September 16, 2005

Questar Corp

(STR-NYSE)

Natural Gas Pipelines

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Stock Rating: **Outperform**
Industry Rating: **Negative**

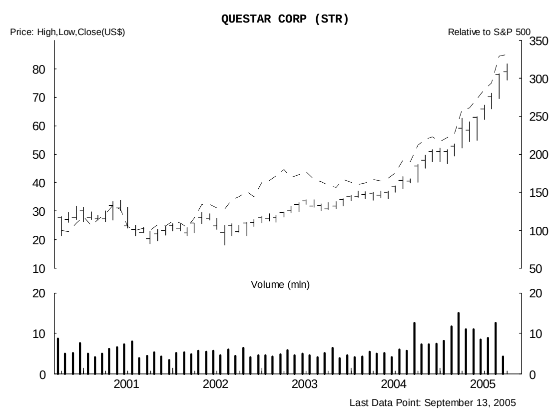
Securities Info

Price (14-Sep)	**$78.79**	**Target Price**	**$89 ↑**
52-Wk High/Low	$82/$40	Dividend	$0.90
Mkt Cap (mm)	$6,863	Yield	1.1%
Shs O/S (mm, BASIC)	87.1	Float O/S (mm)	83.7
Options O/S (mm)	na	Avg Daily Vol (000s)	469

Selected Bond Iss	**Ind Prc**	**Rat'g Mdys/S&P**	**YTW**	**Spread**
Questar Market 7.0 '0	103	Baa3 / BBB+	4.47%	62bp
Questar Market 7.5 '1	113	Baa3 / BBB+	4.83%	91bp

Bond data from Bloomberg.

Price Performance



Valuation/Financial Data

(FY-Dec.)	**2003A**	**2004A**	**2005E**	**2006E**
EPS Pro Forma	$2.13	$2.67	$3.50	$4.20↑
P/E			22.5x	18.8x
First Call Cons.			*$3.45*	*$4.08*
EPS GAAP	$2.13	$2.67	$3.50	$4.20
FCF	$1.32	$1.64	$0.94	$2.19↑
P/FCF			83.8x	36.0x
EBITDA ($mm)	$537	$637	$787	$912
EV/EBITDA			10.0x	8.6x
Rev. ($mm)	$1,463	$1,901	$2,424	$2,536
EV/Rev			3.2x	3.1x

Quarterly EPS	**1Q**	**2Q**	**3Q**	**4Q**
2004A	$0.89	$0.50	$0.43	$0.85
2005E	$1.10A	$0.70A	$0.65	$1.05

Balance Sheet Data (06/30/05)

Net Debt ($mm)	$969	TotalDebt/EBITDA	1.2x
Total Debt ($mm)	$969	EBITDA/IntExp	11.9x
Net Debt/Cap.	40.2%	Price/Book	4.5x

Raising Price Target to $89 and Pinedale Field Trip Takeaways

Event

Last week, Questar sponsored an analyst field trip to the Pinedale Anticline, one of the most prolific natural gas producing fields in the US.

Impact

We believe Questar's Pinedale operations remain in an excellent position to drive STR's earnings growth for the next several years. The company reported gas shows in its recently completed Rock Springs deep well, and we believe this should ultimately contribute to growing producing volumes within the next year. Questar could achieve efficiencies on the cost side beginning in 2006 as well, through the combination of lower drilling times, the implementation of a central processing facility, and the switch to a less expensive slickwater-based frac solution for completing future wells.

Forecasts

We are raising our 2006 EPS estimates to $4.20 from $4.00, and our 2007 EPS estimate to $4.60 from $4.27, primarily from an increase in our long-term commodity price deck.

Valuation

Our new $89 price target is based on our NAV analysis, which in turn is based on our higher long-term price deck, an assumed increase in probable and possible reserves in the Pinedale from the combination of 10-acre spacing and initial test results from its Rock Springs deep well, and slightly higher multiples for its midstream and natural gas utility businesses.

Recommendation

We are maintaining our **OUTPERFORM** rating.

Changes	**Annual EPS**	**Annual FCF**	**Target**
	2006E $4.00 to $4.20	2006E $1.94 to $2.19	$78.00 to $89.00

Please refer to pages 10 to 10 for Disclosure Statements, including the Analyst's Certification.

Summary

On September 8, Questar hosted an analyst field trip to its E&P operations in the Pinedale Anticline in Wyoming. After viewing the facilities and talking with management, we remain convinced that its operations in the Pinedale region are well positioned to drive Questar's earnings growth for the next several years. The company reported gas shows in its recently completed Rock Springs deep well, and we believe this should ultimately contribute to growing producing volumes within the next year. Questar could achieve efficiencies on the cost side beginning in earnest in 2006 as well, through the combination of lower drilling times, the implementation of a central processing facility, and the switch to a less expensive slickwater-based frac solution for completing future wells.

We are also increasing our EPS and cash flow targets for 2006 and 2007, and raising our overall price target to $90 from $78, largely from the increase in our commodity price forecast. Our higher price target also reflects an increase in probable and possible reserves from both the decision to move to 10-acre spacing in the Pinedale and the initial results from the Rock Springs deep well, and to slightly higher multiples applied to Questar's midstream and local distribution company businesses.

