

QUESTAR CORP
Form 8-K
July 29, 2004

**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 28, 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 84145-0433
(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)

Item 7. Financial Statements and Exhibits.

(c) Exhibits.

Exhibit No.

Exhibit

99.1

Release issued July 28, 2004, by Questar Corporation.

Item 12. Results of Operations and Financial Condition.

On July 28, 2004, Questar Corporation issued a press release announcing its earnings for the quarter ended June 30, 2004. 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 28, 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 July 28, 2004 by Questar Corporation.

QUESTAR REPORTS HIGHER EARNINGS ON STRONG GAS PRODUCTION, PRICES

Natural gas and oil production up 18% in quarter, 13% year to date

SALT LAKE CITY Questar Corp. s (NYSE:STR) net income for the second quarter of 2004 increased to \$42.6 million, or \$.50 per diluted share, compared with \$20.3 million, or \$.24 per diluted share, in the 2003 period.

The company s 2004 second-quarter results were driven by an 18% increase in nonregulated gas, oil and natural-gas-liquids production, a 14% rise in realized natural gas prices, and an 18% increase in nonregulated gas-gathering volumes.

Both our Rockies and Midcontinent E&P businesses are generating strong growth with the drill bit, said Keith O. Rattie, Questar chairman, president and CEO. We re on track to grow nonregulated production 10% again this year in fact, first-half production of 50.6 billion cubic feet equivalent (bcfe) was 13% higher than a year ago. We doubled Pinedale production despite winter-drilling restrictions and Midcontinent production jumped 16%.

As a result, we now expect 2004 earnings to range from \$2.45 to \$2.60 per diluted share, compared to our previous guidance of \$2.40 to \$2.55 per diluted share, Rattie said. He reminded investors that the company s guidance assumes natural gas prices remain at or near levels in the current forward-price curve and excludes one-time items. Because the company has hedged roughly 75% of its forecasted second-half 2004 nonregulated production, a \$.10 change in natural gas-sales prices in the second half will result in only about a \$600,000 change in net income. Current gas- and oil-price hedge information is listed at the end of the release.

Questar s second-quarter 2004 results were reduced by an after-tax charge of \$900,000, or \$.01 per diluted share, for a potential refund liability in a five-year-old gas-processing dispute in the company s retail gas-distribution business, Questar Gas. The year-ago period included an after-tax charge of \$13.6 million, or \$.16 per diluted share, pending resolution of the dispute. Excluding these charges, Questar earned \$43.5 million in the second quarter, or \$.51 per diluted share, compared with \$33.9 million, or \$.40 per diluted share, a year ago. The Public Service Commission of Utah said it intends to issue an order in August on past gas-processing charges.

For the first half of 2004, Questar Corp. s net income was \$118.7 million, or \$1.39 per diluted share, compared to \$84.9 million, or \$1.01 per share, for the year-earlier period. Nonregulated production grew 13% in the first half, while realized natural gas-sales prices rose 14%. First-half 2004 results included charges of \$1.9 million, or \$.02 per diluted share, for the potential refund liability. Questar s net income for first-half 2003 included the \$13.6 million after-tax charge in the gas-processing dispute. In addition, first-half 2003 results included a \$.07-per-share noncash charge for the cumulative effect of implementing SFAS 143, Accounting for Asset Retirement Obligations. Excluding these charges, Questar earned \$120.6 million, or \$1.41 per share, in first-half 2004 versus \$104.1 million, or \$1.24 per share, for the year-earlier period.

There was an average of 85.3 million diluted common shares outstanding in first-half 2004 compared to 83.9 million in the year-earlier period.

SECOND-QUARTER 2004, NONREGULATED ACTIVITIES

Pinedale production doubles; Midcontinent production rises 20%

Questar Market Resources (QMR) a subsidiary that conducts gas and oil development and production, gas gathering and processing and other nonregulated activities increased net income 37% to \$38.2 million in second-quarter 2004 versus \$27.8 million a year earlier.

Questar Exploration and Production (QEP) a QMR subsidiary that acquires, explores for, develops and produces natural gas and oil earned \$25.4 million, 46% higher than the prior-year period. Nonregulated production rose 18% to 25.2 bcfe, driven by accelerated development drilling on the Pinedale Anticline in western Wyoming and higher Midcontinent production.

