

QUESTAR CORP  
Form 8-K  
July 31, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT

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

Date of Report - July 31, 2003  
(Date of earliest event reported)

**QUESTAR CORPORATION**  
(Exact name of registrant as specified in charter)

**STATE OF UTAH**

(State of other jurisdiction of  
incorporation or organization)

1-8796  
(Commission File No.)

87-0407509  
(I.R.S. Employer  
Identification No.)

P.O. Box 45433, 180 East 100 South Street, Salt Lake City, Utah 84145-0433

(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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Item 7. Financial Statements and Exhibits

(c) Exhibits.

Exhibit No.

Exhibit

99.1

Release issued July 31, 2003, by Questar Corporation.

Item 12. Results of Operations and Financial Condition

On July 31, 2003, Questar Corporation issued a press release announcing its earnings for the first quarter of 2003. A copy of this press release is furnished as Exhibit 99.1 and is incorporated by reference.

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)

July 31, 2003

/s/ S. E. Parks

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

List of Exhibits:

Exhibit No.

Exhibit

99.1

Release issued July 31, 2003, by Questar Corporation.

QUESTAR EARNINGS RISE 15% IN SECOND-QUARTER 2003  
INTEGRATED NATURAL GAS COMPANY RAISES 2003 EARNINGS GUIDANCE

SALT LAKE CITY - Questar Corp. (NYSE:STR) reported a 15% increase in net income for second-quarter 2003 compared with the year-earlier period due primarily to higher realized prices for non-regulated natural gas and oil production.

The integrated natural gas company earned \$33.9 million, or \$.40 per diluted share, in the 2003 quarter compared with \$29.4 million, or \$.36 per share, in the prior-year period. Questar Market Resources (QMR), a nonregulated subsidiary that conducts gas and oil exploration, production and gathering, reported a \$5 million, or 22%, year-to-year earnings improvement because of strong natural gas and oil selling prices.

For the first six months of 2003, Questar's net income was \$98.5 million, or \$1.17 per share, compared with \$64.2 million, or \$.78 per share, in the first half of 2002. First-half 2003 results included a \$.07-per-share noncash charge in the first quarter resulting from the cumulative effect of implementing SFAS 143, Accounting for Asset Retirement Obligations. This new accounting rule requires companies to record a liability for the anticipated costs of retiring long-lived assets. In first-quarter 2002, Questar's net income was reduced by a \$.19-per-share cumulative effect of a change in accounting for goodwill.

Excluding the one-time charges related to the new accounting rules, Questar earned \$104.1 million, or \$1.24 per diluted share, in first-half 2003 versus \$79.5 million, or \$.97 per share, in the comparable 2002 period.

For the trailing 12 months ended June 30, 2003, Questar earned \$189.9 million, or \$2.28 per share, compared with \$128.6 million, or \$1.57 per share, for the comparable period ended June 30, 2002. Questar's consolidated return on equity for the 12 months ended June 30, 2003, was 16.6% while return on assets totaled 12.1%.

There was an average of 83.9 million common diluted shares outstanding in the first six months of 2003 versus 82.5 million shares a year earlier.

Keith O. Rattie, Questar chairman, president and CEO, said: "We're on track with our 2003 plan. We're off to a good start with our program to accelerate drilling at our Pinedale natural gas field. Our regulated businesses and our unique Wexpro gas-development subsidiary are delivering as expected. We are also setting the stage for 2004 by hedging a substantial portion of our proved-developed production at higher realized prices."

Rattie said that if projected commodity prices remain at or near current levels through the remainder of 2003, Questar's earnings could range between \$2.10 to \$2.25 per share. This compares with the company's previous guidance of \$2.05 to \$2.20 per share.

Commenting on the 2004 outlook, Rattie said, "We're not uncomfortable at this early stage with the First Call 2004 consensus earnings forecast of \$2.35 per share, assuming natural gas prices remain at or near current levels. However, we are just now beginning to develop our detailed 2004 business plan, which will be reviewed and approved by our Board of Directors in late October. We will fine-tune our 2004 outlook when we issue our third-quarter results."

