of

outstanding debt securities shall have made written request upon the trustee, and have offered reasonable indemnity, to institute such proceeding as the trustee may request, and the trustee shall not have received direction inconsistent with such request in writing by the holders of a majority in principal amount of outstanding debt securities and shall have neglected or refused to institute such proceeding within 60 days. However, the rights of any holder of any debt securities to enforce the payment of principal, premium, if any, and interest due on and any Additional Amount

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with respect to such debt securities on or after the dates expressed in such debt securities may not be impaired or affected.

### **Waiver, Modification and Amendment**

The holders of a majority in principal amount of the outstanding debt securities may waive certain past defaults, except a default in the payment of the principal of (or premium, if any) or interest on any debt security or in respect of any covenant or provision in the indenture that under the terms of the indenture cannot be modified without the consent of all holders of outstanding debt securities. The holders of a majority in aggregate principal amount of outstanding debt securities may waive our compliance with certain restrictive provisions.

We and the trustee may modify and amend the indenture with the consent of the holders of majority in aggregate principal amount of the outstanding debt securities, provided that no such modification or amendment may, without the consent of the holder of each debt security affected thereby:

change the Stated Maturity of the principal of, or any installment of principal of, or interest on or any Additional Amount with respect to, any debt security;

reduce the principal amount of, or the rate of interest, if any, on, any Additional Amounts with respect to, or any premium payable upon the redemption of any debt security;

change the Place of Payment or change the currency of payment of principal, premium, if any, interest on, or any Additional Amounts with respect to any debt security;

impair the right to institute suit for the enforcement of any payment on or with respect to any debt security;

reduce the percentages of holders of outstanding debt securities specified in this or the preceding paragraph; or

effect certain other modifications or amendments described in the indenture.

### **Defeasance and Covenant Defeasance**

The indenture provides that we may elect either:

to defease and be discharged from any and all obligations with respect to the debt securities ("defeasance"), or

to be released from our obligations with respect to such debt securities described above under "Limitations on Liens" and "Consolidation, Merger and Sale of Assets" ("covenant defeasance"), upon the irrevocable deposit with the trustee, in trust for such purpose, of money, and/or U.S. Government Obligations that through the payment of principal and interest in accordance with their terms will provide money, in an amount sufficient to pay the principal of, and premium, if any, and interest on and any Additional Amounts with respect to such debt securities, and any mandatory sinking fund or analogous payments thereon, on the scheduled due date therefor.

Unless otherwise specified in the applicable pricing supplement, defeasance and covenant defeasance are each conditioned upon our delivery to the trustee of an Opinion of Counsel to the effect that the holders of the debt securities will have no federal income tax consequences as a result of such deposit. The applicable pricing supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance with respect to the related debt securities (including any modifications to the provisions described above) and the effect of such defeasance or covenant defeasance under federal tax law.

### **Concerning the Trustee**

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Wells Fargo Bank Northwest, National Association, is the trustee under the indenture. The indenture contains certain limitations on the rights of the trustee, should it become our creditor, to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions with us; however, if it acquires a conflicting interest it must eliminate such conflict or resign or otherwise comply with the Trust Indenture Act of 1939, as amended. The indenture also provides that we will indemnify the trustee against loss, liability or expense incurred without negligence or bad faith on the part of the trustee arising out of or in connection with the trust under the indenture.

### Conversion Rights

The prospectus supplement will state whether a series of securities is convertible into our common stock and the initial conversion price per share at which the securities may be converted. Unless we specify other conversion provisions in the prospectus supplement, the following provisions will be applicable to our convertible securities:

If we have not redeemed a convertible security, the holder of the convertible security may convert the security, or any portion of the principal amount in integral multiples of \$1,000, at the conversion price in effect at the time of conversion, into our shares of common stock. Conversion rights expire at the close of business on the date specified in the prospectus supplement for a series of convertible securities. Conversion rights expire at the close of business on the redemption date in the case of any convertible securities that we call for redemption.