Nonregulated Pinedale volumes grew to 4.9 bcfe from 2.5 bcfe a year earlier. QMR operated 76 Pinedale producing wells at the end of the 2004 period, 25 more than on Jan. 1, 2003. The Wyoming Oil and Gas Conservation Commission voted unanimously to approve QMR's request to downspace from 40-acre- to 20-acre-density drilling at Pinedale. With 20-acre spacing, QMR has up to 354 wells yet to drill on its Pinedale acreage, 30 of which will be drilled in the second half of 2004.

QEP's Uinta Basin production declined 13% from 7.0 bcfe in the 2003 quarter to 6.1 bcfe in the current-year quarter. The company expects Uinta Basin production to remain about flat with second-quarter levels for the remainder of 2004. Production from Rockies legacy properties increased 20% to 4.7 bcfe compared to 3.9 bcfe in the year-ago quarter. Total Rockies regional production comprised 62% of QEP's nonregulated production in second-quarter 2004.

QEP's Midcontinent production rose 20% to 9.5 bcfe in second-quarter 2004 versus 8.0 bcfe in the year-earlier period. The company reported continued success with a coalbed-methane development project in eastern Oklahoma and in-fill development drilling in northwestern Louisiana.

QEP's average realized price for natural gas was \$4.17 per thousand cubic feet (Mcf) in second-quarter 2004, 14% higher than the \$3.66 per Mcf in the year-earlier period. About 80% of QEP's second-quarter 2004 gas production was hedged at an average price of \$4.00 per Mcf, net to the well. Net-to-the-well prices reflect adjustments for regional basis, gathering and processing, and gas quality. QEP may hedge up to 100% of its forecasted production from

proved-developed reserves to lock in acceptable returns on invested capital and protect cash flows and earnings from gas- and oil-price declines. Hedging reduced natural gas revenues by \$18.6 million in the second quarter and \$33.3 million in first-half 2004. The company's current hedges are provided at the end of this release.

Nonregulated oil and natural-gas-liquids production, which represented about 15% of QEP's gas-equivalent production, declined 2% in the quarter to 559,000 barrels. The average realized sales price was \$29.55 per barrel compared to \$22.45 in the year-earlier quarter. About 85% of QEP's second-quarter 2004 oil production was hedged at an average price of \$31.01 per barrel. Oil hedging reduced QEP revenues by \$3.3 million in the second quarter and \$4.7 million in the first half of 2004.

QEP's all-in pre-income-tax cost of production rose 7% to \$2.49 per thousand cubic feet equivalent (Mcf) in the second quarter from \$2.33 per Mcf in the prior-year period. Much of the increase was due to higher production taxes, which in turn result from higher realized prices. (See table at the end of this release.)

Wexpro, a QMR subsidiary that manages and develops cost-of-service reserves for Questar Gas, earned \$8.8 million, \$327,000 more than a year ago. Wexpro earns a formula-based return on its investment in completed gas wells and production facilities, the investment base, which grew 3% year-to-year to \$165.3 million in the 2004 quarter.

Net income for QMR subsidiary Questar Gas Management, which provides nonregulated gas gathering and processing services, increased 44% to \$4.1 million in the 2004 period versus \$2.9 million in the 2003 quarter. Gathering volumes were 18% higher at 54.6 million decatherms (dth) in second-quarter 2004, driven by rising production on the Pinedale Anticline.

SECOND-QUARTER 2004, REGULATED BUSINESSES

Pipeline earnings flat; utility results hurt by accruals in Utah regulatory dispute

Questar Pipeline, which provides gas-transmission and storage services in several western states, earned \$7.2 million in the current-year quarter compared with \$7.3 million in the 2003 period. Revenues grew 2% in second-quarter 2004 to \$40 million. Operating and maintenance costs were 6% above the year earlier due to higher employee-benefit and insurance expense.

Questar Gas, which conducts retail gas-distribution in Utah and portions of Wyoming and Idaho, reported a seasonal loss of \$4 million in the current-year quarter compared with a \$16.5 million loss in the comparable 2003 period. Both periods included after-tax charges for potential refund liability, \$900,000 in 2004 and \$13.6 million in 2003, in the unresolved gas-processing dispute in Utah. Excluding these charges, Questar Gas reported seasonal losses of \$3.1 million in second-quarter 2004 and \$2.9 million in the 2003 quarter. On June 30, 2004, Questar Gas was serving about

772,000 customers, 2.9% more than a year earlier. Temperature-adjusted usage per customer was 17.2 dth for the 2004 quarter, same as the year-ago period.

