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QUESTAR

September 8, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File Number S7-15-08
Modernization of the Oil and Gas
Reporting Requirements

Dear Ms. Harmon:

Questar Market Resources, Inc. (Commission File No. 0-30321 – "QMR") is pleased to provide comments to the Securities and Exchange Commission (the "Commission") on its rule proposal entitled *Modernization of the Oil and Gas Reporting Requirements.* QMR is a natural gas-focused energy company with three major lines of business – gas and oil exploration and production, midstream field services, and energy marketing.

We commend the Commission on its efforts to modernize and update the oil and gas reporting requirements to better align reserves reporting and disclosures with current practices and changes in technology. That said, we believe the Commission's extensive new disclosure requirements have the potential to be onerous in scope, and, in several areas, are unnecessarily voluminous and of limited usefulness. The Commission's estimates of the burden on industry and individual companies to comply with the new requirements are seriously understated, for reasons explained in more detail below (article and page references are to the rule proposal).

Article II.A, pages 12-14, *PRMS*: QMR generally supports the use of the PRMS definitions and classification system, because of both their objectivity and broad adoption by industry. Nevertheless, we support amendments which depart from PRMS relative to the use of historical pricing and costs, and the requirement that reserves be economically producible (i.e., revenues exceed costs) rather than that an extractive project be commercial (i.e., meeting companies' varying investment guidelines or economic hurdle rates). These amendments will aid in accomplishing comparability of companies' reported reserves.

Article II.B, pages 14-18, *Pricing*: Relative to appropriate pricing to determine economically producible reserves based on current economic conditions, we recommend an average price from the prior 12 months as the most easily comparable price factor among companies. However, published 'first of the month' prices reflect more accurately than end of the month prices the actual marketing arrangements made by most producers (and thus better reflect economic producibility) in the basins in which QMR has proved reserves. Accordingly, we recommend a further amendment which draws the prior 12

months' prices from published 'first of the month' price indices in the region where the reserves are located.

Article II.B, page 20-22, *Pricing Coordination with FASB*: We do not agree that using one set of prices for certain reserves disclosures under proposed new Subpart 1200 (e.g., reserve quantities and standardized measure) and another set of prices for other accounting purposes, such as depletion and amortization expense, impairments and ceiling tests, is reasonable. Such an approach would be administratively burdensome, requiring the maintenance of two sets of books, and heighten investor confusion, not improved comparability. We believe the Commission should work closely with the Financial Accounting Standards Board to effect necessary changes to FAS 19 and FAS 69 before implementing such burdensome and confusing disclosure requirements.

Article II.D, page 26, *Reasonable Certainty/Alternative Technology*: We support the "reasonable certainty" definition as a clearer standard when using deterministic methods to estimate oil/gas reserves, notwithstanding the potential for subjectivity among companies when applying factors including availability of geoscience, engineering and economic data to determine estimated ultimate recovery. Relative to the "new technology" option within the expanded definition of reliable technology, we doubt that the average investor reviewing a company's disclosure of a particular alternative technology will be able to grasp whether the appropriate level of certainty has been achieved. Nevertheless, in producing areas where traditional technology is not practical (e.g., flow tests in the Gulf of Mexico) the flexibility of using disclosed alternative technology is necessary, even if its understanding may be beyond the grasp of some investors.

Article II.D.2, page 30, *Probabilistic/Deterministic Methods*: The probabilistic estimate method, due to the necessary analysis of a range of possible outcomes and probabilities of occurrence resulting from multiple unknown parameters, appears (when compared to the deterministic method) to have the potential to create confusion in reported data and investor understanding, rather than transparency and comparability. As a result, it would appear that those companies electing to use the probabilistic method would need to satisfy a higher degree of disclosure as to the particular probabilistic calculation methodology, reasonableness of assumed parameters and assignment of probabilities used in such estimates. In light of the judgment implicit in assignment of ranges and probabilistic distribution of multiple variables in the probabilistic method of reserve determination, we disagree with the proposition that the deterministic method depends more heavily upon the experience and judgment of the reserves estimator. Nevertheless, we have no objection to the probabilistic method being available under the rule for those companies choosing to employ it.

