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CORPORATE PARTICIPANTS

Steve Parks
Questar Corp. - CFO

Keith Rattie
Questar Corp. - Chairman, CEO

Chuck Stanley
Questar Corp. - President and CEO of Questar Market Resources

Alan Allred
Questar Corp. - president and CEO of Questar Gas

Allan Bradley
Questar Corp. - President and CEO of Questar Pipeline

CONFERENCE CALL PARTICIPANTS

Shneur Gershuni
UBS - Analyst

Carl Kirst
Credit Suisse - Analyst

Brian Singer
Goldman Sachs - Analyst

Carol Coale
Sanders Morris Harris - Analyst

Joe Magner
Tristone - Analyst

Faisel Khan
Citi - Analyst

Richard Tullis
Capital One - Analyst

PRESENTATION

Operator

Good morning. My name is Tara and I will be your conference operator today. At this time I would like to welcome everyone to the Questar Corporation third quarter earnings conference call. (OPERATOR INSTRUCTIONS). I would now like to turn the call over to our host, Mr. Steve Parks, Chief Financial Officer. Sir, you may begin your conference.

Steve Parks - *Questar Corp. - CFO*

Good morning and welcome to Questar Corporation's third quarter 2007 conference call. I will briefly summarize our first nine months results this morning and then turn the microphone over to Keith Rattie, our chairman and CEO, for some additional color. Keith will also review initial earnings guidance for 2008. After Keith we will invite your questions.

Other members of Questar's management team are here to answer your questions today, including Chuck Stanley, president and CEO of Questar Market Resources; Allan Bradley, president and CEO of Questar Pipeline; and Alan Allred, president and CEO of Questar Gas.

Our remarks this morning will contain forward-looking statements about the future operations and expectations of Questar Corporation. We make these statements in good faith. We believe they are reasonable representations of the company's expected performance at this time, but actual results of course may vary significantly from our current expectations and projections due to a variety of factors that are described in our Form 10-K filing with the SEC.

Now here is a summary of our first nine months 2007 results. Questar grew net income 17% in the first nine months to $376.6 million or $2.14 per diluted share compared with $322.6 million or $1.84 per share a year ago. With nine months behind us we now expect 2007 net income to range from $2.75 to $2.80 per diluted share compared to prior guidance of $2.60 to $2.68.

Our Market Resources subsidiary grew net income 20% to $320.3 million in the first nine months of 2007. All four Market Resources segments, including Questar E&P, Wexpro, Gas Management and Energy Trading delivered double-digit net income growth or better in the first nine months.

Questar E&P grew net income 14% to $220.3 million, including $8.9 million of net mark-to-market gains on NYMEX Rockies natural gas basis swaps. Gas basis swaps reduced net income $6.7 million a year ago. Questar E&P grew production 7% to 104.3 Bcfe. Questar E&P's cost structure increased 15%, while realized prices for natural gas, crude oil and NGL increased 7%. Questar E&P recognized $24.5 million of pre-tax gains on asset sales in the third quarter of 2006.

Wexpro grew net income 20%, driven by a 27% increase in investment base over the past 12 months. Gas Management grew net income 31%, driven by higher gathering volumes. Energy Trading more than doubled net income, driven by higher trading and processing margins. Questar Pipeline, our interstate pipeline and storage business, earned $33.2 million in the first nine months of 2007, down 2% from 2006. Increased transportation and gas-liquids processing revenues were more than offset by a decline in liquid-sales revenues and higher operating expenses in the nine-month period.

Questar Gas, our retail gas distribution utility, reported first-nine-months 2007 net income of $19.5 million, the same as a year ago. Questar Gas now serves about 861,000 homes and businesses, up 3.1% from a year ago.

For more details on the first nine months you can get a copy of our earnings release and the latest version of our Investor Relations presentation on our Web site at www.questar.com. Now I will turn the microphone over to Keith Rattie, Questar chairman and CEO.

Keith Rattie - *Questar Corp. - Chairman, CEO*

Good morning everyone. I'm going to try to add some color on our third quarter and nine-month results. Then I'll turn to our outlook for '08 and beyond. Earlier this week we reviewed our 2008 and five-year plans with the Questar board of directors. I will try to give you a flavor for what we told our board.

Steve highlighted we have raised our 2007 net income guidance. We've also bumped the low end and narrowed Questar E&P's 2007 production guidance. And we did so even though we have shut in about 5.4 billion cubic feet equivalent through the third quarter of this year due to extreme low natural gas prices in the Rockies. Please note we still have gas shut-in in the Rockies and may not bring all of it back on until December.

In our release we have also provided initial 2008 net income and production guidance. More on that in a moment. But the bottom line on our third quarter and year-to-date results is that Questar got through a summer of low prices in the Rockies in pretty good shape for four reasons.

First, we have stuck to the hedging discipline we imposed on ourselves back in 2002. In the first nine months of 2007 natural gas hedges increased Questar E&P pre-tax income by about $174 million. And we have hedges in place for the remainder of 2007, 2008, 2009 and 2010. Those are summarized in our release. They're solidly in the money overall.