SECOND-QUARTER 2003 RESULTS

Nonregulated activities: higher commodity prices boos results

QMR reported net income of \$27.8 million in second-quarter 2003 compared with \$22.8 million in the year-earlier period. Questar Exploration and Production, which conducts exploration and production operations in the Rockies and the Midcontinent, earned \$17.4 million in the 2003 quarter versus \$13.3 million a year earlier. The 2002 quarterly results included \$900,000 in net income from a Canadian subsidiary that was sold in the fourth quarter of the year, a \$2.8 million after-tax gain from a lawsuit settlement, and \$1.1 million in Section 29 tax credits, which are no longer available after Dec. 31, 2002.

QMR's average realized selling price for natural gas rose 44% to \$3.66 per thousand cubic feet (Mcf) compared with \$2.55 per Mcf in the 2002 quarter. The 2003 results reflected higher natural gas prices and the significant narrowing of the Rockies' natural gas-basis differential following the May 1 start-up of a regional pipeline expansion. QMR received an average price of \$22.45 per barrel for nonregulated oil and natural gas-liquids production, 9% higher than in the 2002 quarter.

Nonregulated natural gas-equivalent production dropped 12% during the current-year quarter to 21.4 billion cubic feet equivalent (bcfe) versus 24.3 bcfe in the prior-year period. The decline was due primarily to the sale of the company's Canadian subsidiary and producing properties in the San Juan and Midcontinent regions of the U.S. in the second half of 2002. The company's production was expected to decline in the second quarter of 2003 because of winter-drilling restrictions on federal lands in the Rockies, including the Pinedale field. QMR said it remains on track to increase production from continuing operations 5 to 10% in 2003 to 88-92 bcfe.

Wexpro, a QMR subsidiary that develops gas reserves on behalf of Questar's gas-distribution utility, earned \$8.5 million in the second quarter of 2003, a \$600,000 year-to-year improvement. Wexpro earns a specified return on its net investment in commercial wells. Wexpro's investment base increased to \$160 million at the end of second-quarter 2003 compared with \$159 million at the end of the first quarter of the year.

QMR's gas-gathering, processing and marketing operations earned a combined \$1.9 million in the 2003 quarter compared with \$1.6 million for the comparable year-earlier quarter. Net income from QMR's share of Rendezvous Gas Services increased from \$200,000 to \$800,000 in the 2003 quarter compared with the year-earlier period. A QMR subsidiary, Questar Gas Management, is a 50% partner in Rendezvous, which provides gathering and processing services for the Pinedale and Jonah producing areas. Rendezvous will continue to benefit from growing gathering volumes from the Pinedale Anticline.

During the second quarter, the company added to its hedge positions in the Rockies and the Midcontinent, which are summarized below.

Regulated Activities: customer growth remains strong

Questar Regulated Services - which includes interstate transmission and storage and retail gas distribution - reported net income of \$4.7 million during second-quarter 2003 versus \$4.5 million a year earlier. Questar Pipeline -- an interstate gas-transmission and storage subsidiary --earned \$7.3 million in the 2003 quarter versus \$7.9 million in the comparable 2002 period. Increased operating and maintenance expense offset higher revenues from expanded transportation volumes. Questar Pipeline's total transportation volumes grew 14% to 93.6 million decatherms compared with a year earlier. The growth reflected the second-half 2002 start-up of the eastern zone of the Southern Trails Pipeline along with increased deliveries to the Kern River Pipeline expansion, which commenced operations on May 1 of this year.

Questar Gas - which provides retail gas-distribution service in Utah, southwestern Wyoming and southeastern Idaho - reduced its seasonal loss from \$3.5 million in second-quarter 2002 to \$2.8 million in the current-year period. The utility benefited from new general rates that went into effect Dec. 30, 2002, higher temperature-adjusted usage per

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customer and steady customer growth. Questar Gas served 749,794 customers at the end of the 2003 quarter, a one-year increase of 19,614 or 2.7%.

Corporate and Other Operations reported net income of \$1.4 million in second-quarter 2003 compared with \$2.1 million in the year-earlier period due to lower margins on services provided to affiliates.

### FIRST-HALF 2003 RESULTS

#### Higher commodity prices boost non-regulated results

Questar Market Resources' net income for the first six months of 2003 was \$56.7 million compared with \$40.4 million for the 2002 period. Natural gas production declined 5% to 38.1 bcf while the average realized selling price was 44% higher at \$3.59 per Mcf. Nonregulated oil and natural gas-liquids production decreased 23% to 1.1 million barrels - due primarily to 2002 property sales - while the average realized selling price improved 20% to \$23.59 per barrel.

