

QUESTAR CORP
Form 8-K/A
October 27, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A
Amendment No. 1
CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report October 27, 2004

(Date of earliest event reported)

QUESTAR CORPORATION

(Exact name of registrant as specified in charter)

| | | |
|---|-----------------------|---|
| STATE OF UTAH | 1-8796 | 87-0407509 |
| (State of other jurisdiction of incorporation or organization) | (Commission File No.) | (I.R.S. Employer Identification No.) |

P.O. Box 45433, 180 East 100 South Street, Salt Lake City, Utah 84145-0360
(Address of principal executive offices)

Registrant's telephone number, including area code (801) 324-5000

Not Applicable
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K/A filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17
CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17
CFR 240.13e-4(c))

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Explanatory Note: This Form 8-K/A is being filed for the sole purpose of replacing the front page and renumbering the items to comply with current rules. All other information included in this report remains unchanged.

Item 7.01 Regulation FD

On October 26, 2004, Questar Corporation issued a press release announcing its earnings for the quarter ended September 30, 2004. A copy of this press release is furnished as Exhibit 99.1 and is incorporated by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.

Exhibit

99.1

Release issued October 26, 2004, by Questar Corporation.

SIGNATURE

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

QUESTAR CORPORATION

(Registrant)

October 27, 2004

/s/S.E. Parks

S. E. Parks

Senior Vice President and

Chief Financial Officer

List of Exhibits:

Exhibit No.

Exhibit

99.1

Release issued October 26, 2004 by Questar Corporation.

#

QUESTAR NET INCOME RISES 29% IN THIRD-QUARTER 2004

**Natural gas-focused energy company raises earnings guidance for 2004; provides
initial 2005 guidance of \$3.25 to \$3.45 per diluted share**

SALT LAKE CITY Questar Corp. (NYSE:STR) reported net income of \$36.9 million, or \$0.43 per diluted share, in the third quarter of 2004 a 29% year-to-year increase driven by higher earnings from gas and oil exploration and production and gas-gathering activities. In the comparable 2003 period Questar earned \$28.7 million, or \$0.34 per diluted share.

Net income from the company's exploration and production and other nonregulated businesses rose 36% to \$37.2 million in third-quarter 2004 compared to \$27.4 million in the year-earlier period, driven by a 10% increase in nonregulated production, higher realized gas and oil prices and increased gas-gathering volumes. Questar's interstate natural gas transmission and storage business reported earnings of \$8 million during the 2004 quarter, a 2% increase over a year earlier. The company's retail gas-distribution utility, Questar Gas, incurred a seasonal \$9.8 million loss during the 2004 quarter versus an \$8.3 million loss in the prior-year period due to higher operating expenses.

We're capitalizing on strong fundamentals in our exploration and production business, said Keith O. Rattie, Questar chairman, president and CEO. Both our Rockies and Midcontinent E&P businesses continue to deliver solid growth with the drill bit.

We now expect 2004 Questar Exploration and Production (Questar E&P) production will exceed 102 billion cubic feet equivalent (bcfe). As a result of this, plus higher prices, we're raising our 2004 earnings guidance to \$2.55 to \$2.65 per diluted share, Rattie said. The company's previous guidance of \$2.45 to \$2.60 per diluted share was based on forecast production of 101-102 bcfe and lower price levels than reflected in the current forward strip. Rattie reminded investors that the company's earnings guidance assumes that natural gas and oil prices remain at or near the current forward strip and excludes one-time items. Because the company has hedged approximately 74% of Questar E&P's forecast fourth-quarter 2004 production, a \$0.10-per-thousand-cubic-foot (Mcf) change in natural gas prices over the remainder of the year will result in a \$300,000 change in net income.