SECOND-QUARTER 2004 CORPORATE AND OTHER OPERATIONS

Net income from Corporate and Other Operations was \$1.2 million in second-quarter 2004 compared with \$1.7 million in the prior-year period.

FIRST-HALF 2004

Rising production, higher gas and oil prices

Questar Market Resources earnings rose 38% to \$78.4 million in first-half 2004, reflecting increased natural gas production and higher realized prices. Nonregulated production grew 13% to 50.6 bcfe compared to 44.9 bcfe in the first half of 2003. The average realized price for natural gas rose 14% to \$4.11 per Mcf in first-half 2004 versus \$3.59 for the prior-year period. The average realized price for nonregulated oil and natural gas liquids in first-half 2004 was \$29.50 per barrel compared to \$23.59 in the 2003 period.

Wexpro earned \$17.8 million in the first six months of 2004 versus \$16.1 million for the 2003 period. Questar Gas Management increased year-over-year earnings \$3 million to \$9.5 million in first-half 2004, driven by a 15% increase in gathering volumes.

Questar Pipeline's net income was \$15.3 million for the first six months of 2004, about the same as a year ago. Higher operating expenses offset increased revenues from pipeline-expansion projects. Questar Gas reported net income of \$22.3 million in first-half 2004 compared with \$9.2 million in the year-earlier period. After-tax charges in the gas-processing dispute were \$1.9 million in first-half 2004 and \$13.6 million in the 2003 period. Excluding the charges, Questar Gas earned \$24.2 million in the 2004 period compared with \$22.8 million a year earlier.

Corporate and Other Operations produced \$2.7 million in net income in first-half 2004 versus \$3.7 million in the 2003 period.

Current Hedge Positions

| Gas Hedges 2004 | Bcf | Price (per Mcf) (net to well) |
|-----------------|------|-------------------------------|
| Rocky Mountains | | |
| 2nd half | 21.0 | \$3.69 |
| Midcontinent | | |
| 2nd half | 12.1 | \$4.53 |

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| | | | |
|------------------------|----------|--------------|--------------------------------------|
| Total | | | |
| | 2nd half | 33.1 | \$4.00 |
| Gas Hedges 2005 | | Bcf | Price (per Mcf) (net to well) |
| Rocky Mountains | | | |
| | 1st half | 16.5 | \$4.07 |
| | 2nd half | <u>16.7</u> | <u>\$4.07</u> |
| | Year | 33.2 | \$4.07 |
| Midcontinent | | | |
| | 1st half | 7.7 | \$4.44 |
| | 2nd half | <u>7.8</u> | <u>\$4.44</u> |
| | Year | 15.5 | \$4.44 |
| Total | | | |
| | 1st half | 24.2 | \$4.19 |
| | 2nd half | <u>24.5</u> | <u>\$4.19</u> |
| | Year | 48.7 | \$4.19 |
| Gas Hedges 2006 | | Bcf | Price (per Mcf) (net to well) |
| Rocky Mountains | | | |
| | 1st half | 7.2 | \$4.59 |
| | 2nd half | <u>7.3</u> | <u>\$4.59</u> |
| | Year | 14.5 | \$4.59 |
| Midcontinent | | | |
| | 1st half | 1.6 | \$4.81 |
| | 2nd half | <u>1.7</u> | <u>\$4.81</u> |
| | Year | 3.3 | \$4.81 |
| Total | | | |
| | 1st half | 8.8 | \$4.63 |
| | 2nd half | <u>9.0</u> | <u>\$4.63</u> |
| | Year | 17.8 | \$4.63 |
| Oil Hedges 2004 | | Mbbls | Price (per bbl) (net to well) |
| Rocky Mountains | | | |
| | 2nd half | 552 | \$30.91 |
| Midcontinent | | | |
| | 2nd half | 184 | \$31.22 |
| Total | | | |
| | 2nd half | 736 | \$30.99 |
| Oil Hedges 2005 | | Mbbls | Price (per bbl) (net to well) |
| Rocky Mountains | | | |
| | 1st half | 272 | \$31.71 |
| | 2nd half | <u>276</u> | <u>\$31.71</u> |
| | Year | 548 | \$31.71 |
| Midcontinent | | | |