#### Regulated Activities

Questar Regulated Services earned \$38.4 million in the first half of 2003, a \$2.1 million increase over the prior-year results. Questar Pipeline's net income was \$15.3 million in the first half of 2003, the same as the 2002 result. The 2003 earnings were \$1.1 million higher as a result of the 2002 sale of a subsidiary's 50% ownership of the TransColorado Pipeline. This was offset by higher operating and maintenance costs. Questar Gas's net income was \$22.9 million in the current-year period compared with \$20.7 million in the first half of 2002. The improvement resulted from new rates, higher usage per customer and customer growth.

Corporate and Other Operations reported earnings of \$3.4 million for the first six months of 2003. With the goodwill-accounting adjustment, the segment lost \$12.5 million in the first half of 2002.

### CURRENT HEDGE POSITIONS

#### Gas hedges/2003

|                      | Bcf                            |
|----------------------|--------------------------------|
|                      | Price per Mcf.,<br>net to well |
| Rocky Mountains      |                                |
| 2 <sup>nd</sup> half | 18.8                           |
|                      | \$3.38                         |
| Midcontinent         |                                |
| 2 <sup>nd</sup> half | 6.9                            |
|                      | 5                              |

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|                      |                |        |
|----------------------|----------------|--------|
|                      |                | \$4.00 |
| Total                |                |        |
| 2 <sup>nd</sup> half |                | 25.7   |
|                      |                | \$3.54 |
| Gas hedges/2004      |                |        |
|                      | Bcf            |        |
|                      | Price per Mcf, |        |
|                      | net to well    |        |
| Rocky Mountains      |                |        |
| 1 <sup>st</sup> half |                | 14.0   |
|                      |                | \$3.63 |
| 2 <sup>nd</sup> half |                | 14.2   |
|                      |                | \$3.63 |
| Year                 |                | 28.2   |
|                      |                | \$3.63 |
| Midcontinent         |                |        |
| 1 <sup>st</sup> half |                | 6.8    |
|                      |                | \$4.56 |
| 2 <sup>nd</sup> half |                | 6.8    |
|                      |                | \$4.56 |
|                      |                | 6      |

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|                      |  |                |
|----------------------|--|----------------|
| Year                 |  | 13.6           |
|                      |  | \$4.56         |
| Total                |  |                |
| 1 <sup>st</sup> half |  | 20.8           |
|                      |  | \$3.93         |
| 2 <sup>nd</sup> half |  | 21.0           |
|                      |  | \$3.93         |
| Year                 |  | 41.8           |
|                      |  | \$3.93         |
| Oil hedges/2003      |  |                |
|                      |  | Mbbls          |
|                      |  | Price per bbl, |
|                      |  | net to well    |
| Rocky Mountains      |  |                |
| 2 <sup>nd</sup> half |  | 460            |
|                      |  | \$21.68        |
| Midcontinent         |  |                |
| 2 <sup>nd</sup> half |  | 92             |
|                      |  | \$22.38        |
| Total                |  |                |

2<sup>nd</sup> half

552

\$21.80

Questar is an integrated natural gas company headquartered in Salt Lake City with total assets of \$3.1 billion. Through subsidiaries, it engages in gas and oil development and production; gas gathering, processing and marketing; interstate gas transmission and storage; retail gas distribution; retail energy services; and information systems and technologies.

#### 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](http://www.questar.com)

## PART 1. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### QUESTAR CORPORATION AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

|  | 3 Months Ended |                | 6 Months Ended |                | 12 Months Ended  |                  |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
|  | June 30,       |                | June 30,       |                | June 30,         |                  |
|  | 2003           | 2002           | 2003           | 2002           | 2003             | 2002             |
| (In Thousands, Except Per Share Amounts) |                |                |                |                |                  |                  |
| <b>REVENUES</b>                          |                |                |                |                |                  |                  |
| Questar Market Resources                 | \$ 155,980     | \$ 123,545     | \$ 369,173     | \$ 248,703     | \$ 642,946       | \$ 511,648       |
| Questar Regulated Services               |                |                |                |                |                  |                  |
| Natural gas distribution                 | 90,594         | 82,004         | 325,108        | 342,962        | 575,981          | 625,314          |
| Natural gas transmission                 | 19,504         | 14,338         | 37,640         | 26,840         | 77,075           | 53,148           |
| Other                                    | 1,481          | 942            | 2,358          | 1,783          | 4,735            | 4,055            |
| Corporate and other operations           | 3,110          | 3,785          | 6,194          | 6,859          | 13,256           | 24,556           |
| <b>TOTAL REVENUES</b>                    | <b>270,669</b> | <b>224,614</b> | <b>740,473</b> | <b>627,147</b> | <b>1,313,993</b> | <b>1,218,721</b> |