A reminder, we hedged Questar E&P production in a process analogous to dollar-cost averaging when prices are at levels that allow us to lock in margins and returns above our cost of capital. In short, we hedge to reduce risk, not to time the market.

Second, we're not just a Rockies producer. Over one-third of Questar E&P production came from our Midcontinent. Our Midcontinent team grew production 6% in the first nine months of 2007 -- that is above plan -- done with mature assets and on the heels of 21% growth in 2006.

Third, we are deploying more capital in both Wexpro and Gas Management where returns are less sensitive to short-term fluctuations in commodity prices. Our year-to-date results bear that out. Wexpro and Gas Management net income were up 20% and 31%, respectively, compared to a year ago. Fourth, income from our regulated businesses is not sensitive to commodity prices.

Those of you who monitor the daily price of gas at Opal in the Rockies in western Wyoming know that spot prices in the Rockies this summer have been below $1 at times. We don't think it is smart to sell gas below cost, so Questar E&P shut in Rockies production that isn't protected with fixed-price swaps, basis-only hedges, firm transportation out of the Rockies or storage.

Curtailments reduced third quarter production volumes in all three Rockies divisions, Pinedale, Legacy and Uinta. But note the net income contribution from Energy Trading, our marketing shop, was able to capitalize on strong storage margins by buying low-priced gas and selling forward into the higher winter market.

Now Rockies prices will recover once the Rockies Express Pipeline, REX, goes into service early next year. We don't expect a delay, but if REX startup is delayed for any reason, it won't have much impact on Questar E&P net income in 2008. That is because we have hedged about 75% of our '08 production. And note at average net-to-the-well prices higher than what we expect to realize in 2007.

But the basis blowout in the Rockies, the blowout of 2007, should serve as a wake-up call that spurs development of the next major Rockies export pipeline. I will comment on that further in a moment.

Perhaps the most important development since our last call is the BLM delay of the Record of Decision, or the ROD, on the Pinedale Supplemental Environmental Impact Statement, the SEIS. The BLM announced that they will issue a new draft SEIS in November, with the ROD to follow by the second quarter of next year. Obviously we were disappointed with the delay, but we now think the BLM made the right call to rewrite the SEIS, incorporate public and cooperating agency comments on the first draft, and then go back out for more public comment before finalizing a decision. We remain confident that the BLM will issue a favorable ROD on the SEIS. That is simply because this project deserves to be embraced as a model for responsible development on public lands in the Rockies.

This is the point in the call where I normally give you an update on Uinta Basin, Vermillion and other major projects. I will do that this morning, but I'm going to do so in the context of the plans we showed our board earlier this week. So let's turn to 2008 and beyond.

First, we estimate that 2008 consolidated net income could range from $2.85 to $3 per diluted share. We also estimate that Questar E&P production could range from 146 to 150 billion cubic feet equivalent next year. Here are the key assumptions and the highlights from the plans we showed the board.

First, we assume 55 to 60 wells at Pinedale next year. That compares to about 54 this year. And there's modest upside next year if the BLM approves the SEIS by the second quarter, as we expect. But the impact of the ROD at this point primarily affects 2009 and beyond.

Questar E&P will turn up the pace of development in our Uinta Basin deep play. We now think our Uinta Basin team has validated this play, our costs are coming down, our estimated recoveries are going up. And we now think the play works at a $6 Henry Hub price and the Rockies basis reflected in the current forward curve.

Based on recent well results, we now estimate that we can aggregate from 3 billion to 6 billion cubic feet equivalent per well across the entire section. That includes the Dakota, Mancos, Blackhawk, Mesaverde and Wasatch formations. Unlike Pinedale, but like most other major resource plays in the U.S. today, there is a statistical character to our Uinta deep play. Some wells will be more economic than others, but we expect returns on capital overall will meet our criteria, and we expect continued productivity improvement, not unlike what we have seen at Pinedale.

So we're going to ramp up to 6 rigs, and try to drill over 30 deep wells next year in the Uinta Basin. We also plan to shoot 3D seismic over our core 120,000 net-acre block. This 3D seismic should help us identity, map and target the sweet spots. If we execute, Uinta Basin may grow more than 10% next year.

Let me turn out to the Vermillion Basin. Our evaluation continues, but we are not there yet on our Baxter Shale play. We have made good progress this year, but our costs are still too high and our estimated recoveries from existing wells are currently too low to justify ramping up capital. So for now we're sticking with just a single-rig program.

To put this in perspective, I thought it would be helpful to recap where we have been since we turned the Trail 13C vertical well to sales in late February, you'll recall, at an additional rate at nearly 9 million cubic feet a day. That was four to five times the average of what we were seeing from the Baxter in earlier wells. That well, Trail 13C, changed the paradigm. It convinced us that natural fractures are the key to the play. And shortly thereafter our talented technical team found that we can use 3D seismic to identify, map and target these fractures.

Since then we have drilled, completed and tested two horizontal wells, and we're drilling ahead on a third. We're targeting fractures in the middle of the Baxter at a depth of about 11,500 feet.