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| | | | |
|-------|----------|------------|----------------|
| | 1st half | 90 | \$30.20 |
| | 2nd half | <u>92</u> | <u>\$30.20</u> |
| | Year | 182 | \$30.20 |
| Total | | | |
| | 1st half | 362 | \$31.33 |
| | 2nd half | <u>368</u> | <u>\$31.33</u> |
| | Year | 730 | \$31.33 |

Questar Exploration and Production

Production by Region

| | 3 Months Ended June 30, | | 6 Months Ended June 30, | |
|-------------------------------|----------------------------|------|----------------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| | (in bcfe) | | | |
| Rocky Mountains | | | | |
| Pinedale Anticline | 4.9 | 2.5 | 11.0 | 5.4 |
| Uinta Basin | 6.1 | 7.0 | 12.4 | 15.5 |
| Rockies Legacy | 4.7 | 3.9 | 9.1 | 8.4 |
| Subtotal Rocky Mountains | 15.7 | 13.4 | 32.5 | 29.3 |
| Midcontinent | 9.5 | 8.0 | 18.1 | 15.6 |
| Total Nonregulated production | 25.2 | 21.4 | 50.6 | 44.9 |

The components of Questar E&P's overall costs for nonregulated production are summarized in the following table.

| | 3 Months Ending June 30, | | 6 Months Ending June 30, | |
|--|-----------------------------|--------|-----------------------------|--------|
| | 2004 | 2003 | 2004 | 2003 |
| Lease-operating expense | \$0.52 | \$0.52 | \$0.50 | \$0.48 |
| Production taxes | 0.42 | 0.33 | 0.42 | 0.32 |
| Lifting costs | 0.94 | 0.85 | 0.92 | 0.80 |
| Depreciation, depletion and amortization | 1.01 | 0.94 | 1.00 | 0.94 |
| General and administrative expense | 0.33 | 0.30 | 0.30 | 0.28 |

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| | | | | |
|----------------------------|--------|--------|--------|--------|
| Allocated-interest expense | 0.21 | 0.24 | 0.21 | 0.24 |
| Total | \$2.49 | \$2.33 | \$2.43 | \$2.26 |

Questar is an integrated natural gas company with \$4.3 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, 2003. 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 | | 6 Months Ended | | 12 Months Ended | |
|---|--|----------------|----------------|----------------|------------------|------------------|
| | June 30, | | June 30, | | June 30, | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | (in thousands, except per share amounts) | | | | | |
| REVENUES | | | | | | |
| Market Resources | \$ 244,360 | \$155,980 | \$ 478,414 | \$ 369,173 | \$ 860,743 | \$ 642,946 |
| Questar Pipeline | 17,869 | 19,504 | 35,882 | 37,640 | 73,223 | 77,075 |
| Questar Gas | 102,235 | 90,594 | 409,114 | 325,108 | 702,797 | 575,981 |
| Corporate and other operations | 5,051 | 4,591 | 9,721 | 8,552 | 19,083 | 17,991 |
| TOTAL REVENUES | 369,515 | 270,669 | 933,131 | 740,473 | 1,655,846 | 1,313,993 |
| OPERATING EXPENSES | | | | | | |
| Cost of natural gas and other products sold | 127,727 | 69,959 | 393,986 | 271,300 | 665,127 | 440,956 |
| Operating and maintenance | 76,417 | 68,211 | 154,846 | 142,048 | 297,064 | 287,210 |
| Depreciation, depletion and amortization | 55,408 | 45,698 | 107,677 | 93,636 | 206,423 | 188,818 |
| Questar Gas rate-refund obligation | 1,505 | 22,000 | 2,995 | 22,000 | 5,934 | 22,000 |
| Exploration | 1,266 | 1,043 | 2,353 | 2,213 | 4,638 | 4,418 |
| Abandonment and impairment of gas, oil and other properties | 2,287 | 492 | 6,693 | 975 | 9,869 | 11,103 |
| Production and other taxes | 22,608 | 17,371 | 45,494 | 34,531 | 81,644 | 55,119 |
| TOTAL OPERATING EXPENSES | 287,218 | 224,774 | 714,044 | 566,703 | 1,270,699 | 1,009,624 |
| OPERATING INCOME | 82,297 | 45,895 | 219,087 | 173,770 | 385,147 | 304,369 |
| Interest and other income | 1,336 | 2,206 | 3,160 | 4,799 | 5,796 | 44,901 |
| Earnings from unconsolidated affiliates | 1,264 | 1,322 | 2,574 | 2,358 | 5,224 | 10,373 |
| Minority interest | | 53 | (270) | 130 | (178) | 334 |
| Debt expense | (17,055) | (17,512) | (34,571) | (36,428) | (68,879) | (77,151) |
| INCOME BEFORE INCOME TAXES | | | | | | |