Key Takeaways from Pinedale Field Trip

No Change to 2005 Production Guidance

Management reiterated its 2005 production guidance of 112 to 114 Bcfe, as the company remains on track to complete 35 wells in the Pinedale Anticline before the end of the year. The guidance remains unchanged, even though the company is currently experiencing delays in completing its Hiawatha deep well #5 in the Vermillion basin because of coiled tubing that is lodged in the well. Questar estimates that it will resume its completion work on that well by the beginning of October.

Rock Springs Drilling Is Complete, But No Word On Production Capability Just Yet

Questar reached total depth of 19,520 feet on its Rock Springs deep well in the Pinedale Anticline in late August, and is now preparing to frac the well. Initial log analysis shows the presence of gas in the Rock Springs and Hilliard shale formations, enough to warrant further development of the well, but the company did warn that the reservoir quality of the well appears to be less favorable than the Lance Pool reserves that exist at depths of 13,000-14,200 feet. The company offered little in terms of the ultimate production capability of the well, since it is still in the processes of final well completion. The company plans to frac one layer of the well at a time before winter-drilling restrictions kick in on November 15, in hopes of generating enough consistent production to operate the well during the upcoming winter. However, given that complete test results may not be available until the end of 2006, we are making no changes to our production forecast at this time.

Continued Focus on Lowering Operating Costs

Questar is hoping to reduce its average drilling time for directional wells from its current level of 44 days, given that it was able to complete an individual directional well earlier this year in just 30 days. In addition, we believe the company should benefit from the following two initiatives:

1. Questar is on track to have a central on-site processing facility to remove water and condensate from the gas stream constructed by November 15. The key benefit Questar will receive from the facility, in our view, is that it will be able to recover natural gas vapor that had previously been lost in the atmosphere. We estimate this could lead to roughly $3 million in additional annual revenue, which translates to approximately $0.03 in annual EPS, given an assumed net realized price of $5.00 per Mcf. The company is also on track to place its $35 million water and condensate pipeline into service by November 15, which will eliminate the need to use tanker trucks. We believe the installation of this pipeline was the key reason why the Bureau of Land Management granted Questar limited year-round drilling on its federal acreage in the Pinedale.

2. We estimate the company could save an additional $13-$21 million in completion costs in 2006 (roughly $0.10-$0.16 per share), and possibly more than that in subsequent years, if it is able to successfully frac its new wells in the Pinedale with slickwater frac, versus the gel-based solution it currently uses. We further estimate that slickwater frac would save Questar approximately $300,000-$500,000 in materials costs per well. The company plans to frac several more wells this year using the slickwater solution, and if it is successful, it would be in a position to apply this technology to all wells thereafter.

Look For A Slight Increase in Future Drilling Risk

After talking to several members of management, we believe Questar will be willing to assume a moderately higher level of risk in its future drilling efforts, as it did in drilling the Rock Springs deep well in the Pinedale Anticline. However, we expect any such riskier wells would be limited to its existing acreage, and to geology that is similar to its existing producing plays, rather than from pure “wildcatting” efforts in unfamiliar fields. Overall, we believe the company remains very averse to risk, and is still influenced by the memory of a $17 million dry hole the company took from a significantly riskier drilling effort in the mid-1980s.

Increasing Our Estimates

We are making no change to our 2005 estimates at this time, since we already adjusted our 2005 estimates for higher commodity prices following Questar's 2Q05 earnings conference call in late July. However, we are increasing our 2006 EPS estimate to $4.20 versus our prior estimate of $4.00 per share, and raising our free-cash-flow-per-share estimate to $2.19 from $1.94. We are also raising our 2007 EPS estimate to $4.60 from $4.27, and our free cash flow per share estimate to $2.70 from $2.29. Our higher estimates are primarily based on the higher commodity-price forecast (Exhibit 1) that was recently published by Ray Deacon, our E&P analyst, along with the annual $0.03 effect on EPS we expect Questar to achieve from its new central-processing facility in the Pinedale that we described previously. Overall, we now expect Questar to realize net natural-gas prices of $5.89 in 2006, and $5.96 in 2007, versus our previous estimates of $5.67 for both years. In addition, we now forecast Questar will achieve net oil and condensate prices of $48.68 in 2006, up from our prior estimate of $46.53, and a 2007 price of $49.65, up from $46.89.

Exhibit 1: Revised Harris Nesbitt Commodity Price Forecast

	Henry Hub Natural Gas ($/Mmbtu)				West Texas Intermediate Crude Oil ($/bbl)		
	New Price	Old Price	% Change		New Price	Old Price	% Change
2005	$7.70	$6.90	12%		$57.00	$51.00	12%
2006	$7.60	$7.25	5%		$55.00	$50.00	10%
2007*	$6.90	N/A	N/A		$50.00	N/A	N/A
2008-2010	$6.40	$6.25	2%		$45.00	$42.00	7%

Source: Harris Nesbitt estimates

*Our 2007 forecast was originally included in a combined 2007-2009 projection.