For the first nine months of 2004, Questar's net income was \$155.6 million, or \$1.82 per diluted share, compared to \$113.6 million, or \$1.35 per share, in the prior-year period. Questar E&P production grew 12% to 75.8 bcfe versus 67.9 bcfe in the 2003 period, while realized natural gas prices rose 15% to \$4.10 per Mcf. Questar's net income for the first nine months of 2003 included a \$14.5 million after-tax charge related to a gas-processing dispute. Of this amount, \$11.9 million was for periods prior to 2003. In addition, the 2003-period results included a \$5.6 million after-tax charge for the cumulative effect of implementing SFAS 143, Accounting for Asset Retirement Obligations.

There was an average of 85.5 million diluted common shares outstanding in the first nine months of 2004 compared to 84.0 million in the year-earlier period.

Company provides initial 2005 earnings guidance of \$3.25 to \$3.45 per diluted share

Rattie also provided initial 2005 earnings guidance of \$3.25 to \$3.45 per diluted share. The Questar chairman said the 2005 earnings estimate excludes one-time items and is based on forward gas and oil prices as of Oct. 25, 2004. Questar E&P estimates that 2005 natural gas and oil-equivalent production could range from 112 to 114 bcfe. This production guidance assumes a 30-well drilling program next year at the company's Pinedale, Wyo., development project.

There's upside in our production forecast, Rattie said. If the BLM approves our request for year-round access at Pinedale, we plan to drill and complete 42 wells at Pinedale next year. At that pace, 2005 production could range from about 115 bcfe to about 117 bcfe. Assuming forward prices for unhedged volumes, a 42-well program at Pinedale could add about \$7 million to 2005 net income, or about \$0.08 per diluted share, he said, but the real impact of year-round access will occur in 2006 and beyond. Rattie noted that a 42-well Pinedale drilling program would add an incremental 7 bcfe of production in 2006 versus the current 30-well plan.

THIRD-QUARTER 2004 NONREGULATED ACTIVITIES

Earnings jump 36% on higher prices, solid growth in Midcontinent E&P business

Net income from Questar Market Resources (QMR) — a subsidiary that conducts gas and oil acquisition, exploration, development and production, gas gathering and processing, and marketing — increased 36% to \$37.2 million in third-quarter 2004 versus \$27.4 million a year earlier.

QMR subsidiary Questar E&P earned \$24.8 million, \$7.4 million more than the 2003 period, driven by a 10% increase in nonregulated production to 25.3 bcfe. Midcontinent production increased 18% to 9.5 bcfe versus 8 bcfe for the year-earlier quarter. Rockies production grew 5% to 15.8 bcfe compared to 15 bcfe in the 2003 quarter. A table at the end of this release details Questar E&P production.

The average realized price for natural gas was \$4.07 per Mcf in third-quarter 2004, 14% higher than the \$3.56 per Mcf in the year-earlier period. About 76% of third-quarter 2004 gas production was hedged at an average price of \$3.99 per Mcf, net to the well. Net-to-the-well prices reflect adjustments for regional basis, gathering and processing and gas quality. Questar E&P hedges to lock in acceptable returns on invested capital and to reduce commodity-price risk. Hedging reduced natural gas revenues by \$18.6 million in third-quarter 2004 and \$51.9 million in the first nine months of the year. A table at the end of this release summarizes the company's current hedges.

Questar E&P Pinedale production rose 34% to 5.1 bcfe compared to 3.8 bcfe in the 2003 quarter. QMR operated 88 Pinedale producing wells on Sept. 30, 2004—30 more than in the year-earlier quarter—and plans to complete 18 additional wells before year-end.

During the current quarter, the company received approval from the Wyoming Oil and Gas Conservation Commission for 20-acre spacing on its Pinedale acreage held at the end of 2003 (approximately 14,800 acres). With 20-acre spacing, QMR has up to 430 total well locations on its Pinedale leasehold, with approximately 324 remaining to be drilled after 2004.

During the third quarter, Questar E&P acquired new federal leases on 2,018 acres adjacent to its existing Pinedale acreage. This acreage may add up to 32 low-risk 20-acre drilling locations, with further upside depending on drilling results. Questar E&P has a 100% working interest in these new leases. Several groups have appealed issuance of these leases.