To recap, in our first horizontal well, the Canyon Creek 79H, we took a big kick and had to stop after drilling about 1,000 feet of horizontal lateral. We ran and cemented production casing and then perf'd and frac'd the well. It came on at an additional rate of about 5.5 million cubic feet per day, but than declined fairly quickly, which suggested to us that we never got the wellbore connected to the natural fractures.

Our Vermillion team suspected that we plugged the cracks when we cemented the casing. So on our second horizontal well, the Trail 14D, we tried a new design. We drilled almost 3,000 feet of horizontal section in the Baxter this time. And good news, once again we predicted and confirmed natural fractures. But this time we chose not to cement the casing. We perf'd and produced though lower 900 feet of horizontal section without frac'ing it. That lower interval flowed naturally at about 6.5 million cubic feet a day, but declined to about 2 million cubic feet a day after nine feet -- nine days.

We then frac'd that interval, the bottom interval. We expected, but did not get, a jump in rates, so we moved uphole and perf'd the upper 1,600 feet of lateral. We expected good things from this interval. It had kicked us hard when we drilled through it, but the natural rate was disappointing, so we frac'd it.

After the frac, the rate jumped, but then formations material, pieces of shale and silt, plugged the well at the surface, and that is where we are today. We are currently drilling through the turn in our third horizontal well, the Canyon Creek 62H.

Overall what we know is that these wells are not easy to drill. When we drill into the cracks we take big kicks that generate big flares. To control these kicks we have to weight up the drilling mud. When we weight up the drilling mud, we lose mud in the wellbore and probably in the cracks.

Obviously, the prize in the Vermillion could be big. The volume in place in the Baxter is huge. But our science project is getting expensive and the returns on the $120 million we have employed to date are poor. Our technical team -- our talented team -- is focused on improving drilling productivity, reducing mud loss during drilling, and most importantly, figuring out how to complete the well so we can produce gas at economic rates.

Let me turn now to the Midcontinent. Next year we plan to keep two rigs operating in our Elm Grove play in northwest Louisiana. We also plan to deploy more capital in the Texas Panhandle, specifically in Roberts and Wheeler counties in our emerging Granite Wash play. Our cash margins and thus returns in these plays are strong at current forward prices.

As in each of the last six years, our Midcontinent team forecast slower growth next year. Now as those who follow our story know, they have a track record of underpromising and outperforming. But they're working with mature assets. It is getting harder to push the bigger snowball up the hill. And maybe the important point is that, at Questar at this stage, we base our plans and our guidance on identified opportunities, dots on the map, and not speculative projects.

Let me turn to another highlight. This was probably the big "aha" for me in our plan; it is Wexpro. In our IR presentations we tell investors that we have up to $1.1 billion of identified risk investment opportunity in Wexpro. We're going to allocate more capital to Wexpro, and we're going to get after that inventory. And that should be good news for Questar's shareholders as well as Questar Gas customers. We have budgeted about $130 million CapEx for Wexpro in 2008. And we hope to ramp up to about $140 million per year over the next five years. About half of that will be at Pinedale, and thus subject to the BLM ROD.

Now we think we can grow Wexpro production and the Wexpro investment base, and thus net income, at a compound rate above 12%. And while we do that, we think we can replace over 100% of Wexpro cost-of-service production on average each year, thus growing Wexpro reserves. If we execute that plan, Wexpro net income could double to over $110 million in five years.

We also expect continued double-digit growth over the next five years from Gas Management, our midstream gathering and processing business. In our plan we have identified over $600 million of new projects over the next five years with risk returns above our cost of capital. More than half of that capital will be required to gather and process growing Pinedale volumes. Again here, if we execute, Gas Management net income could double to about $100 million in five years. Gas Management's plan also depends on a favorable Pinedale ROD.

Let me turn now to our regulated businesses, starting with Questar Pipeline. Questar Pipeline net income should jump next year once we complete two expansion projects. We are on track with both, with the Overthrust Pipeline expansion from Opal to Wamsutter. That is the westernmost segment of the Rockies Express Pipeline. The pipe is in the ground. It is tested and ready to go.

We will complete the two compressor stations in this project shortly. We have also completed our $100 million expansion in central Utah, and we're going to start moving gas west from the Uinta Basin next week. This new line, I should point out, passes near Nine Mile Canyon in Utah. That is an area known for Native American rock art. Our pipeline team worked with the BLM and many others to avoid these culturally rich areas. We use state-of-the-art reclamation and restoration techniques. In fact, most people who visit the area won't even notice the right-of-way.

We got a letter recently from the BLM project manager who called it the finest example of workmanship in his 15 years overseeing pipeline construction on public lands. I took time to mention this because I think it goes without saying our reputation as a responsible developer matters a lot to a company with so much of its future growth potential tied to public lands.

What is next for Questar Pipeline? We told the board that we are going to give our pipeline team a new mandate. And that is to be a catalyst to make another major Rockies export pipeline project happen sooner rather than later. If you believe the production growth promises that Rockies producers are making to their investors, we're going back to Basis-blowouts-Ville in the Rockies in 2011 or 2012, even with the completion of the final phase of REX. So the next major pipeline project, which could take up to four years from inception to start-up, the work needs to start now.