Valuation: Raising Our Price Target to $89

We are also increasing our price target to $89, up from our previous target of $78, based on our revised net asset value analysis (Figure 2). Our new NAV analysis is based on the following four changes: 1) the increase in our long-term price deck, which we detail in Exhibit 1 above, 2) the 319 Bcfe increase in probable and possible net reserves Questar added when it announced it received approval for limited 10-acre spacing in the Pinedale on August 9 (we have risked those reserves at 50%), 3) an assumed increase of 853 Bcfe of possible reserves from the Rock

Springs deep well, given the early test results from the drill logs; we have risked these reserves at 30%, and finally 4) a slight increase in our applied EBITDA multiples for Questar's midstream- and regulated-natural-gas-utility businesses, in order to better reflect the higher multiples at which M&A transactions in these areas have traded thus far in 2005. We are now applying respective EBITDA multiples of 9.5x and 8.0x to our estimated 2005 EBITDA figures for Questar's midstream- and local-distribution company businesses, versus our previous multiples of 8.5x and 7.5x.

Exhibit 2: Net Asset Value Analysis

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Questar Corporation
Asset Valuation
Last Updated 9/12/05

(Amounts in millions, except per share values)

	Percent Developed	Quantity	$ Per	Value	Total	Per Share
Company						
Liquids (MMBbls)	78%	27	$19.23	$523.1		$6.01
Gas (Bcf)	54%	1,271	1.91	2,431.2		27.91
Questar Pipeline @ 11x 2005 EBITDA				1,129.7		12.97
Other Midstream @ 9.5x 2005 EBITDA				609.9		7.00
Questar Gas @ 8x 2005 EBITDA				1,052.8		12.09
Wexpro Proved Reserves 560 Bcfe Risked @ 0%		560	$1.60	$896.0		10.29
Pinedale Probables & Possibles risked @ 50%		484	$0.90	$435.6		5.00
Uinta Probables risked @ 50%		330	$0.85	$280.1		3.22
Legacy Rocky Mountain Probables risked @ 50%		864	$0.90	$777.5		8.93
Midcontinent Probables risked @ 50%		28	$0.60	$17.0		0.20
Rock Springs (Pinedale Deep Well) Petroleum Resources risked @ 30%		256	$0.90	$230.3		2.64
Total Company					**$8,383.2**	**$96.25**
Total Oil and Gas					**$5,590.8**	**$64.19**
Total Oil and Gas Ex-Probables and Possibles and Wexpro					**2,954.2**	**33.92**
SEC PV-10 (1)					**1,760.5**	

Balance Sheet Data:	**Jun 30, 2005**	**Per Share**
Other PP&E (net)	$175.0	$2.01
Working Capital	$ 36.2	0.42
Other Assets and Liabilities (net)	(15.8)	(0.18)
Long-Term Debt and Preferred Stock	(933.2)	(10.71)
	($737.8)	**($8.47)**
Shares Exercisable at 12/31/04	3.34	
Average Weighted Exercise Price	$23.39	
Assumed Conversion of Stock Options	$78.1	$0.90
Total Asset Valuation	**$7,723.5**	**$88.67**
Fully Diluted Shares Outstanding (2)		87.1
Asset Value - $/Share		**$88.70**
Ex-Probables and Possibles Asset Value - $/Share		**$58.43**

NOTES:
(1) Based on $40.60/Bbl and $5.50/MMBtu year end prices.
(2) Weighted average (not adjusted) diluted shares outstanding at June 30, 2005.

Source: Company documents, Harris Nesbitt estimates

Risks To Our Price Target

Our new $89 price target would be at risk if the Questar does not grow its overall production at the rate at which we are forecasting, if its recently completed Rock Springs deep well on the Pinedale Anticline proves to be significantly less prolific than we estimate, and if natural gas and crude oil prices drop precipitously.

Questar Pro forma Quarterly Income Statement (2004-2007E)
(Fiscal Year Ends December)

(Thousands, except per-share data)