Drilling progress on the company's previously announced deep exploratory well at Pinedale, the Stewart Point 15-29, continues to be slower than expected. QMR spudded the well in mid-July after a two-month delay due to sage grouse activity in the area. The company will likely suspend operations on the well in mid-November and resume in the spring with a new rig and drilling contractor.

Questar E&P's Uinta Basin production declined 12% in the current quarter to 6.4 bcfe versus 7.2 bcfe in the 2003 period. However, third-quarter 2004 production was up almost 3% compared to average first-half 2004 production as continued development drilling overcame declines.

The company continues to evaluate deep potential below the Wasatch Formation in the Uinta Basin. During the quarter Questar E&P completed and turned to sales a 12,850-foot well targeting the Blackhawk and Mancos formations in the southwestern part of its core acreage in Section 28, T8S, R21E. Stabilized production was 4.3 million cubic feet equivalent (MMcfe) per day. Currently only the Blackhawk is flowing to sales, with the Mancos isolated below a composite bridge plug. Questar E&P has a 77.5% working interest in the well.

Questar E&P continues to evaluate the potential recovery of significant bypassed oil in the Green River Formation using horizontal drilling on its 100% working-interest Uinta Basin leasehold. During the quarter, the company completed two horizontal wells with average initial daily production of 150 barrels per well.

Since mid-2001, Questar E&P has added 28,380 gross (15,175 net) acres to its Uinta Basin leasehold, with a significant number of well locations. Questar E&P recently drilled and logged a 12,450-foot well at its recently acquired Flat Rock acreage 35 miles south of the company's core producing area. Log analysis indicates pay in multiple formations. Completion operations are currently under way, and the company expects to turn the well to sales during the fourth quarter. Questar E&P has a 100% working interest in the well and has interest in 17,500 gross (4,730 net) acres in the Flat Rock area.

Production from Questar E&P's Rockies legacy assets increased 8% to 4.3 bcfe in the current quarter versus 4 bcfe in the 2003 period. The company continues to add to its development inventory through leasehold acquisition. In the Wamsutter area of southwestern Wyoming, Questar E&P recently added 4,800 gross and 2,400 net acres and approximately 51 new locations to its low-risk development-drilling inventory. The target is the Almond and Mesaverde formations at depths of 10,000 feet. Gross recoverable reserves average 1 to 2 bcfe per well.

Midcontinent production rose 18% during the 2004 quarter to 9.5 bcfe compared to 8 bcfe for the 2003 period. Midcontinent growth was propelled by continued success with a coalbed-methane development project in eastern Oklahoma and infill-development drilling at the Elm Grove field in northwestern Louisiana.

Oil and natural-gas-liquids production representing 14% of Questar E&P's overall production declined 3% to 571,000 barrels in third-quarter 2004. The average realized price was \$31.83 per barrel compared to \$22.69 in the year-earlier quarter. About 73% of third-quarter 2004 oil production was hedged at an average price of \$30.99 per barrel. Oil hedging reduced revenues by \$5.0 million in the third quarter and \$9.6 million in the first nine months of 2004.

Questar E&P's all-in pre-income-tax cost of production rose 8% to \$2.51 per thousand cubic feet equivalent (Mcf) in the third quarter from \$2.32 per Mcf in the prior-year period.

Increased production taxes which result from higher sales prices were a primary reason for the rise. Production taxes account for \$0.10 of the total \$0.19-per-Mcf increase.

Wexpro a QMR subsidiary that develops and produces cost-of-service reserves for Questar Gas reported net income of \$8.7 million in third-quarter 2004, a \$0.9 million or 12% increase over the year-earlier period. Wexpro grew its investment base upon which it earns a contractual unlevered return of approximately 19% after tax about \$4 million to \$165.0 million in third-quarter 2004 compared to the 2003 period. Wexpro's investment base includes capitalized investments, net of depreciation and deferred taxes, in successful gas and oil wells and associated production facilities.