Article II.E, page 35, *Voluntary Disclosure of Probable/Possible Reserves*: We support the proposition that companies wishing to voluntarily disclose probable reserves and possible reserves estimates be required to provide a high degree of disclosure. Disclosure of such categories should remain voluntary and the Commission should adopt the proposed definitions for those categories. The proposed 50% and 10% thresholds for likely recovery are appropriate for estimating the probable and possible categories, respectively, when using a probabilistic method.

Article II.G, page 38, *PUD Reasonable Certainty/Scheduling*: We support amending the definition of the term "proved undeveloped reserves" by replacing the certainty requirement for areas further than direct offsets to producing locations, with a reasonable certainty requirement. The requirement in the proposed definition that evidence be provided from reliable technology of economic producibility at any distance from producing locations, assures the quality of proved reserves claimed in this category. This is particularly true in unconventional accumulations, where reliable technology and drilling success has demonstrated continuity of the hydrocarbon accumulation over a large area sufficient to treat undrilled locations more than one direct offset from producing wells as proven. We do not believe the proposed expansion creates the potential for abuses. We recognize there is a degree of arbitrariness in the requirement that such undrilled locations be scheduled for drilling within the next 5 years. Nevertheless, that standard (and the choice of any other period) forces a degree of discipline on companies claiming such locations as proven by forcing an assessment of likely prices, drilling and completion costs, geologic quality and access to market during that period before making such disclosure. As a result, we support the 5-year standard and believe it affords the desired transparency and comparability to investors. Any departure from the 5-year standard should require a higher degree of justification than proved undrilled locations within the 5-year schedule.

Article III.B.1.v, page 63, *Qualifications Disclosure for Reserves Preparers*: We believe specified qualification standards for persons primarily responsible for preparing reserves estimates is arbitrary, and does not add to the quality of the reserves estimates disclosed to the Commission and investors. The combination of experience and education that companies rely upon in making their reserves estimates are as varied as the number of such companies reporting to the Commission. Sophisticated oil and gas investors understand this and will not be influenced in investment decisions by the presence, or absence, of a professional engineering license or equivalent held by the person primarily responsible for reserves estimates. Indeed, companies of any size probably do not have a single person primarily responsible for its estimates and are likely to have a number of persons involved in such estimates. By the same token, an unsophisticated investor may

be unduly influenced by the presence of such license and make resulting investment decisions naively believing reserves estimates prepared by licensed engineers are inherently more credible, even if the particular engineer has no experience or expertise in reserves estimation beyond the required license. Accordingly, we believe the transparency of the reserves disclosure, and the comparability of companies for investors, will be better served by the simple requirement that the qualifications of the person(s) primarily responsible be disclosed along with the process by which the company prepares its reserves. Nevertheless, we feel compelled to point out that the detailed disclosure requirements for such persons in the proposed rule will involve a substantial amount of work, at least in the first filing after the rule becomes effective, for such persons and their respective companies. We see absolutely no value in stigmatizing the preparation of reserves by in-house engineers or estimators as non-objective through the multiple objectivity disclosures considered in the proposed rule. Other legal requirements, particularly laws requiring certification by responsible corporate officers of the financial data, including reserves, filed with the Commission assures the desired degree of objectivity in reserves estimation. For the same reasons, any requirement that disclosed reserves estimates be prepared exclusively by third parties will not assure a higher quality of reserves estimates and the desired transparency and comparability. The necessary transparency should be satisfied by the required disclosure of a third party's role, if any, in reserves estimates and the qualifications of such party. Accordingly, we support the decision in the proposed rule not to require third party reserves preparation or audits. The foregoing comments regarding the qualifications and objectivity of persons primarily responsible for reserves estimation are intended to address not only proved reserves estimates but also the voluntary disclosure of any probable and possible reserves.

We thank you for the opportunity to comment on the proposed rule and hope that our comments and observations will be helpful to the staff in developing any final rule with respect to oil and gas reporting requirements.

Respectfully,

Eric L. Dady
General Counsel