		2005E					2006E					2007E				
	2004E	Mar 1QA	Jun 2QA	Sep 3QE	Dec 4QE	2005E	Mar 1QE	Jun 2QE	Sep 3QE	Dec 4QE	2006E	Mar 1QE	Jun 2QE	Sep 3QE	Dec 4QE	2007E
Revenues	**$ 1,901,431**	**$ 680,324**	**$ 520,209**	**$ 512,807**	**$ 711,154**	**$ 2,424,494**	**$ 759,118**	**$ 530,017**	**$ 509,820**	**$ 737,409**	**$ 2,536,364**	**$ 763,425**	**$ 532,849**	**$ 518,328**	**$ 769,854**	**$ 2,584,456**
Cost of goods sold	840,544	342,786	234,127	232,740	358,059	1,167,712	362,734	211,744	198,723	345,360	1,118,561	354,482	207,149	193,608	331,607	1,086,847
Gross profit	**1,060,887**	**337,538**	**286,082**	**280,067**	**353,095**	**1,256,781**	**396,383**	**318,273**	**311,097**	**392,049**	**1,417,803**	**408,943**	**325,699**	**324,720**	**438,247**	**1,497,610**
Operating & Maintenance	309,090	85,849	84,409	82,859	90,538	343,654	94,817	88,591	84,555	94,115	362,078	98,716	92,537	89,829	101,097	382,179
Depreciation, Depletion, & Amortization	216,175	58,825	59,807	62,802	66,088	247,522	65,681	65,806	67,553	70,589	269,629	69,122	68,562	70,912	74,289	282,885
Distribution Rate Refund Obligation	4,090	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exploration	9,239	1,373	5,476	2,360	2,557	11,766	2,912	2,689	2,781	3,003	11,385	3,224	2,824	2,967	3,286	12,301
Abandoment & Impairment of Gas, Oil, & Properties	15,758	1,405	1,493	1,573	1,705	6,176	1,941	1,793	1,854	2,002	7,590	2,149	1,882	1,978	2,191	8,201
Production & Other Taxes	90,948	26,385	26,250	27,966	34,103	114,704	38,319	29,068	28,602	36,147	132,135	36,906	28,314	28,142	36,428	129,789
Operating Income	**415,587**	**163,701**	**108,647**	**102,506**	**158,105**	**532,959**	**192,714**	**130,327**	**125,753**	**186,193**	**634,986**	**198,827**	**131,580**	**130,891**	**220,957**	**682,255**
Int. Inc. (exp.) and other, net	(56,706)	(12,525)	(12,046)	(12,075)	(12,075)	(48,721)	(12,050)	(12,025)	(12,000)	(11,975)	(48,050)	(8,425)	(8,375)	(8,325)	(8,275)	(33,400)
Pretax income	**358,881**	**151,176**	**96,601**	**90,431**	**146,030**	**484,238**	**180,664**	**118,302**	**113,753**	**174,218**	**586,936**	**190,402**	**123,205**	**122,566**	**212,682**	**648,855**
Provision (benefit) for inc. tax	129,580	56,005	35,874	33,460	54,031	179,370	66,846	43,772	42,089	64,461	217,166	70,449	45,586	45,350	78,692	240,076
Net income from continuing ops	**$ 229,301**	**$ 95,171**	**$ 60,727**	**$ 56,972**	**$ 91,999**	**$ 304,868**	**$ 113,818**	**$ 74,530**	**$ 71,664**	**$ 109,757**	**$ 369,770**	**$ 119,953**	**$ 77,619**	**$ 77,217**	**$ 133,989**	**$ 408,779**
Net income (GAAP) from continuing ops	**$ 229,301**	**$ 95,171**	**$ 60,727**	**$ 56,972**	**$ 91,999**	**$ 304,868**	**$ 113,818**	**$ 74,530**	**$ 71,664**	**$ 109,757**	**$ 369,770**	**$ 119,953**	**$ 77,619**	**$ 77,217**	**$ 133,989**	**$ 408,779**
Net income (loss) from discontinued ops																
Income (loss) before cumulative effect from acct change	229,301	95,171	60,727	56,972	91,999	304,868	113,818	74,530	71,664	109,757	369,770	119,953	77,619	77,217	133,989	408,779
Cumulative effect from accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	**$ 229,301**	**$ 95,171**	**$ 60,727**	**$ 56,972**	**$ 91,999**	**$ 304,868**	**$ 113,818**	**$ 74,530**	**$ 71,664**	**$ 109,757**	**$ 369,770**	**$ 119,953**	**$ 77,619**	**$ 77,217**	**$ 133,989**	**$ 408,779**
Preferred Stock Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income applicable to common shareholders	**$ 229,301**	**$ 95,171**	**$ 60,727**	**$ 56,972**	**$ 91,999**	**$ 304,868**	**$ 113,818**	**$ 74,530**	**$ 71,664**	**$ 109,757**	**$ 369,770**	**$ 119,953**	**$ 77,619**	**$ 77,217**	**$ 133,989**	**$ 408,779**
EPS (Diluted)	**$ 2.67**	**$ 1.10**	**$ 0.70**	**$ 0.65**	**$ 1.05**	**$ 3.50**	**$ 1.30**	**$ 0.85**	**$ 0.81**	**$ 1.24**	**$ 4.20**	**$ 1.35**	**$ 0.87**	**$ 0.87**	**$ 1.50**	**$ 4.60**
EPS (Diluted) (GAAP)	**$ 2.67**	**$ 1.10**	**$ 0.70**	**$ 0.65**	**$ 1.05**	**$ 3.50**	**$ 1.30**	**$ 0.85**	**$ 0.81**	**$ 1.24**	**$ 4.20**	**$ 1.35**	**$ 0.87**	**$ 0.87**	**$ 1.50**	**$ 4.60**
Diluted shares	85,723	86,728	87,051	87,269	87,487	87,134	87,706	87,925	88,145	88,365	88,035	88,586	88,807	89,029	89,252	88,919