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| | | | | | | |
|---|-----------|-----------|------------|-----------|------------|------------|
| AND CUMULATIVE EFFECT | 67,842 | 31,964 | 189,980 | 144,629 | 327,110 | 282,826 |
| Income taxes | 25,286 | 11,692 | 71,291 | 54,155 | 119,699 | 100,982 |
| INCOME BEFORE CUMULATIVE EFFECT | 42,556 | 20,272 | 118,689 | 90,474 | 207,411 | 181,844 |
| Cumulative effect of accounting change for asset retirement obligations, net of income taxes of \$3,331 | | | | (5,580) | | (5,580) |
| NET INCOME | \$ 42,556 | \$ 20,272 | \$ 118,689 | \$ 84,894 | \$ 207,411 | \$ 176,264 |
| | | | | | | |
| BASIC EARNINGS PER COMMON SHARE | | | | | | |
| Income before cumulative effect | \$ 0.51 | \$ 0.24 | \$ 1.42 | \$ 1.10 | \$ 2.49 | \$ 2.21 |
| Cumulative effect | | | | (0.07) | | (0.07) |
| Net income | \$ 0.51 | \$ 0.24 | \$ 1.42 | \$ 1.03 | \$ 2.49 | \$ 2.14 |
| | | | | | | |
| DILUTED EARNINGS PER COMMON SHARE | | | | | | |
| Income before cumulative effect | \$ 0.50 | \$ 0.24 | \$ 1.39 | \$ 1.08 | \$ 2.44 | \$ 2.19 |
| Cumulative effect | | | | (0.07) | | (0.07) |
| Net income | \$ 0.50 | \$ 0.24 | \$ 1.39 | \$ 1.01 | \$ 2.44 | \$ 2.12 |
| | | | | | | |
| Weighted average common shares outstanding | | | | | | |
| Used in basic calculation | 83,651 | 82,678 | 83,511 | 82,453 | 83,263 | 82,144 |
| Used in diluted calculation | 85,445 | 84,274 | 85,305 | 83,866 | 84,945 | 83,212 |
| | | | | | | |
| Dividends per common share | \$ 0.215 | \$ 0.185 | \$ 0.42 | \$ 0.37 | \$ 0.83 | \$ 0.735 |

QUESTAR
CORPORATION

SELECTED FINANCIAL AND OPERATING RESULTS

(Unaudited)

| | 3 Months Ended | | 6 Months Ended | | 12 Months Ended | |
|--|----------------|------|----------------|------|-----------------|------|
| | June 30, | | June 30, | | June 30, | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |

(in thousands, except per share amounts)

FINANCIAL RESULTS

REVENUES FROM UNAFFILIATED CUSTOMERS

| | | | | | | |
|--------------------------------|------------|------------|------------|------------|-------------|-------------|
| Market Resources | \$ 244,360 | \$ 155,980 | \$ 478,414 | \$ 369,173 | \$ 860,743 | \$ 642,946 |
| Questar Pipeline | 17,869 | 19,504 | 35,882 | 37,640 | 73,223 | 77,075 |
| Questar Gas | 102,235 | 90,594 | 409,114 | 325,108 | 702,797 | 575,981 |
| Corporate and other operations | 5,051 | 4,591 | 9,721 | 8,552 | 19,083 | 17,991 |
| | \$ 369,515 | \$ 270,669 | \$ 933,131 | \$ 740,473 | \$1,655,846 | \$1,313,993 |