#### OPERATING EXPENSES



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|   |                  |                  |                  |                  |                   |                   |
|---|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Cost of natural gas and other products sold   | 69,959           | 47,558           | 271,300          | 226,086          | 440,956           | 449,915           |
| Operating and maintenance   | 68,211           | 65,125           | 142,048          | 139,155          | 287,210           | 286,680           |
| Depreciation, depletion and amortization  | 45,698           | 44,463           | 93,636           | 89,770           | 188,818           | 169,452           |
| Exploration   | 1,043            | 1,133            | 2,213            | 3,881            | 4,418             | 7,967             |
| Abandonment and impairment of gas, oil and other properties   | 492              | 749              | 975              | 1,055            | 11,103            | 3,631             |
| Production and other taxes  | 17,371           | 12,195           | 34,531           | 23,604           | 55,119            | 42,808            |
| <b>TOTAL OPERATING EXPENSES</b>   | <b>202,774</b>   | <b>171,223</b>   | <b>544,703</b>   | <b>483,551</b>   | <b>987,624</b>    | <b>960,453</b>    |
| <b>OPERATING INCOME</b>   | <b>67,895</b>    | <b>53,391</b>    | <b>195,770</b>   | <b>143,596</b>   | <b>326,369</b>    | <b>258,268</b>    |
| Interest and other income   | 2,206            | 9,159            | 4,799            | 16,565           | 44,901            | 32,937            |
| Earnings from unconsolidated affiliates   | 1,322            | 3,105            | 2,358            | 3,762            | 10,373            | 5,013             |
| Minority interest   | 53               | 127              | 130              | 297              | 334               | 1,025             |
| Debt expense  | (17,512)         | (20,362)         | (36,428)         | (40,398)         | (77,151)          | (75,309)          |
| <b>INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECTS</b>  | <b>53,964</b>    | <b>45,420</b>    | <b>166,629</b>   | <b>123,822</b>   | <b>304,826</b>    | <b>221,934</b>    |
| Income taxes  | 20,052           | 16,049           | 62,515           | 44,299           | 109,342           | 77,988            |
| <b>INCOME BEFORE CUMULATIVE EFFECTS</b>   | <b>33,912</b>    | <b>29,371</b>    | <b>104,114</b>   | <b>79,523</b>    | <b>195,484</b>    | <b>143,946</b>    |
| Cumulative effect of accounting change for asset retirement obligations, net of income taxes of \$3,331 |                  |                  | (5,580)          |                  | (5,580)           |                   |
| Cumulative effect of accounting change for goodwill, net of \$2,010 attributed to minority interest     |                  |                  |                  | (15,297)         |                   | (15,297)          |
| <b>NET INCOME</b>   | <b>\$ 33,912</b> | <b>\$ 29,371</b> | <b>\$ 98,534</b> | <b>\$ 64,226</b> | <b>\$ 189,904</b> | <b>\$ 128,649</b> |
| <b>BASIC EARNINGS PER COMMON SHARE</b>  |                  |                  |                  |                  |                   |                   |
| Income before cumulative effects  | \$ 0.41          | \$ 0.36          | \$ 1.27          | \$ 0.98          | \$ 2.38           | \$ 1.77           |
| Cumulative effects  |                  |                  | (0.07)           | (0.19)           | (0.07)            | (0.19)            |

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|   |          |         |         |         |          |          |
|---|----------|---------|---------|---------|----------|----------|
| Net income  | \$ 0.41  | \$ 0.36 | \$ 1.20 | \$ 0.79 | \$ 2.31  | \$ 1.58  |
| <hr/>   |          |         |         |         |          |          |
| <b>DILUTED EARNINGS PER COMMON SHARE</b>          |          |         |         |         |          |          |
| Income before cumulative effects                  | \$ 0.40  | \$ 0.36 | \$ 1.24 | \$ 0.97 | \$ 2.35  | \$ 1.76  |
| Cumulative effects                                |          |         | (0.07)  | (0.19)  | (0.07)   | (0.19)   |
| Net income  | \$ 0.40  | \$ 0.36 | \$ 1.17 | \$ 0.78 | \$ 2.28  | \$ 1.57  |
| <hr/>   |          |         |         |         |          |          |
| <b>Weighted average common shares outstanding</b> |          |         |         |         |          |          |
| Used in basic calculation                         | 82,678   | 81,754  | 82,453  | 81,672  | 82,166   | 81,601   |
| Used in diluted calculation                       | 84,274   | 82,404  | 83,866  | 82,532  | 83,234   | 82,275   |
| Dividends per common share                        | \$ 0.185 | \$ 0.18 | \$ 0.37 | \$ 0.36 | \$ 0.735 | \$ 0.715 |