Dividend Per Share - Common	0.85	$ 0.215	$ 0.225	$ 0.225	$ 0.225	0.89	$ 0.230	$ 0.230	$ 0.230	$ 0.230	0.92	$ 0.250	$ 0.250	$ 0.250	$ 0.250	1.00
Margin Analysis																
Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross margin	**55.8%**	**49.6%**	**55.0%**	**54.6%**	**49.7%**	**51.8%**	**52.2%**	**60.0%**	**61.0%**	**53.2%**	**55.9%**	**53.6%**	**61.1%**	**62.6%**	**56.9%**	**57.9%**
Operating & Maintenance	16.3%	12.6%	16.2%	16.2%	12.7%	14.2%	12.5%	16.7%	16.6%	12.8%	14.3%	12.9%	17.4%	17.3%	13.1%	14.8%
D,D,&A	11.4%	8.6%	11.5%	12.2%	9.3%	10.2%	8.7%	12.4%	13.3%	9.6%	10.6%	9.1%	12.9%	13.7%	9.6%	10.9%
Distribution Rate Refund Obligation	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Exploration	0.5%	0.2%	1.1%	0.5%	0.4%	0.5%	0.4%	0.5%	0.5%	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%	0.5%
Abandoment & Impairment of Gas, Oil, & Properties	0.8%	0.2%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%
Production & Other Taxes	4.8%	3.9%	5.0%	5.5%	4.8%	4.7%	5.0%	5.5%	5.6%	4.9%	5.2%	4.8%	5.3%	5.4%	4.7%	5.0%
Operating margin	**21.9%**	**24.1%**	**20.9%**	**20.0%**	**22.2%**	**22.0%**	**25.4%**	**24.6%**	**24.7%**	**25.2%**	**25.0%**	**26.0%**	**24.7%**	**25.3%**	**28.7%**	**26.4%**
Pretax margin	**18.9%**	**22.2%**	**18.6%**	**17.6%**	**20.5%**	**20.0%**	**23.8%**	**22.3%**	**22.3%**	**23.6%**	**23.1%**	**24.9%**	**23.1%**	**23.6%**	**27.6%**	**25.1%**
Tax rate	36.1%	37.0%	37.1%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%
Net margin	12.1%	14.0%	11.7%	11.1%	12.9%	12.6%	15.0%	14.1%	14.1%	14.9%	14.6%	15.7%	14.6%	14.9%	17.4%	15.8%
Percentage Change - Q/Q																
Revenue	***30%***	***12%***	***-24%***	***-1%***	***39%***	***28%***	***7%***	***-30%***	***-4%***	***45%***	***5%***	***4%***	***-30%***	***-3%***	***49%***	***2%***
Gross Profit	15%	14%	-15%	-2%	26%	18%	12%	-20%	-2%	26%	13%	4%	-20%	0%	35%	6%
Operating & Maintenance	9%	7%	-2%	-2%	9%	11%	5%	-7%	-5%	11%	5%	5%	-6%	-3%	13%	6%
Depreciation, Depletion, & Amortization	12%	5%	2%	5%	5%	15%	-1%	0%	3%	4%	9%	-2%	-1%	3%	5%	5%
Exploration	105%	-75%	299%	-57%	8%	27%	14%	-8%	3%	8%	-3%	7%	-12%	5%	11%	8%
Abandoment & Impairment of Gas, Oil, & Properties	280%	-77%	6%	5%	8%	-61%	14%	-8%	3%	8%	23%	7%	-12%	5%	11%	8%
Production & Other Taxes	29%	13%	-1%	7%	22%	26%	12%	-24%	-2%	26%	15%	2%	-23%	-1%	29%	-2%
Operating income	**22%**	**31%**	**-34%**	**-6%**	**54%**	**28%**	**22%**	**-32%**	**-4%**	**48%**	**19%**	**7%**	**-34%**	**-1%**	**69%**	**7%**
Pretax income	**27%**	**36%**	**-36%**	**-6%**	**61%**	**35%**	**24%**	**-35%**	**-4%**	**53%**	**21%**	**9%**	**-35%**	**-1%**	**74%**	**11%**
Net income	**28%**	**29%**	**-36%**	**-6%**	**61%**	**33%**	**24%**	**-35%**	**-4%**	**53%**	**21%**	**9%**	**-35%**	**-1%**	**74%**	**11%**
EPS (Diluted)	**26%**	**29%**	**-36%**	**-6%**	**61%**	**31%**	**23%**	**-35%**	**-4%**	**53%**	**20%**	**9%**	**-35%**	**-1%**	**73%**	**9%**
Percentage Change - Y/Y																
Revenue	***30%***	***21%***	***41%***	***42%***	***17%***	***28%***	***12%***	***2%***	***-1%***	***4%***	***5%***	***1%***	***1%***	***2%***	***4%***	***2%***
Gross Profit	15%	14%	18%	24%	19%	18%	17%	11%	11%	11%	13%	3%	2%	4%	12%	6%
Operating & Maintenance	9%	9%	10%	11%	13%	11%	10%	5%	2%	4%	5%	4%	4%	6%	7%	6%
Depreciation, Depletion, & Amortization	12%	13%	8%	19%	18%	15%	12%	10%	8%	7%	9%	5%	4%	5%	5%	5%
Exploration	105%	26%	333%	75%	-54%	27%	112%	-51%	18%	17%	-3%	11%	5%	7%	9%	8%
Abandoment & Impairment of Gas, Oil, & Properties	280%	-68%	-35%	-45%	-73%	-61%	38%	20%	18%	17%	23%	11%	5%	7%	9%	8%
Production & Other Taxes	29%	15%	16%	27%	46%	26%	45%	11%	2%	6%	15%	-4%	-3%	-2%	1%	-2%
Operating income	**22%**	**20%**	**32%**	**43%**	**27%**	**28%**	**18%**	**20%**	**23%**	**18%**	**19%**	**3%**	**1%**	**4%**	**19%**	**7%**
Pretax income	**27%**	**24%**	**42%**	**56%**	**32%**	**35%**	**20%**	**22%**	**26%**	**19%**	**21%**	**5%**	**4%**	**8%**	**22%**	**11%**
Net income	**28%**	**25%**	**43%**	**54%**	**25%**	**33%**	**20%**	**23%**	**26%**	**19%**	**21%**	**5%**	**4%**	**8%**	**22%**	**11%**
EPS (Diluted)	**26%**	**23%**	**40%**	**52%**	**23%**	**31%**	**18%**	**22%**	**25%**	**18%**	**20%**	**4%**	**3%**	**7%**	**21%**	**9%**