In order to exercise the conversion privilege, the holder of the convertible security must surrender to us, at any office or agency maintained for that purpose, the security with a written notice of the election to convert the security, and, if the holder is converting less than the entire principal amount of the security, the amount of security to be converted. In addition, if the convertible security is converted during the period between a record date for the payment of interest and the related interest payment date, the person entitled to convert the security must pay us an amount equal to the interest payable on the principal amount being converted.

We will not pay any interest on converted securities on any interest payment date after the date of conversion except for those securities surrendered during the period between a record date for the payment of interest and the related interest payment date.

Convertible securities shall be deemed to have been converted immediately prior to the close of business on the day of surrender of the security. We will not issue any fractional shares of stock upon conversion, but we will make an adjustment in cash based on the market price at the close of business on the date of conversion.

The conversion price will be subject to adjustment in the event of:

payment of stock dividends or other distributions of our common stock;

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issuance of rights or warrants to all our stockholders entitling them to subscribe for or purchase our stock at a price less than the market price of our common stock;

the subdivision of our common stock into a greater or lesser number of shares of stock;

the distribution to all stockholders of evidences of our indebtedness or assets, excluding stock dividends or other distributions and rights or warrants; or

the reclassification of our common stock into other securities.

We may also decrease the conversion price as we consider necessary so that any event treated for Federal income tax purposes as a dividend of stock or stock rights will not be taxable to the holders of our common stock.

We will pay any and all transfer taxes that may be payable in respect of the issue or delivery of shares of common stock on conversion of the securities. We are not required to pay any tax that may be payable in respect of any transfer involved in the issue and delivery of shares in a name other than that of the holder of the security to be converted and no issue and delivery shall be made unless and until the person requesting

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the issue has paid the amount of any such tax or established to our satisfaction that such tax has been paid.

After the occurrence of:

our consolidation with or merger into any other corporation,

any merger of another corporation into us, or

any sale or transfer of substantially all of our assets,

that results in any reclassification, change or conversion of our common stock, the holders of any convertible securities will be entitled to receive on conversion the kind and amount of shares of common stock or other securities, cash or other property receivable upon such event by a holder of our common stock immediately prior to the occurrence of the event.

### **Governing Law**

New York law will govern the indenture and the debt securities.

### **DESCRIPTION OF CAPITAL STOCK**

Our authorized capital stock consists of:

350,000,000 shares of common stock, without par value, 81,788,167 shares of which were outstanding as of May 31, 2002;  
and

10,000,000 shares of preferred stock, without par value, divided in two classes of equal size (Class A and B), issuable in series. As of July 1, 2002, there were no shares of either class of preferred stock outstanding.

We have summarized selected aspects of our capital stock below. The summary is not complete. For a complete description, you should refer to our Restated Articles of Incorporation, as amended, Bylaws and the Rights Agreement, dated as of February 13, 1996, between us and U.S. Bank National Association, as successor rights agent, all of which are exhibits to the registration statement of which this prospectus is part.

### **Common Stock**

Each share of common stock is entitled to participate equally in dividends as, when and if declared by our Board of Directors. Our ability to pay dividends depends primarily upon the ability of our

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subsidiaries to pay dividends or otherwise transfer funds to us. The payment of dividends on our common stock may be limited by obligations we may have to holders of any preferred stock. For information regarding restrictions on payments of dividends, see the prospectus supplement applicable to any issuance of common stock.

Common stockholders are entitled to one vote for each share held on all matters submitted to them. The common stock does not have cumulative voting rights, which means that the holders of a majority of the outstanding shares of common stock have the ability to elect all the directors. Thus, a stockholder is not entitled to a number of votes equal to his shares multiplied by the number of directors to be elected and to divide his votes among the candidates in any way he chooses.

If we liquidate or dissolve our business, the holders of common stock will share ratably in the distribution of assets available for distribution to stockholders after creditors are paid and preferred stockholders receive their distributions. The shares of common stock have no

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preemptive rights and are not convertible, redeemable or assessable or entitled to the benefits of any sinking fund.