Now Questar doesn't have an existing export pipeline franchise to protect, so our pipeline team can be objective in facilitating this dialogue with both Rockies producers and end users about where the next pipe needs to do. If Pipeline's experts create an opportunity to own part of the project, great, and we may fund our investment by forming an MLP around our Overthrust Pipeline. But our bigger corporate objective is to protect returns on capital in our E&P business. So the performance metric for Questar Pipeline that matters is to cause the next pipeline to get built ASAP.

Finally, returns on capital in our utility, Questar Gas: our plan shows are going to trend down next year below our allowed return. That is because we're adding customers at a rate faster than most U.S. gas utilities. And like most U.S. gas utilities, Questar Gas has a lot of aging pipe in the ground. To grow safely and reliably we've got to replace major feeder lines, particularly in urban areas. The cost to do that, about $200 million over five years, is not in our rates so we are going to have to file a general rate case. We haven't had a general rate case, or a rate increase, in five years. And we try to manage our business to avoid rate cases, but in this circumstance we can't.

In summary, Questar is on track to post double-digit net-income growth for the fifth straight year. We have raised our EPS guidance for this year. But more important, as we look out over the next five years, we have identified attractive opportunities to reinvest our growing cash flow from operations in projects that should generate good returns, particularly in the Market Resources group. If we execute the plan that we showed our board, this company should be worth a lot more five years from now than it is today.

With that, we would be glad to take your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Shneur Gershuni, UBS.

Shneur Gershuni - *UBS - Analyst*

Just a couple of quick questions with respect to the opportunity to develop the Uinta play. Previously you had booked about close to 1,300 locations. With respect to the Uinta location you had another 2,200 locations identified in resource potential. Does that change at all with this announcement today?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

I have to double check your numbers on the 2P-3P, the --.

Shneur Gershuni - *UBS - Analyst*

That may include PUDs also.

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

In the resource potential I think we had about 1,300 locations. But the answer is yes. As you'll recall the last time we updated the 2P-3P information, I think we had one or two wells drilled in this play. As you can see from our response to the results to date, we now have six rigs -- we assume we will have six rigs working in the Uinta Basin drilling deep wells. And that is a strong signal that we believe that we have a repeatable play over the broader area.

What we would like to do is get some more spatial sampling in the -- across our large acreage position before we update our 2P-3P. But I think you can expect a recategorization of a lot of the locations that we have identified out in -- the 1,800 plus locations we have identified in out in the resource potential, moving a lot of those into the probable and possible category.

Shneur Gershuni - *UBS - Analyst*

Just with respect to the wells, what is your average cost to drill a well these days in the Uinta Basin on the deep side?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

As you'll recall, it varies. In the southeastern part of our acreage where drill depths are generally 14,000 feet or less, we're getting those wells down for about $4 million. And as you move to the northwest, the depths increase gradually from 14,000 feet in the southeast to 16,000 feet in the middle part of our acreage. And there our well costs are ranging from $7 million to $8 million. Then on the extreme northwestern part of our acreage, where we really haven't drilled completely through the section to the Dakota formation, we don't know what the cost will be. But we would assume they would be $1 million or so more than that, so $8 million to $9 million.

That is the historic results. In fact, I was just looking at those results yesterday with our folks. What we see is already a dramatic improvement in days to drill and better cement jobs, better completions. And I expect that those costs that I just quoted you are on the way down. In fact, we see a downward trend. It is too early to see where we will end up, but knowing the talented team that we have working on this problem, I expect significant improvement as we drill more wells.

Our primary focus is to concentrate our rigs in a couple of areas and really get good at drilling a specific well design, because it takes at least three different well designs to drill the deep section out here. And so perfecting a well design for each general depth range and getting very good and expert at repeating that well design is critical to any of these resource plays, and this is certainly one of them.

Shneur Gershuni - *UBS - Analyst*

Do you expect to use purpose-built rigs at some point, or you're happy with the rigs that you have chosen to proceed with it?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

It is a great question. Unlike Pinedale, where as you know we set up a drilling rig on a drilling rig -- on a single pad, or two rigs on a single pad. And we are able to directionally drill multiple wells. In fact, we anticipate ultimately we will have up to 40 wells on some of our Pinedale pads.

The Uinta Basin drilling is location by location. Now we are occupying a lot of existing locations that were previously used to drill shallow wells, but our current plan is to do a lot of near-vertical drilling out here. And so a rig that moves easily with a minimum number of loads doesn't require a crane to rig up, it moves quickly, obviously is important. To date we have conventional rigs out here, not purpose-built rigs. We're talking to drilling contractors about our long-term plans here and what would constitute an ideal rig design. And we will see what we come up with. Some of the features of the purpose-built rigs that have been delivered to date to other operators are probably not applicable out here, but other features are.

So we certainly think that there is a component of savings in being able to move quickly, but you've got to be able to cover off the additional cost of a new-build rig versus existing conventional rigs that we already have working.

Shneur Gershuni - *UBS - Analyst*

Just to confirm, you said 3 to 6 Bcfe would be the expected recovery from these wells, and that includes the uphole opportunity, right?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

That's correct. That would be a total reserve number, including the Dakota, Mancos, Mancos B silt, the Blackhawk, Wasatch and Mesaverde.