REVENUES FROM AFFILIATED COMPANIES

| | | | | | | |
|--------------------------------|-----------|-----------|------------|------------|------------|------------|
| Market Resources | \$ 34,090 | \$ 29,957 | \$ 68,447 | \$ 56,406 | \$ 129,547 | \$ 106,143 |
| Questar Pipeline | 21,794 | 19,307 | 44,087 | 39,646 | 86,298 | 76,365 |
| Questar Gas | 1,017 | 568 | 2,154 | 1,457 | 2,901 | 2,035 |
| Corporate and other operations | 5,079 | 7,512 | 11,606 | 15,249 | 26,556 | 31,445 |
| | \$ 61,980 | \$ 57,344 | \$ 126,294 | \$ 112,758 | \$ 245,302 | \$ 215,988 |

OPERATING INCOME (LOSS)

| | | | | | | |
|--------------------------------|-----------|-----------|------------|------------|------------|------------|
| Market Resources | \$ 65,912 | \$ 48,212 | \$ 135,235 | \$ 107,769 | \$ 237,811 | \$ 171,552 |
| Questar Pipeline | 17,051 | 17,290 | 35,338 | 35,575 | 70,859 | 71,052 |
| Questar Gas | (2,428) | (22,082) | 45,471 | 26,624 | 70,232 | 53,861 |
| Corporate and other operations | 1,762 | 2,475 | 3,043 | 3,802 | 6,245 | 7,904 |
| | \$ 82,297 | \$ 45,895 | \$ 219,087 | \$ 173,770 | \$ 385,147 | \$ 304,369 |

INCOME (LOSS) BEFORE CUMULATIVE

EFFECT OF ACCOUNTING CHANGE

| | | | | | | |
|------------------|-----------|-----------|-----------|-----------|------------|------------|
| Market Resources | \$ 38,163 | \$ 27,776 | \$ 78,418 | \$ 61,825 | \$ 137,696 | \$ 119,335 |
| Questar Pipeline | 7,232 | 7,342 | 15,345 | 15,395 | 30,252 | 32,717 |
| Questar Gas | (3,999) | (16,458) | 22,312 | 9,546 | 33,282 | 21,288 |

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| | | | | | | |
|-------------------------------------|-----------|-----------|------------|-----------|------------|------------|
| Corporate and other operations | 1,160 | 1,612 | 2,614 | 3,708 | 6,181 | 8,504 |
| | \$ 42,556 | \$ 20,272 | \$ 118,689 | \$ 90,474 | \$ 207,411 | \$ 181,844 |
| NET INCOME (LOSS) | | | | | | |
| Market Resources | \$ 38,163 | \$ 27,776 | \$ 78,418 | \$ 56,712 | \$ 137,696 | \$ 114,222 |
| Questar Pipeline | 7,232 | 7,342 | 15,345 | 15,262 | 30,252 | 32,584 |
| Questar Gas | (3,999) | (16,458) | 22,312 | 9,212 | 33,282 | 20,954 |
| Corporate and other operations | 1,160 | 1,612 | 2,614 | 3,708 | 6,181 | 8,504 |
| | \$ 42,556 | \$ 20,272 | \$ 118,689 | \$ 84,894 | \$ 207,411 | \$ 176,264 |
| EARNINGS PER COMMON SHARE | | | | | | |
| DILUTED | | | | | | |
| Income before accounting change | \$ 0.50 | 0.24 | 1.39 | 1.08 | 2.44 | 2.19 |
| Net income | 0.50 | 0.24 | 1.39 | 1.01 | 2.44 | 2.12 |
| Weighted avg. diluted common shares | 85,445 | 84,274 | 85,305 | 83,866 | 84,945 | 83,212 |
| Dividends per common share | \$ 0.215 | \$ 0.185 | \$ 0.42 | \$ 0.37 | \$ 0.83 | \$ 0.735 |

QUESTAR CORPORATION
 SELECTED FINANCIAL AND OPERATING RESULTS
 (Unaudited)