All issued and outstanding shares of common stock are fully paid and nonassessable. Any shares of common stock we offer under this prospectus will be fully paid and nonassessable.

The common stock is listed on the New York Stock Exchange and trades under the symbol "STR."

### **Preferred Stock**

Our Board of Directors can, without action by stockholders, issue one or more series of preferred stock. Our Board can determine for each series the number of shares, designation, relative voting rights, dividend rates, liquidation and other rights, preferences and limitations. In some cases, the issuance of preferred stock could delay or discourage a change in control of us.

### **Anti-Takeover Provisions**

Certain provisions of Utah law, our Articles of Incorporation, our Bylaws and our Shareholder Rights Plan summarized below may have an anti-takeover effect. Such provisions may discriminate against holders of a substantial amount of the shares of our common stock and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in his or her best interest, including those attempts that might result in a premium over the market price for the common stock.

### **Staggered Board of Directors**

Our Board of Directors is divided into three classes that are elected for staggered three-year terms. The classification of the Board of Directors has the effect of requiring at least two annual stockholder meetings, instead of one, to effect a change in control of the Board of Directors. The affirmative vote of the holders of two-thirds or more of the voting power of shares entitled to vote in the election of directors is required to remove a director.

### **Supermajority and Fair Price Provision**

Our Articles of Incorporation contain a supermajority and fair price provision. Mergers, consolidations and other business combinations involving us and a "related person" require the approval of the holders of at least 80% of our outstanding voting stock. The term "related person" is defined in our Articles of Incorporation and includes the holder of 10% or more of our outstanding voting stock. The voting requirement does not apply, however, if two-thirds of our continuing directors, as defined in our Articles of Incorporation, approve the business combination, or the business combination meets other fair price conditions.

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### **Other Supermajority Voting Provisions**

The provisions described above relating to the size and classification of our Board of Directors, the removal of directors of and business combinations may not be amended without the affirmative vote of 80% of our outstanding voting stock.

### **Director Nominations/Stockholder Proposals**

Our stockholders can nominate candidates for election as directors upon following advance notice procedures described in our Bylaws. They can also make proposals for consideration at an annual meeting.

Generally, stockholders must submit a nomination at least 90 days and not more than 120 days in advance of the annual stockholders' meeting. The notice must include the name and address of the stockholder and the person to be nominated, a representation that the stockholder is the holder of record of stock entitled to vote at the meeting and intends to appear in person or by proxy at the meeting, a description of any arrangements or understandings with respect to the nomination of directors that exist between the stockholder and any other person, information about the nominee required by the SEC and the consent of the nominee to serve as a director if elected. The same time period applies to stockholder proposals. The notice must set forth a brief description of the proposal, the stockholder's name, address, and stock ownership, and any material intent of the shareholder in the proposal.

Stockholder nominations and stockholder proposals that are late or that do not include all required information will be rejected. This could prevent stockholders from making nominations for directors or bringing proposals before shareholder meetings.

### **Utah's Control Share Acquisition Act**

As a public corporation organized in Utah, its principal place of business in Utah, with at least 100 shareholders, and more than 10 percent of its shareholders as resident in Utah, we are subject to Utah's Control Share Acquisitions Act. This statute provides that an acquiring person who acquires a controlling interest (at least 20% of the voting power in the election of directors) in us (as a public corporation meeting the tests specified in the tests mentioned above) may only exercise voting rights on such shares if such voting rights are conferred by a majority vote of our disinterested shareholders at a special meeting held upon the request of the acquiring person. If the acquiring person is accorded full voting rights and acquires control shares with at least a majority of voting power, any stockholder who did not vote in favor of authorizing voting rights for the control shares is entitled to payment for the fair value of shares owned by such shareholder.