Shneur Gershuni - *UBS - Analyst*

If we could just turn to the Vermillion for just one second. Are you at that point where you are thinking to go back to just vertical wells rather than horizontal wells, just given the experiences that you have had thus far, and given the amount of capital that is play? Or is it worth it to still keep going with the horizontal wells and try and get to a point where you crack the code to bring the cost down dramatically?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

You've got all the good questions. I guess we don't have any -- won't have anybody else to ask any. Yes, that is an interesting question. I can't answer it today. As Keith mentioned to you, the 14D well that we are currently competing, this is a late-breaking event, this post-frac inflow of shale into the wellbore. It happened over the weekend. And we need to clean the well out and find out exactly what happened.

Obviously, I believe that -- and our technical team believes -- that the natural fractures are critical to the commerciality of this play. We can see these fractures on our acreage. Folks asked how ubiquitous or how dense the fracture swarms are. They are present over a significant part of the area. We have proven that we can intersect them with the horizontal wellbore. The ability to intersect fractures -- near-vertical fractures that may be a few feet wide -- with a vertical wellbore is not that -- it is very difficult, just based on the uncertainty of exactly where that fracture is in the 3D data set, and the ability to intersect it with a vertical 6-inch-diameter hole.

We are just learning how to drill horizontal wells out here. I think, as you could take away from Keith's comments, we want to try to perfect the well design out here, and more importantly, a completion design that will allow us to get at this large gas resource that is in the ground. But we're not there yet. I think horizontal wells are probably the key based on what we know. But obviously we're very disappointed that this basically cementless completion did not work.

What has come into the wellbore? You'll recall a couple of years ago in the 15-29 well we drilled up, the deep well at Pinedale, we had inflow of shale into that wellbore. In that case we either had a failure of the casing or the pressures and mechanical competence of the rock was such that it just flowed into the wellbore through the perforations. In this case we don't have any cement to support the rock, so when we frac'd it we probably rubblized the rock in the near wellbore.

The other alternative is that this is simply part of the 3,000 barrels of drilling mud and cuttings that we lost into the natural fractures as we were drilling the well in trying to control the pressure. We will find out when we clean this out. And we can look at a microscope and see what we actually recover when we wash these cuttings out of the hole.

At this point we are reconsidering the design that we used on the 14D, to basically run pipe in the hole and not cement it. I think we are probably going to have to cement casing in the hole in order to give the shale rock strength so that it -- or strength -- so that doesn't collapse and come into the perforations.

Shneur Gershuni - *UBS - Analyst*

I've got lots more questions, but I think I've got to turn it over to the next caller. I will jump back into the queue. Thank you guys.

Operator

Carl Kirst, Credit Suisse.

Carl Kirst - *Credit Suisse - Analyst*

Just staying on the Vermillion for a second, with respect to what we know about the 14D, has that caused you to pull back at all I guess the timing of the 62H? By my recollection or calculation we should be nearing total depth on that. Is that correct?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

As Keith mentioned, I think, we are turning the corner basically into the horizontal section. So our experience has been that once you're in the horizontal section it drills relatively quickly. So we will be at total depth pretty soon. And as I mentioned in my answer to Shneur's question, we're seriously reconsidering it.

At one point some of our technical team was actually arguing that perhaps we didn't even need casing through the horizontal section. Clearly the results over the weekend indicate that we have to have pipe in the hole through the horizontal section. And there is a strong argument that that pipe needs to be cemented.

Now you will remember the reason we didn't cement the pipe in the 14D was that we thought we were accidentally cementing up the very -- the natural fractures that we have been targeting. So we are thinking about alternative designs that put cement behind there, but perhaps avoid it going into the fracture by using a foam cement or a lightweight cement that has less tendency to move away from the wellbore into the fractures.

Carl Kirst - *Credit Suisse - Analyst*

At this point I noticed we're just kind of making the turn, you probably haven't intersected the natural frac swarm yet, but are you concerned about it -- is that all, or right now is it really just focused on completion issues?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

We have not -- we're not into the seismically identified target. And remember, we have a new rig that we're using out here. A couple of interesting points. One, the drill time on this well is about, to the current depth, is about half what it was on the 14D. We have changed -- we have radically changed the well design here. We reduced the surface-hole size. We're doing things that should ultimately drive down costs.

I am not concerned at this point about being able to drill the well to total depth. Obviously, we need to be able to get the wells down cheaper and faster. We would like to avoid losing a lot of drilling mud as we drill the well to control the pressure, so this new rig that we have on site will allow us to take more pressure at the surface, more gas at the surface, and continue to drill.

The real critical question here is can we complete these wells, get connected up to the fractures, as we have demonstrated that we can do -- as we did in the 13 well, 13C well, and get the natural-fracture network communicating with the wellbore. That has been the challenge in these horizontal wells.

Carl Kirst - *Credit Suisse - Analyst*

Let me back up from a 30,000 foot standpoint, if I can. Keith, what is the shut-in rate for October just on a daily basis, I guess?