QUESTAR CORPORATION AND SUBSIDIARIES  
SELECTED FINANCIAL AND OPERATING RESULTS  
(Unaudited)

|  | 3 Months Ended |      | 6 Months Ended |      | 12 Months Ended |      |
|--|----------------|------|----------------|------|-----------------|------|
|  | June 30,       |      | June 30,       |      | June 30,        |      |
|  | 2003           | 2002 | 2003           | 2002 | 2003            | 2002 |

(In Thousands)

FINANCIAL RESULTS

REVENUES FROM UNAFFILIATED CUSTOMERS

|                            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|
| Questar Market Resources   | \$ 155,980 | \$ 123,545 | \$ 369,173 | \$ 248,703 | \$ 642,946 | \$ 511,648 |
| Questar Regulated Services |            |            |            |            |            |            |
| Natural gas distribution   | 90,594     | 82,004     | 325,108    | 342,962    | 575,981    | 625,314    |
| Natural gas transmission   | 19,504     | 14,338     | 37,640     | 26,840     | 77,075     | 53,148     |
| Other                      | 1,481      | 942        | 2,358      | 1,783      | 4,735      | 4,055      |
| Total Regulated Services   | 111,579    | 97,284     | 365,106    | 371,585    | 657,791    | 682,517    |

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|                                |                   |                   |                   |                   |                     |                     |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Corporate and other operations | 3,110             | 3,785             | 6,194             | 6,859             | 13,256              | 24,556              |
|                                | <b>\$ 270,669</b> | <b>\$ 224,614</b> | <b>\$ 740,473</b> | <b>\$ 627,147</b> | <b>\$ 1,313,993</b> | <b>\$ 1,218,721</b> |

REVENUES FROM AFFILIATED

COMPANIES

|                                |                  |                  |                   |                   |                   |                   |
|--------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Questar Market Resources       | \$ 29,957        | \$ 28,939        | \$ 56,406         | \$ 56,910         | \$ 106,143        | \$ 104,774        |
| Questar Regulated Services     |                  |                  |                   |                   |                   |                   |
| Natural gas distribution       | 568              | 797              | 1,457             | 1,098             | 2,035             | 2,025             |
| Natural gas transmission       | 19,307           | 18,896           | 39,646            | 39,881            | 76,365            | 76,519            |
| Other                          | 461              | 391              | 914               | 814               | 1,787             | 1,546             |
| Corporate and other operations | 7,051            | 7,743            | 14,335            | 15,134            | 29,658            | 28,352            |
|                                | <b>\$ 57,344</b> | <b>\$ 56,766</b> | <b>\$ 112,758</b> | <b>\$ 113,837</b> | <b>\$ 215,988</b> | <b>\$ 213,216</b> |

OPERATING INCOME (LOSS)

|                                |                  |                  |                   |                   |                   |                   |
|--------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Questar Market Resources       | \$ 48,212        | \$ 37,998        | \$ 107,769        | \$ 66,661         | \$ 171,552        | \$ 138,159        |
| Questar Regulated Services     |                  |                  |                   |                   |                   |                   |
| Natural gas distribution       | (82)             | (1,773)          | 48,624            | 43,117            | 75,861            | 58,178            |
| Natural gas transmission       | 17,290           | 14,967           | 35,575            | 30,708            | 71,052            | 60,090            |
| Other                          | 271              | (121)            | 358               | (189)             | 206               | (392)             |
| Total Regulated Services       | 17,479           | 13,073           | 84,557            | 73,636            | 147,119           | 117,876           |
| Corporate and other operations | 2,204            | 2,320            | 3,444             | 3,299             | 7,698             | 2,233             |
| OPERATING INCOME               | <b>\$ 67,895</b> | <b>\$ 53,391</b> | <b>\$ 195,770</b> | <b>\$ 143,596</b> | <b>\$ 326,369</b> | <b>\$ 258,268</b> |