Although permitted to do so by the statute, we have not chosen to be excluded from it by adopting provisions in our Articles of Incorporation and Bylaws.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board and in the policies formulated by the Board and to discourage some types of transactions that may involve actual or threatened change of control of us. These provisions are designed to reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of our outstanding shares or an unsolicited proposal for the potential restructuring or sale of all or a part of our company. However, these provisions could discourage potential acquisition proposals and could delay or prevent a change in control of our company. They may also have the effect of preventing changes in our management.

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### **Shareholder Rights Plan**

We have a shareholder rights plan under which one common stock purchase right is attached to each outstanding share of our common stock. Each right entitles its holder to purchase from us a share of our common stock, at an exercise price of \$87.50, subject to adjustment under specified circumstances. The rights become exercisable under specified circumstances, including any person or group (an "acquiring person") becoming the beneficial owner of 15% or more of our outstanding common stock, subject to specified exceptions. If events specified in the rights plan occur, each holder of rights other than the acquiring person can exercise rights. When a holder exercises a right, the holder will be entitled to receive common stock valued at twice the exercise price of the right. If we are involved in a merger or other business combination at any time after the rights become exercisable, holders will be entitled to buy shares of common stock in the acquiring company having a market value equal to twice the exercise price of each right. We may redeem the rights for \$0.005 after a person or group becomes an acquiring person. The shareholder rights plan and the rights expire in February 2006.

### **Transfer Agent and Registrar**

We act as our own transfer agent and Wells Fargo Bank Minnesota, National Association, functions as our co-transfer agent.

### **Description of Stock Purchase Contracts and Stock Purchase Units**

We may issue stock purchase contracts, including contracts obligating holders to purchase from us and for us to sell to the holders, a specified number of shares of our common stock at a future date or dates. The consideration per share of our common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts.

The stock purchase contracts may be issued separately or as part of units, referred to below as stock purchase units, consisting of a stock purchase contract and debt securities or debt obligations of third parties, including U.S. Treasury securities, securing the holders' obligation to purchase our common stock under the stock purchase contracts. The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and such payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations thereunder in a specified manner.

The applicable prospectus supplement will describe the terms of any stock purchase contracts or stock purchase units. The description in the prospectus supplement will not necessarily be complete, and reference will be made to the stock purchase contracts, and, if applicable, collateral arrangements and depository arrangements, relating to such stock purchase contract or stock purchase units.

## **PLAN OF DISTRIBUTION**

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We may sell the securities from time to time in one or more transactions:

to purchasers directly;

to underwriters for public offering and sale by them;

through dealers;

through agents; or

through a combination of any of the foregoing methods of sale.

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The distribution of securities under this prospectus may occur from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We may also sell securities through forward contracts or similar arrangements.

The applicable prospectus supplement will set forth the terms under which the securities are offered, including the name or names of any underwriters, dealers or agents, the purchase price of the securities and the proceeds to us from the sale, any underwriting discounts and other items constituting underwriters' compensation, any discounts, commissions or concessions allowed or reallowed or paid to dealers or agents, any initial offering price and any securities exchanges on which the securities may be listed.

### **Direct Sales**

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities.

### **To Underwriters**

If underwriters are used in an offering, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of those firms. The specific managing underwriter or underwriters, if any, will be named in the prospectus supplement relating to the particular securities together with the members of the underwriting syndicate, if any. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the particular securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of the securities being offered if any are purchased.

Any underwriters utilized may engage in stabilizing transactions and syndicate covering transactions in accordance with Rule 104 of Regulation M under the Exchange Act. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the particular offered securities in the open market after the distribution has been completed in order to cover syndicate short positions. These stabilizing transactions and syndicate covering transactions may cause the price of the offered securities to be higher than it would otherwise be in the absence of such transactions.

### **Through Dealers and Agents**

If we utilize a dealer in a sale of the securities being offered pursuant to their prospectus, we will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale.

Unless we indicate differently in the prospectus supplement, any agent involved in a sale of securities will be acting on a best efforts basis for the period of its appointment.