N.A. - Not Applicable. N.M. - Not Meaningful.
Source: Harris Nesbitt and corporate reports.

Date Published 9/14/2005

KEY ASSUMPTIONS

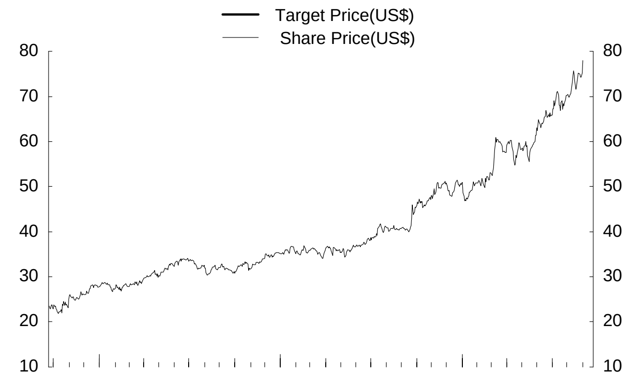
	2004	1Q	2Q	3Q	4Q	2005E	1Q	2Q	3Q	4Q	2006E	1Q	2Q	3Q	4Q	2007E
Production by Region (Bcfe)																
Pinedale	23.6	7.5	6.5	7.0	7.7	28.7	7.6	7.2	7.9	9.5	32.2	9.0	8.6	9.4	11.3	38.3
Uinta	24.8	5.7	6.9	7.5	8.0	28.1	7.7	7.8	7.8	7.9	31.2	7.5	7.6	7.7	7.8	30.5
Legacy Rockies	17.9	4.1	4.1	4.3	4.6	17.2	4.4	4.5	4.5	4.6	18.0	4.6	4.6	4.8	4.8	18.7
Midcontinent	37.2	9.0	9.4	10.0	10.6	38.9	10.1	10.2	10.3	10.5	41.1	10.4	10.4	10.9	11.5	43.1
Total Production	103.5	26.3	26.9	28.8	30.9	112.9	29.7	29.6	30.6	32.5	122.5	31.5	31.1	32.8	35.3	130.7
	0.23															
Q/Q Change in Production																
Pinedale	52%	0%	-13%	8%	10%	22%	-2%	-5%	10%	20%	12%	-5%	-5%	10%	20%	19%
Unita	-14%	-5%	21%	8%	8%	13%	-5%	1%	1%	1%	11%	-5%	1%	1%	1%	-2%
Legacy Rockies	8%	-9%	0%	6%	6%	-4%	-5%	2%	2%	2%	5%	-1%	0%	5%	0%	4%
Midcontinent	16%	-6%	4%	6%	6%	5%	-5%	1%	2%	2%	6%	-1%	0%	5%	5%	5%
TOTAL	**11%**	**-5%**	**2%**	**7%**	**7%**	**9%**	**-74%**	**0%**	**3%**	**6%**	**8%**	**-74%**	**-1%**	**5%**	**8%**	**7%**
Y/Y Change in Production																
Pinedale	52%	23%	33%	38%	3%	22%	1%	11%	13%	23%	12%	19%	19%	19%	19%	19%
Unita	-14%	-10%	13%	16%	34%	13%	35%	13%	5%	-2%	11%	-2%	-2%	-2%	-2%	-2%
Legacy Rockies	8%	-7%	-13%	1%	2%	-4%	7%	9%	4%	0%	5%	4%	2%	6%	4%	4%
Midcontinent	16%	5%	-1%	5%	10%	5%	12%	8%	4%	-1%	6%	3%	2%	6%	9%	5%
TOTAL	**11%**	**4%**	**7%**	**14%**	**12%**	**9%**	**13%**	**10%**	**6%**	**5%**	**8%**	**6%**	**5%**	**7%**	**9%**	**7%**
Non-regulated sales price to the wellhead (including hedges)																
Average realized sales price nat gas (per Mcf)	$ 4.17	$ 4.76	$ 4.82	$ 5.19	$ 5.28	$ 5.01	$ 6.26	$ 5.72	$ 5.72	$ 5.86	$ 5.89	$ 6.56	$ 5.68	$ 5.69	$ 5.91	$ 5.96
Average realized sales price oil & NGL (per bbl)	$ 30.98	$ 38.74	$ 40.02	$ 43.72	$ 42.49	$ 41.24	$ 49.04	$ 48.86	$ 48.63	$ 48.18	$ 48.68	$ 50.72	$ 50.14	$ 49.18	$ 48.57	$ 49.65