During the quarter, Wexpro-operated cost-of-service production was 9.3 bcfe, a decrease of 2% from the year earlier period.

Net income from QMR's gas-gathering and processing services conducted by subsidiary Questar Gas Management (QGM) rose 60% to \$4.8 million in third-quarter 2004. Gathering volumes grew 15% to 54.7 million decatherms in third-quarter 2004 compared with the 2003 period, driven primarily by expanding Pinedale production and new projects serving third parties in the Uinta Basin. QGM gas-processing margins (revenue from the sale of natural gas liquids less natural gas purchases and operating expenses) improved by \$0.05 per gallon due to higher natural-gas-liquids sales prices during the quarter compared to a year ago.

THIRD-QUARTER 2004 REGULATED BUSINESSES

Pipeline earnings stable; utility seasonal loss increases

Questar Pipeline (QPC) which provides interstate gas-transmission and storage services earned \$8 million in third-quarter 2004, 2% higher than the year-earlier period.

A 7% increase in revenues was partially offset by higher operating costs.

During the quarter, QPC began construction on a 13-mile lateral to provide firm gas-transportation service under a 30-year contract to a natural-gas-fired electric-generation facility in central Utah. The project is expected to produce \$800,000 of annual net income beginning in first-quarter 2005.

Questar Gas which provides retail gas-distribution services in Utah and portions of Wyoming

and Idaho incurred a seasonal \$9.8 million loss in the 2004 quarter versus an \$8.3 million loss in the 2003 period. The increased loss was due to a 6% rise in operating and maintenance costs. The utility's customer growth remained strong with a 3.1% year-to-year increase to 778,992 customers on Sept. 30, 2004.

RESULTS FROM FIRST NINE MONTHS 2004

Questar Market Resources earnings for the first nine months of 2004 rose to \$115.6 million, a 38% increase over the year-earlier period. Primary factors were Questar E&P's 12% increase in production, higher realized natural gas, oil and natural-gas-liquids prices, a 51% rise in earnings from gas-gathering and processing services, and an 11% increase in Wexpro earnings.

Questar Pipeline reported net income of \$23.4 million for the first nine months of 2004, 1% higher than the comparable 2003 period.

Questar Gas earned \$12.5 million in the 2004 period versus \$1 million a year earlier. During the 2003 period, the utility incurred a \$14.5 million after-tax charge for a gas-processing dispute with the state of Utah. Of this amount, \$11.9 million related to periods prior to 2003. On Aug. 31, 2004, the Utah Public Service Commission ordered Questar Gas to refund \$29 million in gas-processing costs previously recovered in rates over the five-year period ending August 2004. The company continues to incur significant costs to ensure that gas flowing into Questar Gas remains safe. Questar Gas is seeking recovery of these ongoing costs.

Current Hedge Positions

| Gas Hedges 2004 | Bcf | Price (per Mcf) (net to well) |
|------------------------|-------------|--------------------------------------|
| Rocky Mountains | | |
| 4th qtr | 11.0 | \$3.85 |
| Midcontinent | | |
| 4th qtr | <u>6.1</u> | \$4.53 |
| Total | | |
| 4th qtr | 17.1 | \$4.09 |
| Gas Hedges 2005 | Bcf | Price (per Mcf) (net to well) |
| Rocky Mountains | | |
| 1st half | 21.5 | \$4.48 |
| 2nd half | <u>21.8</u> | <u>\$4.48</u> |
| Year | 43.3 | \$4.48 |
| Midcontinent | | |
| 1st half | 11.1 | \$4.96 |
| 2nd half | <u>11.2</u> | <u>\$4.96</u> |
| Year | 22.3 | \$4.96 |
| Total | | |
| 1st half | 32.6 | \$4.64 |
| 2nd half | <u>33.0</u> | <u>\$4.64</u> |
| Year | 65.6 | \$4.64 |
| Gas Hedges 2006 | Bcf | Price (per Mcf) (net to well) |
| Rocky Mountains | | |
| 1st half | 10.5 | \$4.77 |
| 2nd half | <u>10.7</u> | <u>\$4.77</u> |
| Year | 21.2 | \$4.77 |
| Midcontinent | | |