| OPERATING STATISTICS | 3 Months Ended | | 6 Months Ended | | 12 Months Ended | |
|---|---------------------|---------|----------------|---------|-----------------|---------|
| | June 30, | | June 30, | | June 30, | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | (d = 10, M = 1,000) | | | | | |
| MARKET RESOURCES | | | | | | |
| Nonregulated production volumes | | | | | | |
| Natural gas (MMcf) | 21,827 | 17,957 | 43,715 | 38,061 | 84,465 | 77,872 |
| Oil and natural gas liquids (Mbbbl) | 559 | 568 | 1,146 | 1,140 | 2,330 | 2,421 |
| Total production (bcfe) | 25.2 | 21.4 | 50.6 | 44.9 | 98.4 | 92.4 |
| Average daily production (MMcfe) | 277 | 235 | 278 | 248 | 269 | 253 |
| Average commodity prices, net to the well | | | | | | |
| Average realized price (including hedges) | | | | | | |
| Natural gas (per Mcf) | \$4.17 | \$3.66 | \$4.11 | \$3.59 | \$3.89 | \$3.12 |
| Oil and natural gas liquids (per bbl) | \$29.55 | \$22.45 | \$29.50 | \$23.59 | \$26.30 | \$22.30 |
| Average sales price (excluding hedges) | | | | | | |
| Natural gas (per Mcf) | \$5.03 | \$4.34 | \$4.87 | \$4.27 | \$4.48 | \$3.29 |
| Oil and natural gas liquids (per bbl) | \$35.38 | \$26.62 | \$33.57 | \$28.89 | \$30.78 | \$27.05 |
| Natural gas gathering volumes (Mdth) | | | | | | |
| For unaffiliated customers | 32,164 | 28,031 | 66,458 | 56,357 | 124,875 | 111,716 |
| For Questar Gas | 9,149 | 9,515 | 18,906 | 21,099 | 39,375 | 39,779 |
| For other affiliated customers | 13,336 | 8,936 | 27,894 | 21,027 | 53,017 | 42,511 |
| Total gathering | 54,649 | 46,482 | 113,258 | 98,483 | 217,267 | 194,006 |
| Gathering revenue (per dth) | \$0.21 | \$0.20 | \$0.21 | \$0.20 | \$0.21 | \$0.18 |
| Wexpro investment base, net (million) | \$165.3 | \$160.3 | | | | |
| Marketing volumes (Mdthe) | 20,725 | 16,900 | 42,580 | 38,211 | 84,565 | 79,451 |

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QUESTAR PIPELINE

| | | | | | | |
|---|--------|--------|---------|---------|---------|---------|
| Natural gas transportation volumes (Mdth) | | | | | | |
| For unaffiliated customers | 55,250 | 61,880 | 108,984 | 127,396 | 233,253 | 264,227 |
| For Questar Gas | 22,592 | 26,188 | 72,468 | 65,720 | 112,468 | 100,145 |
| For other affiliated customers | 5,208 | 5,526 | 9,468 | 9,203 | 26,489 | 13,992 |
| Total transportation | 83,050 | 93,594 | 190,920 | 202,319 | 372,210 | 378,364 |
| Transportation revenue (per dth) | \$0.32 | \$0.27 | \$0.28 | \$0.25 | \$0.28 | \$0.27 |

QUESTAR GAS

| | | | | | | |
|---|---------|---------|--------|--------|---------|---------|
| Natural gas volumes (Mdth) | | | | | | |
| Residential and commercial sales | 11,633 | 12,999 | 53,317 | 48,467 | 89,243 | 85,118 |
| Industrial sales | 2,011 | 2,201 | 5,025 | 5,428 | 9,210 | 10,361 |
| Transportation for industrial customers | 8,208 | 9,421 | 18,146 | 18,973 | 37,514 | 43,741 |
| Total deliveries | 21,852 | 24,621 | 76,488 | 72,868 | 135,967 | 139,220 |
| Natural gas revenue (per dth) | | | | | | |
| Residential and commercial | \$7.29 | \$5.82 | \$6.90 | \$6.01 | \$7.05 | \$5.99 |
| Industrial sales | \$5.35 | \$4.23 | \$5.45 | \$4.27 | \$5.38 | \$3.94 |
| Transportation for industrial customers | \$0.19 | \$0.19 | \$0.19 | \$0.19 | \$0.18 | \$0.17 |
| Heating degree days | | | | | | |
| colder (warmer) than normal | (16%) | 1% | 7% | (9%) | 2% | (5%) |
| Temperature-adjusted usage per customer (dth) | 17.2 | 17.2 | 66.5 | 69.3 | 116.2 | 118.3 |
| Customers at June 30, | | | | | | |
| Residential and commercial | 770,472 | 748,512 | | | | |
| Industrial | 1,223 | 1,282 | | | | |
| Total | 771,695 | 749,794 | | | | |