Keith Rattie - *Questar Corp. - Chairman, CEO*

We've got about, I think, 2.4 Bcf, 2.5 Bcf shut-in in October,

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

Approximately.

Keith Rattie - *Questar Corp. - Chairman, CEO*

Roughly that neighborhood.

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

For the month.

Keith Rattie - *Questar Corp. - Chairman, CEO*

For the month. We're looking at pretty low prices for November. So you should be surprised if we don't curtail a similar volume in November. We've got more hedge protection in the month of December. So we are expecting to bring more -- basically all of our production back on in December. The issue in the very near term is going to be weather here in the Rockies. We have had real cold spell, but today it is pretty warm here. If we have a normal start to winter, we should see prices firm in December. And obviously Rockies Express Pipeline is going to be the key going forward.

Carl Kirst - *Credit Suisse - Analyst*

Absolutely. Is it incorrect -- as we look at 2008 to see what is achievable and what is not, if you guys really are able to put up 136 B's this year, inclusive of the amount that is being shut-in here in October, it would almost seem that getting to 146 next year with just turning back in the shut-ins is kind of a no-brainer.

I guess to a certain extent I'm trying to figure out, as we look at the organic production growth profile for '08 over '07, you mentioned Uinta to being up 10%. I am trying to get a better handle on some of the other areas, most notably Pinedale. Are you expecting roughly flat production then out of Pinedale for '08?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

I think the key variable right now, that obviously Pinedale is somewhat dependent on the SEIS, but as Keith mentioned, it is really a '09 event and beyond. The area that we have been able to achieve substantial growth over the past several years, in fact surprising growth even for the management team, has been the Midcontinent area, and particularly the Elm Grove area, and the western Midcontinent has done quite well with a very mature set of assets.

We just don't have the ability to drive growth with the existing finite set of assets at the same rate that we have been able to over the past several years, especially at Elm Grove. We have a two-rig program there. And in our IR presentation you can go back and look at the amount of production growth rate we have been able to achieve with that asset. As we continue to drill wells, and remember they have Pinedale-like hyperbolic declines, we begin to get run over by the aggregate decline there, and it is going to be much more difficult to maintain the growth out of that area.

Our team is challenged with looking for additional opportunities, either in the acquisition front or with leasing and additional drilling. But it has been an area that historically we have been able to achieve remarkable growth out of. And I don't think you can that going forward. That is part of the story.

The other is we tend to start the year with a very cautious view on what we can actually accomplish, given pipeline outages, uncertainty over public-access issues, when we can get into certain areas in the Rockies in the springtime based on wildlife SIPs. We have a lot of moving parts here that make us very cautious. But the real point is our Midcontinent assets, we have had a wonderful run from the team there. And we certainly -- we're certainly optimistic that we will find something else to drive growth. But as Keith mentioned, our earnings guidance and production forecasts are based on dots on a map and a program that we know we can execute over the next 12 months.

Carl Kirst - *Credit Suisse - Analyst*

I appreciate --.

Keith Rattie - *Questar Corp. - Chairman, CEO*

A couple of adds -- just real quick added points. We don't have good visibility on the number of proposals we're going to receive in nonoperated wells in the Midcontinent, so we're pretty cautious in predicting that activity.

The other thing is, if we do bring production in the Rockies on in November or December, we will get some flush production, which will contribute obviously to this year's volumes. You recall that in the wake of the curtailment in 2006 in the third quarter, we saw about 70% of the volume that we curtailed came back to us in the six months after we brought the wells back on in the aggregate.

Carl Kirst - *Credit Suisse - Analyst*

Right. Great color. Thanks. Then last question, with respect to the SEIS that we're hoping the ROD will come in the second quarter of '08. Yes, I think alternative D is the one we're looking for. If that is indeed approved, Keith, you mentioned that there might be some upside with the amount of Pinedale wells. What did that mean from a 4Q '08 event? Or perhaps, maybe a better way to ask is, is that if we had -- what does it mean on an annualized basis?

Keith Rattie - *Questar Corp. - Chairman, CEO*

Since we were uncertain exactly when the ROD would be issued, we have been in discussions with drilling contractors on building new rigs for us. As we have said before, one of the critical limitations in development activity at Pinedale will be air quality and emissions. So all of the new rigs that we put out there will be specifically designed to address that issue, to make sure that we don't bump up against the aggregate emissions-reduction targets.

The second limitation on the number of rigs is basically a physical limitation on the number of pads within the concentrated development area that we'll be allowed to operate in. That sets an upper limit of, at times, as few as maybe 13 rigs, and maybe at other times during the development as many as 16 rigs. And that is just a physical sort of "how many pads are inside the box" question and how many rigs per pad.

Because of the fact that we'll need to have specific rigs built with specific types of engines, we will be bringing rigs into the fleet one or two at a time over the next several years, and ramping up our drilling fleet.

I think we have talked about the possibility certainly of doubling the number of wells. If we get 54, 55 down, it is not unreasonable to expect in a couple of years that we will be drilling 110 or more wells, 120 possibly, depending on the specific area and what we do about five-acre density. And that is still an open question. How many five-acre wells we drill and whether or not we drill those five-acre wells completely through the entire Lance Pool interval or only partially through the Lance Pool interval will be a key determinant on the total number of wells that we get drilled in a year. Did I get to your question there?