| | | | |
|------------------------|----------|--------------|--------------------------------------|
| | 1st half | 1.7 | \$4.81 |
| | 2nd half | <u>1.7</u> | <u>\$4.81</u> |
| | Year | 3.4 | \$4.81 |
| Total | | | |
| | 1st half | 12.2 | \$4.77 |
| | 2nd half | <u>12.4</u> | <u>\$4.77</u> |
| | Year | 24.6 | \$4.77 |
| Gas Hedges 2007 | | Bcf | Price (per Mcf) (net to well) |
| Rocky Mountains | | | |
| | 1st half | 1.7 | \$5.08 |
| | 2nd half | <u>1.7</u> | <u>\$5.08</u> |
| | Year | 3.4 | \$5.08 |
| Midcontinent | | | |
| | 1st half | 0.0 | \$0.00 |
| | 2nd half | <u>0.0</u> | <u>\$0.00</u> |
| | Year | 0.0 | \$0.00 |
| Total | | | |
| | 1st half | 1.7 | \$5.08 |
| | 2nd half | <u>1.7</u> | <u>\$5.08</u> |
| | Year | 3.4 | \$5.08 |
| Oil Hedges 2004 | | Mbbls | Price (per bbl) (net to well) |
| Rocky Mountains | | | |
| | 4th qtr | 276 | \$30.91 |
| Midcontinent | | | |
| | 4th qtr | 92 | \$31.22 |
| Total | | | |
| | 4th qtr | 368 | \$30.99 |
| Oil Hedges 2005 | | Mbbls | Price (per bbl) (net to well) |
| Rocky Mountains | | | |
| | 1st half | 362 | \$33.41 |
| | 2nd half | <u>368</u> | <u>\$33.41</u> |
| | Year | 730 | \$33.41 |
| Midcontinent | | | |
| | 1st half | 181 | \$34.70 |
| | 2nd half | <u>184</u> | <u>\$34.70</u> |
| | Year | 365 | \$34.70 |
| Total | | | |
| | 1st half | 543 | \$33.84 |
| | 2nd half | <u>552</u> | <u>\$33.84</u> |
| | Year | 1,095 | \$33.84 |

Questar E&Y Production by Region

| | 3 Months Ended | | 9 Months Ended | |
|-------------------------------|----------------|------|----------------|------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| | (in bcfe) | | | |
| Rocky Mountains | | | | |
| Pinedale Anticline | 5.1 | 3.8 | 16.0 | 9.2 |
| Uinta Basin | 6.4 | 7.2 | 18.8 | 22.7 |
| Rockies Legacy | 4.3 | 4.0 | 13.5 | 12.4 |
| Subtotal Rocky Mountains | 15.8 | 15.0 | 48.3 | 44.3 |
| Midcontinent | 9.5 | 8.0 | 27.5 | 23.6 |
| Total Nonregulated production | 25.3 | 23.0 | 75.8 | 67.9 |

Questar E&P cost structure 3 months / 9 months

| | 3 Months Ending | | 9 Months Ending | |
|--|-----------------|--------|-----------------|--------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| | (per Mcfe) | | | |
| Lease-operating expense | \$0.52 | \$0.47 | \$0.51 | \$0.48 |
| Production taxes | 0.44 | 0.34 | 0.43 | 0.33 |
| Lifting costs | 0.96 | 0.81 | 0.94 | 0.81 |
| Depreciation, depletion and amortization | 1.04 | 0.99 | 1.01 | 0.95 |
| General and administrative expense | 0.29 | 0.29 | 0.30 | 0.28 |
| Allocated-interest expense | 0.22 | 0.23 | 0.21 | 0.24 |
| Total | \$2.51 | \$2.32 | \$2.46 | \$2.28 |

Questar is natural gas-focused energy company with \$4.8 billion in enterprise value. Headquartered in Salt Lake City, Questar engages in gas and oil development and production; gas gathering, processing and marketing; interstate gas transmission and storage; and retail gas distribution.