NET INCOME (LOSS)

|                                |           |           |           |           |            |           |
|--------------------------------|-----------|-----------|-----------|-----------|------------|-----------|
| Questar Market Resources       | \$ 27,776 | \$ 22,817 | \$ 61,825 | \$ 40,419 | \$ 119,335 | \$ 82,574 |
| Questar Regulated Services     |           |           |           |           |            |           |
| Natural gas distribution       | (2,818)   | (3,509)   | 23,186    | 20,657    | 34,928     | 25,338    |
| Natural gas transmission       | 7,342     | 7,869     | 15,395    | 15,286    | 32,717     | 30,519    |
| Other                          | 166       | 150       | 237       | 310       | 87         | 2,769     |
| Total Regulated Services       | 4,690     | 4,510     | 38,818    | 36,253    | 67,732     | 58,626    |
| Corporate and other operations | 1,446     | 2,044     | 3,471     | 2,851     | 8,417      | 2,746     |

Income before cumulative effects of

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|                    |                  |                  |                  |                  |                   |                   |
|--------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| accounting changes | 33,912           | 29,371           | 104,114          | 79,523           | 195,484           | 143,946           |
| Cumulative effects |                  |                  | (5,580)          | (15,297)         | (5,580)           | (15,297)          |
| <b>NET INCOME</b>  | <b>\$ 33,912</b> | <b>\$ 29,371</b> | <b>\$ 98,534</b> | <b>\$ 64,226</b> | <b>\$ 189,904</b> | <b>\$ 128,649</b> |

**DILUTED EARNINGS PER COMMON SHARE**

|                                  |                |                |                |                |                |                |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Income before cumulative effects | \$ 0.40        | \$ 0.36        | \$ 1.24        | \$ 0.97        | \$ 2.35        | \$ 1.76        |
| Cumulative effects               |                |                | (0.07)         | (0.19)         | (0.07)         | (0.19)         |
| <b>Net income</b>                | <b>\$ 0.40</b> | <b>\$ 0.36</b> | <b>\$ 1.17</b> | <b>\$ 0.78</b> | <b>\$ 2.28</b> | <b>\$ 1.57</b> |

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Weighted average diluted common shares | 84,274 | 82,404 | 83,866 | 82,532 | 83,234 | 82,275 |
|--|--------|--------|--------|--------|--------|--------|

|                            |          |         |         |         |          |          |
|----------------------------|----------|---------|---------|---------|----------|----------|
| Dividends per common share | \$ 0.185 | \$ 0.18 | \$ 0.37 | \$ 0.36 | \$ 0.735 | \$ 0.715 |
|----------------------------|----------|---------|---------|---------|----------|----------|

**QUESTAR CORPORATION AND SUBSIDIARIES**

**SELECTED FINANCIAL AND OPERATING RESULTS**

(Unaudited)

|  | 3 Months Ended |      | 6 Months Ended |      | 12 Months Ended |      |
|--|----------------|------|----------------|------|-----------------|------|
|  | June 30,       |      | June 30,       |      | June 30,        |      |
|  | 2003           | 2002 | 2003           | 2002 | 2003            | 2002 |

(D = 10, M = 1,000)

**OPERATING STATISTICS**

**QUESTAR MARKET RESOURCES**

Production volumes - nonregulated

|                                       |        |        |        |        |        |        |
|---------------------------------------|--------|--------|--------|--------|--------|--------|
| Natural gas (in MMcf)                 | 17,957 | 19,856 | 38,061 | 39,863 | 77,872 | 78,806 |
| Oil and natural gas liquids (in Mbbl) | 568    | 736    | 1,140  | 1,483  | 2,421  | 2,966  |
| Total production (Bcfe)               | 21.4   | 24.3   | 44.9   | 48.8   | 92.4   | 96.6   |
| Average daily production (MMcfe)      | 235    | 267    | 248    | 269    | 253    | 265    |

Average selling price, net to the well

Average realized selling price (including hedges)

|                                       |         |         |         |         |         |         |
|---------------------------------------|---------|---------|---------|---------|---------|---------|
| Natural gas (per Mcf)                 | \$3.66  | \$2.55  | \$3.59  | \$2.49  | \$3.12  | \$2.64  |
| Oil and natural gas liquids (per bbl) | \$22.45 | \$20.60 | \$23.59 | \$19.72 | \$22.30 | \$18.89 |