Carl Kirst - *Credit Suisse - Analyst*

That is fine. Thank you very much.

Operator

Brian Singer, Goldman Sachs.

Brian Singer - *Goldman Sachs - Analyst*

On the Uinta, and I apologize if you mentioned this earlier, but can you talk to some of the actual rates that you are seeing in some of the deeper wells? And then over what period do you have data on declines, and what declines are you seeing?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

We are seeing rates -- what we're trying to do is obviously establish reserves and rates for each of these intervals, the Dakota, the Mancos and the shallower intervals. We have been focusing a lot on the deep Dakota section because we absolutely -- it is a brand-new area and we don't have any historic data from any other offset operators, etc., in this area.

We have talked about in the previous call our Dakota completion -- a single natural Dakota completion that IP'ed at 8 million a day, settled down to a little under 6 million -- about 5 million a day when we shut the well in because of the low prices. We have since drilled a number of other wells to the Dakota. We have attempted natural completions on a number of those wells. In fact, we have got one right now that is completed and has been online a few days that is making about 2.5 million cubic feet a day, pre-simulation. And that is just from the Dakota.

There is a discussion going on as to whether or not it is advisable to fracture simulate these wells or whether we should just let them flow naturally, and come uphole and add additional intervals.

The aggregate rates have ranged from a low of about 1.5 million a day to a high of -- in the Dakota-only completion -- up to 7 or 8 million a day. And those rates are basically single-zone, and in some instances multi-zone rates.

Declines? In the Dakota we haven't seen enough production data to really set up a type curve. And because these are fairly porous intervals, I think that the decline-curve analysis is going to be rather difficult. We're going to have to rely basically on P/Z type, or pressure-and-rate type data to come up with reserves on these. And that is one of reasons why we've got several wells that we have just completed in the Dakota, and we want to see over the course of a few months what kind of pressure decline and then rate, and we can come up with a reserve number.

Mancos looks very similar to the Baxter Shale. It comes on at fairly high rates. It declines very rapidly and then flattens out to a relatively modest rate, 0.5 million a day to 0.75 million a day. And then up in the shallower section we are seeing rates in the Mesaverde and Wasatch sections similar to operators that are offsetting us that are drilling wells just targeting that interval. We have got some wells that are currently producing -- been online for quite a while, that are still hanging in there at over 1 million a day just from the Mesaverde and Wasatch.

In aggregate we still feel pretty comfortable about our 3-to-6 Bcf EUR. And if we were to complete these wells completely and fully, we would be able to achieve rates of 3 to 5 million a day, and then a typical Pinedale-like decline curve, hyperbolic decline curve. Right now we're still doing single-zone testing.

Of course, Keith has already scribbled a note here that I forgot to mention the Blackhawk, which can be an important contributor. The Blackhawk is developed over the western half of our acreage, and we have seen single-zone completions in the Blackhawk at more than 5 million cubic feet a day. So in aggregate, I would expect 3 to 5 million cubic feet a day IP's and Pinedale-like hyperbolic declines and 3 to 6 Bcf wells.

Keith Rattie - *Questar Corp. - Chairman, CEO*

Just one other comment. As you will recall, we pretty much drilled up our inventory on 40-acre density in the Wasatch. We had saved the 20-acre locations for this development. We have mentioned in the past that we don't think the incremental economics of going down to 20-acre density in the Wasatch and the Mesaverde makes sense on a stand-alone basis, but when you're adding those incremental reserves to the deeper section, some rate acceleration plus some new incremental reserves contribute to the economic merits of the deep play.

Brian Singer - *Goldman Sachs - Analyst*

That's helpful. If you are taking your rigs up to 6, drilling 30 wells next year, given the very healthy rates that you just mentioned, plus assuming the production that is currently shut-in in the Uinta comes back, why wouldn't it be significantly more meaningful than a 10% growth in the Uinta next year?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

Part of it is scheduling. It is when these wells come online. But we are looking at, in the Uinta, potentially a 20% increase in year-over-year production, assuming unconstrained production going forward in 2008.

Keith Rattie - *Questar Corp. - Chairman, CEO*

10% is what we are quite confident we can do. There is upside in that number.

Brian Singer - *Goldman Sachs - Analyst*

I guess the last question would be capital spending. You have highlighted your production and EPS targets. Any thoughts on how much capital you're going to have to spend to get there?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

Do you want a breakdown by individual area, or how would you like to do that? I guess we can talk to you about general capital allocation to different parts of our business. We will spend about $720 million plus in development drilling next year, about $60 million in exploration.

The biggest single sort of item that is unusual is we're targeting to spend a little less than $400 million in our gathering and processing business in 2008. And a big chunk of that is going to be focused on our expansion of the gathering system that brings gas from Pinedale down to the processing complex about 100 miles south. That will include the installation of a 30-inch gathering line -- a 103-, 104-mile-long gathering line.