Forward-looking Statements

This release contains certain forward-looking statements within the meaning of the federal securities laws. Such statements are based on management's current expectations, estimates and projections, which are subject to a wide range of uncertainties and business risks. Factors that could cause actual results to differ from those anticipated are discussed in the company's periodic filings with the Securities and Exchange Commission, including its annual report on Form 10-K for the year ended Dec. 31, 2002. Subject to the requirements of otherwise applicable law, the company cannot be expected to update the statements contained in this news release or take actions described herein or otherwise currently planned.

For more information, visit Questar's internet site at: www.questar.com.

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QUESTAR CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | 3 Months Ended | | 9 Months Ended | |
|--|--|----------------|------------------|------------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| | (in thousands, except per share amounts) | | | |
| REVENUES | | | | |
| Market Resources | \$ 255,264 | \$ 179,980 | \$ 733,678 | \$ 549,153 |
| Questar Pipeline | 18,345 | 17,777 | 54,227 | 55,417 |
| Questar Gas | 80,962 | 71,054 | 490,076 | 396,162 |
| Corporate and other operations | 5,654 | 4,692 | 15,375 | 13,244 |
| TOTAL REVENUES | 360,225 | 273,503 | 1,293,356 | 1,013,976 |
| OPERATING EXPENSES | | | | |
| Cost of natural gas and other products sold | 134,161 | 79,423 | 528,147 | 350,723 |
| Operating and maintenance | 74,322 | 66,307 | 229,168 | 208,355 |
| Depreciation, depletion and amortization | 52,566 | 47,536 | 160,243 | 141,172 |
| Questar Gas rate-refund obligation | 1,095 | 1,462 | 4,090 | 23,462 |
| Exploration | 1,346 | 961 | 3,699 | 3,174 |
| Abandonment and impairment of gas, oil and other properties | 2,848 | 1,087 | 9,541 | 2,062 |
| Production and other taxes | 22,087 | 17,882 | 67,581 | 52,413 |
| TOTAL OPERATING EXPENSES | 288,425 | 214,658 | 1,002,469 | 781,361 |
| OPERATING INCOME | 71,800 | 58,845 | 290,887 | 232,615 |
| Interest and other income | 1,835 | 1,818 | 4,995 | 6,617 |
| Earnings from unconsolidated affiliates | 1,021 | 1,329 | 3,595 | 3,687 |
| Minority interest | | 38 | (270) | 168 |
| Debt expense | (16,753) | (17,306) | (51,324) | (53,734) |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT | 57,903 | 44,724 | 247,883 | 189,353 |
| Income taxes | 20,962 | 16,033 | 92,253 | 70,188 |
| INCOME BEFORE CUMULATIVE EFFECT | 36,941 | 28,691 | 155,630 | 119,165 |

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| | | | | |
|---|-----------|-----------|------------|------------|
| Cumulative effect of accounting change for asset retirement obligations, net of income taxes of \$3,331 | | | | (5,580) |
| NET INCOME | \$ 36,941 | \$ 28,691 | \$ 155,630 | \$ 113,585 |
| BASIC EARNINGS PER COMMON SHARE | | | | |
| Income before cumulative effect | \$ 0.44 | \$ 0.35 | \$ 1.86 | \$ 1.45 |
| Cumulative effect | | | | (0.07) |
| Net income | \$ 0.44 | \$ 0.35 | \$ 1.86 | \$ 1.38 |
| DILUTED EARNINGS PER COMMON SHARE | | | | |
| Income before cumulative effect | \$ 0.43 | \$ 0.34 | \$ 1.82 | \$ 1.42 |
| Cumulative effect | | | | (0.07) |
| Net income | \$ 0.43 | \$ 0.34 | \$ 1.82 | \$ 1.35 |
| Weighted average common shares outstanding | | | | |
| Used in basic calculation | 83,864 | 82,896 | 83,627 | 82,600 |
| Used in diluted calculation | 85,882 | 84,398 | 85,496 | 84,043 |
| Dividends per common share | \$ 0.215 | \$ 0.205 | \$ 0.635 | \$ 0.575 |