### **Delayed Delivery Contracts**



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If so indicated in the applicable prospectus supplement, we will authorize underwriters, dealers or agents to solicit offers by certain specified institutions to purchase or exchange the securities to which this prospectus and the applicable prospectus supplement relates from us at the public offering price set forth in the applicable prospectus supplement, plus, if applicable, accrued interest, pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. These

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delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement. The applicable prospectus supplement will set forth the commission payable for solicitation of the contracts and the date in the future for delivery of the securities.

### **General Information**

Underwriters, dealers and agents participating in a sale of the securities may be deemed to be underwriters as defined in the Securities Act, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act.

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution to payments they may be required to make in respect thereof.

Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

Unless we indicate differently in a prospectus supplement, we will not list the securities, other than common stock, which is listed on the New York Stock Exchange, on any securities exchange. The securities will be a new issue of securities with no established trading market. No assurance can be given that any broker-dealer will make a market in any series of the securities, and, in any event, no assurance can be given as to the liquidity of the trading market for any of the securities. A broker-dealer may make a market in such securities, but such broker-dealers will not be obligated to do so and may discontinue any market making at any time without notice. The applicable prospectus supplement will state, if known, whether or not any broker-dealer intends to make a market in the securities. If no such determination has been made, the prospectus supplement will so state.

### **LEGAL OPINIONS**

Connie C. Holbrook, Esq., our Senior Vice President, General Counsel and Corporate Secretary, will issue an opinion about the legality of the offered securities. As of May 31, 2002, Ms. Holbrook beneficially owned 126,790 shares of our common stock and held vested options to purchase an additional 104,050 shares of our common stock. Skadden, Arps, Slate, Meagher & Flom LLP will pass upon the validity of the offered securities for any underwriters, dealers, purchasers or agents. Skadden, Arps, Slate, Meagher & Flom LLP represents us from time to time in connection with various matters.

### **EXPERTS**

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule included in our annual report as Form 10-K for the year ended December 31, 2001, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

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## **PART II INFORMATION NOT REQUIRED IN PROSPECTUS**

### **ITEM 14. Other Expenses of Issuance and Distribution**

The following table sets forth the fees and expenses to be incurred by us in connection with the offering described in the Registration Statement. All such fees and expenses other than the Securities and Exchange Commission registration fee are estimated.

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SEC Registration Fee	\$ 36,800
Printing Expenses	30,000
Legal Fees and Expenses	150,000
Accounting Fees and Expenses	50,000
Trustee's Fees and Expenses	5,000
Rating Agency Fees	120,000
Miscellaneous	8,200
Total	\$ 400,000

### ITEM 15. 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.

Our Bylaws provide that we may voluntarily indemnify any individual made a party to a proceeding because he is or was our director, officer, employee or agent against liability incurred in the proceeding, but only if we have 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 us, was in our best interests and that his conduct, in all other cases, was at least not opposed to our 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 us is limited to reasonable expenses incurred in connection with the proceeding, which expenses may be advanced by us. Our Bylaws provide that we may not voluntarily indemnify our director, officer, employee or agent in connection with a proceeding by or in the right of us in which such individual was adjudged liable to us 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 adjusted liable on the basis that personal benefit was improperly received by him.

Our Bylaws provide further that we shall indemnify our director, officer, employee or agent 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.

Our Bylaws further provide that no director of ours shall be personally liable to us or our 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 us or the shareholders; (c) 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.

We maintain insurance on behalf of our officers and directors pursuant to which (subject to the limits and limitations of such insurance) the officers and directors are insured against certain expenses in connection with the defense of actions or proceedings, and certain liabilities that 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.