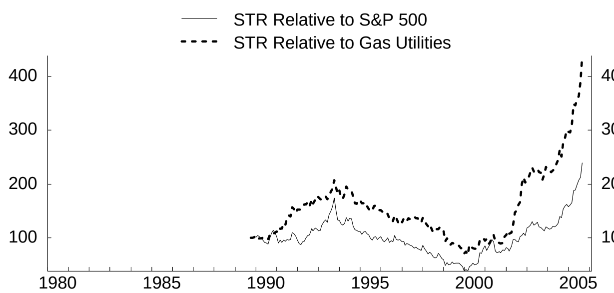
Questar Consolidated Free Cash Flows 2002-2007E
($ Millions)

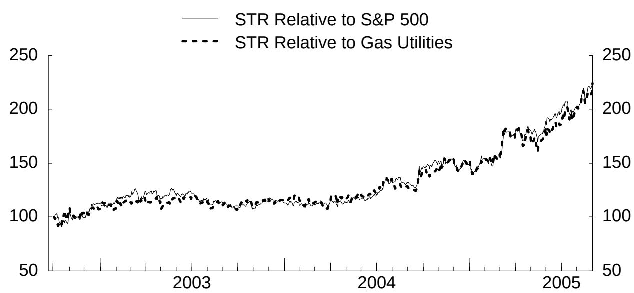
	2002	2003	2004	2005E	2006E	2007E
Net Income from continuing ops	155,596	173,616	229,301	304,868	369,770	408,779
Depreciation, Depletion, & Amortization	194,369	201,809	225,879	250,400	269,629	282,885
Changes in Working Capital	48,734	(23,891)	(1,536)	17,225	14,034	(31,017)
Other	66,025	94,916	128,238	110,892	129,120	169,160
Cash Flow From Operations	**$ 464,724**	**$ 446,450**	**$ 581,882**	**$ 683,386**	**$ 782,553**	**$ 829,806**
Capital Expenditures	(357,800)	(335,416)	(441,483)	(601,059)	(590,000)	(590,000)
"Free" Cash Flow From Operations	**$ 106,924**	**$ 111,034**	**$ 140,399**	**$ 82,327**	**$ 192,553**	**$ 239,806**
Dividends Paid	(59,302)	(64,538)	(71,363)	(75,626)	(78,967)	(86,696)
Acquisitions, Net of Cash	-	-	-	-	-	-
Dispositions/Other	280,645	10,975	6,121	32,072	1,838	2,271
Debt Increases (Payments), Net	(335,366)	(83,490)	(109,493)	(31,005)	-	(100,000)
Stock Issuance (Repurchase), Net	10,328	18,393	24,367	5,664	-	-
Other, Net	7,110	(110)	(255)	-	-	-
Operating Cash Flow per share	**$ 5.64**	**$ 5.30**	**$ 6.79**	**$ 7.84**	**$ 8.89**	**$ 9.33**
"Free" Cash Flow per share	**$ 1.30**	**$ 1.32**	**$ 1.64**	**$ 0.94**	**$ 2.19**	**$ 2.70**

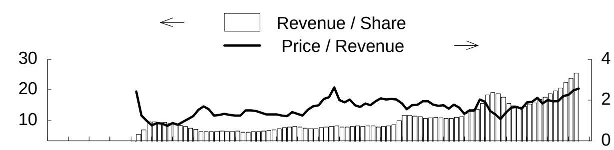
Source: Harris Nesbitt estimates and corporate reports.

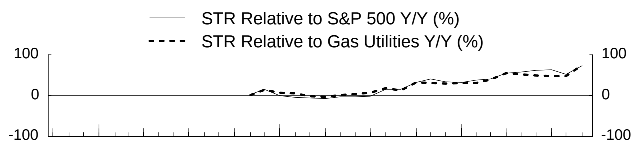
QUESTAR CORP (STR)