QUESTAR CORPORATION
 SELECTED FINANCIAL AND OPERATING RESULTS
 (Unaudited)

| | 3 Months Ended | | 9 Months Ended | |
|--|----------------|------|----------------|------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |

(in thousands, except per share amounts)

FINANCIAL RESULTS

REVENUES FROM UNAFFILIATED CUSTOMERS

| | | | | |
|--------------------------------|------------|------------|--------------|--------------|
| Market Resources | \$ 255,264 | \$ 179,980 | \$ 733,678 | \$ 549,153 |
| Questar Pipeline | 18,345 | 17,777 | 54,227 | 55,417 |
| Questar Gas | 80,962 | 71,054 | 490,076 | 396,162 |
| Corporate and other operations | 5,654 | 4,692 | 15,375 | 13,244 |
| | \$ 360,225 | \$ 273,503 | \$ 1,293,356 | \$ 1,013,976 |

REVENUES FROM AFFILIATED COMPANIES

| | | | | |
|--------------------------------|-----------|-----------|------------|------------|
| Market Resources | \$ 29,333 | \$ 29,282 | \$ 97,780 | \$ 85,688 |
| Questar Pipeline | 22,083 | 20,104 | 66,170 | 59,750 |
| Questar Gas | 1,100 | 444 | 3,254 | 1,901 |
| Corporate and other operations | 3,005 | 7,442 | 14,611 | 22,691 |
| | \$ 55,521 | \$ 57,272 | \$ 181,815 | \$ 170,030 |

OPERATING INCOME (LOSS)

| | | | | |
|--------------------------------|-----------|-----------|------------|------------|
| Market Resources | \$ 64,431 | \$ 48,560 | \$ 199,666 | \$ 156,329 |
| Questar Pipeline | 18,406 | 18,346 | 53,744 | 53,921 |
| Questar Gas | (12,451) | (9,820) | 33,020 | 16,804 |
| Corporate and other operations | 1,414 | 1,759 | 4,457 | 5,561 |
| | \$ 71,800 | \$ 58,845 | \$ 290,887 | \$ 232,615 |

INCOME (LOSS) BEFORE
CUMULATIVE

EFFECT OF ACCOUNTING CHANGE

| | | | | |
|--------------------------------|-----------|-----------|------------|------------|
| Market Resources | \$ 37,211 | \$ 27,352 | \$ 115,629 | \$ 89,177 |
| Questar Pipeline | 8,036 | 7,857 | 23,381 | 23,252 |
| Questar Gas | (9,775) | (8,259) | 12,537 | 1,287 |
| Corporate and other operations | 1,469 | 1,741 | 4,083 | 5,449 |
| | \$ 36,941 | \$ 28,691 | \$ 155,630 | \$ 119,165 |

NET INCOME (LOSS)

| | | | | |
|------------------|-----------|-----------|------------|-----------|
| Market Resources | \$ 37,211 | \$ 27,352 | \$ 115,629 | \$ 84,064 |
|------------------|-----------|-----------|------------|-----------|

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| | | | | |
|--|-----------|-----------|------------|------------|
| Questar Pipeline | 8,036 | 7,857 | 23,381 | 23,119 |
| Questar Gas | (9,775) | (8,259) | 12,537 | 953 |
| Corporate and other operations | 1,469 | 1,741 | 4,083 | 5,449 |
| | \$ 36,941 | \$ 28,691 | \$ 155,630 | \$ 113,585 |
| EARNINGS PER COMMON SHARE - DILUTED | | | | |
| Income before accounting change | \$ 0.43 | \$ 0.34 | \$ 1.82 | \$ 1.42 |
| Net income | 0.43 | 0.34 | 1.82 | 1.35 |
| Weighted avg. diluted common shares | 85,882 | 84,398 | 85,496 | 84,043 |
| Dividends per common share | \$ 0.215 | \$ 0.205 | \$ 0.635 | \$ 0.575 |