Average selling price (without hedges)

|                       |        |        |        |        |        |        |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Natural gas (per Mcf) | \$4.34 | \$2.11 | \$4.27 | \$2.00 | \$3.29 | \$2.21 |
|-----------------------|--------|--------|--------|--------|--------|--------|

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|  |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|
| Oil and natural gas liquids (per bbl)                          | \$26.62 | \$22.92 | \$28.89 | \$20.80 | \$27.05 | \$20.78 |
| Marketing volumes in thousands of energy equivalent decatherms | 16,900  | 20,111  | 38,211  | 42,576  | 79,451  | 86,815  |
| Natural gas gathering volumes (in MDth)                        |         |         |         |         |         |         |
| For unaffiliated customers                                     | 28,031  | 28,220  | 56,357  | 56,846  | 111,716 | 101,964 |
| For Questar Gas  | 9,515   | 9,782   | 21,099  | 22,005  | 39,779  | 40,260  |
| For other affiliated customers                                 | 8,936   | 9,265   | 21,027  | 16,652  | 42,511  | 30,301  |
| Total gathering  | 46,482  | 47,267  | 98,483  | 95,503  | 194,006 | 172,525 |
| Gathering revenue (per Dth)                                    | \$0.20  | \$0.17  | \$0.20  | \$0.15  | \$0.18  | \$0.14  |

QUESTAR REGULATED SERVICES - NATURAL GAS DISTRIBUTION

|   |        |        |        |        |         |         |
|---|--------|--------|--------|--------|---------|---------|
| Natural gas volumes (in MDth)           |        |        |        |        |         |         |
| Residential and commercial sales        | 12,999 | 10,784 | 48,467 | 54,145 | 85,118  | 89,669  |
| Industrial sales                        | 2,201  | 2,356  | 5,428  | 5,796  | 10,361  | 10,694  |
| Transportation for industrial customers | 9,421  | 9,831  | 18,973 | 21,691 | 43,741  | 47,030  |
| Total deliveries                        | 24,621 | 22,971 | 72,868 | 81,632 | 139,220 | 147,393 |

|   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Natural gas revenue (per Dth)           |         |         |         |         |         |         |
| Residential and commercial              | \$ 5.82 | \$ 6.01 | \$ 6.01 | \$ 5.61 | \$ 5.99 | \$ 6.12 |
| Industrial sales                        | \$4.23  | \$4.33  | \$4.27  | \$4.64  | \$3.94  | \$4.86  |
| Transportation for industrial customers | \$0.19  | \$0.17  | \$0.19  | \$0.16  | \$0.17  | \$0.14  |

|   |         |         |      |      |       |       |
|---|---------|---------|------|------|-------|-------|
| Heating degree days                                   |         |         |      |      |       |       |
| Colder (warmer) than normal                           | 1%      | (19%)   | (9%) | 12%  | (5%)  | 7%    |
| Average temperature-adjusted usage per Customer (Dth) | 17.2    | 16.3    | 69.3 | 67.2 | 118.3 | 118.4 |
| Number of customers at June 30,                       |         |         |      |      |       |       |
| Residential and commercial                            | 748,512 | 728,881 |      |      |       |       |
| Industrial  | 1,282   | 1,299   |      |      |       |       |
| Total   | 749,794 | 730,180 |      |      |       |       |

QUESTAR REGULATED SERVICES - NATURAL GAS TRANSMISSION

Natural gas transportation  
volumes (in MDth)

|                                |               |               |                |                |                |                |
|--------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|
| For unaffiliated customers     | 61,880        | 55,794        | 127,396        | 108,246        | 264,269        | 213,850        |
| For Questar Gas                | 26,188        | 25,922        | 65,720         | 77,267         | 100,145        | 123,094        |
| For other affiliated customers | 5,526         | 744           | 9,203          | 1,297          | 13,950         | 6,184          |
| <b>Total transportation</b>    | <b>93,594</b> | <b>82,460</b> | <b>202,319</b> | <b>186,810</b> | <b>378,364</b> | <b>343,128</b> |

|                                     |         |         |         |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| Transportation revenue (per<br>Dth) | \$ 0.27 | \$ 0.26 | \$ 0.25 | \$ 0.23 | \$ 0.26 | \$ 0.24 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|