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### ITEM 16. Exhibits\*

Exhibit No.	Description
3.01	Restated Articles of Incorporation as amended effective May 19, 1998 (filed as Exhibit No. 3.1 to Form 10-Q Report for Quarter ended June 30, 1998).
3.02	Bylaws as amended effective October 25, 2001 (filed as Exhibit No. 3.1 to Form 10-Q Report for Quarter ended September 30, 2001).
4.01	Form of Common Stock Certificate.
4.02	Rights Agreement dated as of February 13, 1996, between the Company and Chemical Mellon Shareholder Services L.L.C. as rights agent for the Shareholder Rights Plan. (U.S. Bank National Association is the successor rights agent.)
4.03	Form of Indenture of the Company for Senior Debt Securities.

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Exhibit No.	Description
5.01	Opinion of Connie C. Holbrook, Esq.
5.02	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.
12.01	Statement of Computation of Ratio of Earnings to Fixed Charges.
23.01	Consent of Ernst & Young LLP.
23.02	Consent of Connie C. Holbrook (included in Exhibit No. 5.01).
23.03	Consent of Ryder Scott Company, L.P.
23.04	Consent of H. J. Gruy and Associates, Inc.
23.05	Consent of Netherland, Sewell & Associates
23.06	Consent of Malkewicz Hueni Associates, Inc.
23.07	Consent of Gilbert Lausten Jung Associates
23.08	Consent of Ryder Scott Company, L.P.
23.09	Consent of Sproule Associates, Ltd.
23.10	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit No. 5.02).
24.01	Form of Appointment of Power of Attorney (included in signature page to the registration statement).
25.01	Form T-1 Statement of Eligibility of the Trustee under the Trust Indenture Act of 1939 relating to the Indenture.

\*

We will file as an exhibit to a Current Report on Form 8-K any underwriting agreement, distribution agreement or form of stock purchase contract relating to securities offered pursuant to this prospectus and any instruments setting forth the terms of any debt securities or stock purchase contracts offered pursuant to this prospectus.

### ITEM 17. Undertakings

(a) The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registrant statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) that, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) of the Securities Act of 1933 if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;



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S. E. Parks  
*Senior Vice President, Treasurer  
and Chief Financial Officer*

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors and officers of Questar Corporation, a Utah corporation, which is filing a Registration Statement on Form S-3 with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended (the "Securities Act"), hereby constitutes and appoints Keith O. Rattie and S. E. Parks, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, and in any and all capacities, to sign and file (i) any and all amendments (including post-effective amendments) to this Registration Statement, with all exhibits thereto, and other documents in connection therewith, and (ii) a registration statement, and any and all amendments thereto, relating to the offering covered hereby filed pursuant to Rule 462(b) under the Securities Act, with the Securities and Exchange Commission, it being understood that said attorneys-in-fact and agents, and each of them, shall have full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person and that each of the undersigned hereby ratifies and confirms all that said attorneys-in-fact as agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signatures	Capacity in Which Signed	Date
/s/ R. D. CASH		
R. D. Cash	Chairman of the Board	July 1, 2002
/s/ KEITH O. RATTIE		
Keith O. Rattie	President and Chief Executive Officer (Principal Executive Officer) Director	July 1, 2002
/s/ S. E. PARKS		
S. E. Parks	Senior Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	July 1, 2002
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/s/ TERESA BECK		
Teresa Beck	Director	July 1, 2002
/s/ PATRICK J. EARLY		
Patrick J. Early	Director	July 1, 2002
/s/ L. RICHARD FLURY		
L. Richard Flury	Director	July 1, 2002
/s/ JAMES A. HARMON		
James A. Harmon	Director	July 1, 2002
/s/ W. WHITLEY HAWKINS		
	Director	July 1, 2002

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W. Whitley Hawkins

/s/ ROBERT E. KADLEC

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Robert E. Kadlec

Director

July 1, 2002

/s/ GARY G. MICHAEL

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Gary G. Michael

Director

July 1, 2002

/s/ GARY L. NORDLOH

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Gary L. Nordloh

Director

July 1, 2002

/s/ D. N. ROSE

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D. N. Rose

Director

July 1, 2002

/s/ HARRIS H. SIMMONS

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Harris H. Simmons

Director

July 1, 2002

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**Exhibit No.**

**Description**

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