QUESTAR CORPORATION
SELECTED FINANCIAL AND
OPERATING RESULTS

(Unaudited)

| OPERATING STATISTICS | 3 Months Ended | | 9 Months Ended | |
|---|---------------------|---------|----------------|---------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| | (d = 10, M = 1,000) | | | |
| MARKET RESOURCES | | | | |
| Nonregulated production volumes | | | | |
| Natural gas (MMcf) | 21,831 | 19,524 | 65,546 | 57,585 |
| Oil and natural gas liquids (Mdbl) | 571 | 586 | 1,717 | 1,726 |
| Total production (bcfe) | 25.3 | 23.0 | 75.8 | 67.9 |
| Average daily production (MMcfe) | 275 | 250 | 277 | 249 |
| Average commodity prices, net to the well | | | | |
| Average realized price (including hedges) | | | | |
| Natural gas (per Mcf) | \$4.07 | \$3.56 | \$4.10 | \$3.58 |
| Oil and natural gas liquids (per bbl) | \$31.83 | \$22.69 | \$30.28 | \$23.28 |
| Average sales price (excluding hedges) | | | | |
| Natural gas (per Mcf) | \$4.92 | \$4.18 | \$4.89 | \$4.24 |
| Oil and natural gas liquids (per bbl) | \$40.55 | \$27.39 | \$35.89 | \$28.38 |
| Wexpro net investment base (million) | \$165.0 | \$161.2 | | |
| Natural gas gathering volumes (Mdth) | | | | |
| For unaffiliated customers | 32,767 | 28,807 | 99,225 | 85,164 |
| For Questar Gas | 8,915 | 8,103 | 27,821 | 29,202 |
| For other affiliated customers | 12,995 | 10,717 | 40,889 | 31,744 |
| Total gathering | 54,677 | 47,627 | 167,935 | 146,110 |
| Gathering revenue (per dth) | \$0.22 | \$0.20 | \$0.21 | \$0.20 |
| Marketing volumes (Mdthe) | 26,285 | 19,788 | 68,865 | 57,999 |
| QUESTAR PIPELINE | | | | |
| Natural gas transportation volumes (Mdth) | | | | |
| For unaffiliated customers | 60,128 | 68,557 | 169,112 | 195,953 |
| For Questar Gas | 14,825 | 13,412 | 87,293 | 79,132 |
| For other affiliated customers | 5,506 | 6,786 | 14,974 | 15,989 |

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| | | | | |
|----------------------------------|--------|--------|---------|---------|
| Total transportation | 80,459 | 88,755 | 271,379 | 291,074 |
| Transportation revenue (per dth) | \$0.33 | \$0.28 | \$0.29 | \$0.26 |

QUESTAR GAS

| | | | | |
|---|---------|---------|--------|--------|
| Natural gas volumes (Mdth) | | | | |
| Residential and commercial sales | 8,307 | 6,719 | 61,624 | 55,186 |
| Industrial sales | 1,883 | 1,710 | 6,908 | 7,138 |
| Transportation for industrial customers | 7,661 | 9,873 | 25,807 | 28,846 |
| Total deliveries | 17,851 | 18,302 | 94,339 | 91,170 |
| Natural gas revenue (per dth) | | | | |
| Residential and commercial | \$7.74 | \$8.46 | \$7.01 | \$6.31 |
| Industrial sales | \$5.33 | \$5.30 | \$5.42 | \$4.52 |
| Transportation for industrial customers | \$0.18 | \$0.19 | \$0.19 | \$0.19 |
| Heating degree days | | | | |
| colder (warmer) than normal | 26% | (9%) | 7% | (9%) |
| Temperature-adjusted usage per customer (dth) | 9.5 | 9.1 | 76.0 | 78.4 |
| Customers at September 30 | 778,992 | 755,543 | | |