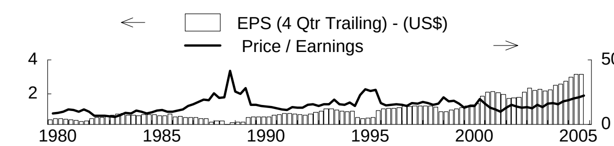












FYE (Dec.)	EPS US$	P/E	DPS US$	Yield %	Payout %	BV US$	P/B	ROE %
1980	0.51	12	0.00	0.0	0	ND	nm	nm
1981	0.40	10	0.00	0.0	0	ND	nm	nm
1982	0.70	6	0.00	0.0	0	ND	nm	nm
1983	0.76	9	0.00	0.0	0	ND	nm	nm
1984	0.79	9	0.00	0.0	0	5.47	1.4	nm
1985	0.80	10	0.00	0.0	0	5.80	1.4	14
1986	0.60	16	0.00	0.0	0	5.93	1.6	10
1987	0.33	24	0.00	0.0	0	6.12	1.3	6
1988	0.32	25	0.00	0.0	0	5.94	1.4	5
1989	0.64	15	0.00	0.0	0	5.77	1.7	11
1990	0.73	12	0.00	0.0	0	5.98	1.5	12
1991	0.82	13	0.00	0.0	0	6.39	1.7	13
1992	0.93	14	0.00	0.0	0	6.96	1.9	14
1993	1.05	16	0.55	3.3	52	7.49	2.2	15
1994	0.61	23	0.57	4.1	94	8.08	1.7	8
1995	1.03	16	0.59	3.5	58	8.76	1.9	12
1996	1.20	15	0.61	3.3	51	9.41	2.0	13
1997	1.28	18	0.63	2.8	49	10.30	2.2	13
1998	0.93	21	0.66	3.4	71	10.62	1.8	9
1999	1.17	13	0.68	4.5	58	11.37	1.3	11
2000	1.86	16	0.70	2.3	38	11.79	2.6	16
2001	1.95	13	0.72	2.9	37	13.26	1.9	16
2002	2.09	13	0.74	2.7	35	13.88	2.0	15
2003	2.17	16	0.82	2.3	38	15.15	2.3	15
2004	2.74	19	0.86	1.7	31	17.05	3.0	17
Current*	3.16	22	0.90	1.3	28	16.60	4.2	20
Average:		15		1.5	26		1.8	12.2
Growth(%):								
5 Year:	18.5		5.8			6.8		
10 Year:	18.9		4.7			6.8		
20 Year:	7.8		nm			5.6		

* Current EPS is the 4 Quarter Trailing to Q2/2005.

STR - Rating as of 31-Dec-04 = NR

Last Daily Data Point: August 31, 2005

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Harris Nesbitt has undertaken an underwriting liability with respect to this company within the past 12 months: No

Harris Nesbitt has provided investment banking services with respect to the company within the past 12 months: No

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Harris Nesbitt or its affiliates makes a market in the security: No

Harris Nesbitt or its affiliates managed or co-managed a public offering of securities of the company in the past twelve months: No

Harris Nesbitt or its affiliates received compensation for investment banking services from the company in the past twelve months: No

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A member of the Board of Directors of Bank of Montreal is also a member of the Board of Directors or is an officer of this company: No

Analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

A household member of the research analyst and/or associate who prepared this report is a member of the Board of Directors of this company or an advisor or officer of this company: No

Analyst or associate who prepared this report or member of household of analyst or associate owns shares: No

Analyst or associate who prepared this report or member of household of analyst or associate owns warrants/options: No

Harris Nesbitt or its affiliates expects to receive or intends to seek compensation for investment banking services from the company in the next three months: No

Analyst received compensation from the company in the past year: No

Harris Nesbitt or its affiliates received compensation for products or services other than Investment Banking Services from the company in the past 12 months: Yes

Breakdown of Rating Distribution and Banking Clients

(As of June 30, 2005)	**Buy**	**Hold**	**Sell**	**Unrated**
% of total Harris Nesbitt coverage within rating category	37.9%	55.6%	6.5%	0.0%
% of stocks within rating category for which the Firm provided banking services over the past 12 months	8.1%	7.6%	0.0%	0.0%

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Our investment ratings compare a stock’s expected performance to that of an index of comparable companies over a 9-15 month horizon. Our sector ratings are based on the expected performance of sector with that of a broader market index over the same time period.

STOCK RATINGS
OUTPERFORM - We believe the stock’s total return, including dividends, will exceed the group average by over 15%.
NEUTRAL - We believe the stock’s total return will generally match the group average.
UNDERPERFORM - We believe the stock’s total return will fall short of the group average by more than 15%.

SECTOR RATINGS
POSITIVE - We believe the sector will outperform the S&P 500 Index.

NEGATIVE - We believe the sector will underperform the S&P 500 Index.

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Outperform - We believe the company's business model and prospects are solid, and we expect the stock will outperform the market. However, we see upside of less than 20% relative to the market or are somewhat concerned about near-term performance.
Neutral - We don't have a strong opinion about which way the stock price will move, but expect it to rise or fall less than 10% relative to the market. Our analysis suggests a value reasonably close to the current price.
Underperform - We believe the stock may be well ahead of itself or we are sufficiently concerned about results that we cannot justify the current valuation. We believe the stock may underperform the market by as much as 20%.
Sell - We expect the stock to underperform the market by at least 20% and see no reason to own the stock.

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