We're also going to be building an additional gas-processing plant in western Wyoming. And we will be expanding our liquids-gathering and condensate-stabilization systems at Pinedale as well. A big chunk of midstream investment that is driving up our total capital forecast for next year to about $1.2 billion in Market Resources. Is that right?

Steve Parks - *Questar Corp. - CFO*

Yes.

Operator

[Lauren Lafollete], SMH Capital.

Carol Coale - *Sanders Morris Harris - Analyst*

It is actually Carol Coale at Sanders Morris Harris. Actually, I have a very-quarter specific question, so it shouldn't up too much time. I noticed that one of the areas where you were able to at least beat our numbers was in your cost of purchased products, your cost of gas sold. It was down about 20%.

I remember, or I believe, that you had said that during the quarter when we saw the extreme basis blowout, that you are purchasing third-party gas to supplement your gas supply. I was curious, since your gross margins improved to about 82% from 67%, did that reflect these -- your taking advantage of some discounted gas third-party purchases? And if so, would we expect to see this also benefit your fourth-quarter cost situation?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

This is Chuck. I am not sure exactly what number you're looking at in the income statement. It may be an aggregate number that would include utility purchases basically for resale in Questar Gas. That is the lion's share of the purchase for resale that you'll see in the income statement. Then that is the -- hang on -- the 89.2 million versus 183 million last year. That is largely driven by utility purchases for resale.

Our trading shop has been buying gas, as Keith mentioned, in the day market and injecting it in storage. We have done that throughout the third quarter. As you might imagine, our storage positions are getting pretty full at this point in the year, both the storage reservoirs as well our own allocated capacity in those reservoirs. So the ability to continue to go down that road is somewhat limited in the fourth quarter.

Keith Rattie - *Questar Corp. - Chairman, CEO*

On the utility side, the utility, in consultation with local regulators, asked Wexpro to curtail some production as well, and took advantage of cheap gas in the Rockies to build its inventory at Clay Basin at a pretty low cost. One of the consequences of that is we recently asked the Utah Public Service Commission to cut rates $90 million in our semi-annual pass-through case. So we were able to take advantage of those prices in the utility, buy gas and pass the benefits of that lower-cost gas on to utility customers.

Operator

Joe Magner, Tristone.

Joe Magner - *Tristone - Analyst*

Following on that last question about trading, was there any benefit from the fact that you were able to shut in your own equity gas and then purchase third-party gas, and take advantage of any transportation agreements you might have in place?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

We have managed price risk with a portfolio of derivative instruments, transportation on interstate pipes leaving the region, and storage. Obviously, we have tried to protect our own equity production as much as we can. We also have the ability in some locations to buy gas on one pipeline and move it to another pipeline and take advantage of the intraregional basis arbitrage, and we have done that as well. The biggest driver in our trading margins has been basically the ability to procure low-cost gas and put it in storage and hedge out the forward value of that gas into next year.

Joe Magner - *Tristone - Analyst*

Between limitations on the ability to do that in the fourth quarter with storage capacity, and as well possibly some of your own gas coming back online, that bump we saw in the third quarter --.

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

It is not sustainable. That is the right conclusion.

Keith Rattie - *Questar Corp. - Chairman, CEO*

That is the point.

Joe Magner - *Tristone - Analyst*

Chuck, could you just run through a quick update? Typically you give us a pretty good update on Pinedale activity in terms of days to drill and cost of wells up there. And any sort of expansion of thoughts on economic limits or recoveries?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

Sure. I would be happy to. We just put our 50th well to sales yesterday, so we are well on our way to finishing up the remaining wells that have been scheduled for this year. I think we now have 10 wells already drilled to intermediate casing point and cased for our winter program. So we are well along the way there.

There hasn't been a material change in the days to drill or cost from last quarter. We are seeing well cost -- and it varies depending upon whether we are occupying a pad and just drilling ahead on that pad, or whether we are jumping around to do some delineation work. But our well cost all-in -- drilled, completed, equipped, turned to sales -- are ranging between $5.5 million and $5.7 million.

The costs have actually bumped up a little bit in the third quarter because we have drilled a number of single-well -- basically one well from a pad and then moved the rig on. As you know, the rig-move cost is significant. We're doing that, obviously, in anticipation of the approval of the SEIS and issuance of the ROD, to further delineate the field.

Moving on to that question, we already have, I think, a very good sense of the economic limits of the field in the area that we're developing. If you look at our IR presentation, you look at the number of wells that we have drilled, on the flanks of the structure we have done a pretty good job of delineating it. There is a couple of holes that we will be filling in here as we go forward to make sure we know exactly where the limit is before we get into the SEIS-mandated sort of orderly drilling and development.

The key question facing us, and frankly facing all the operators at Pinedale, is the appropriateness of five-acre density. We're moving forward with additional piloting. You will recall that we drilled a number of five-acre pilot wells over in the southeastern corner of our acreage in the State Section 16, which is basically in that cloud of -- if you're looking at our IR presentation, in that cloud of yellow. That is where we drilled the most densely spaced wells.

We continue to see indications that five-acre drilling is going to be appropriate, at least for the flanks of this structure. We remain convinced that 10-acre wells recover less than 50% of the original gas in place. So there's a large amount of unrecovered reserves accessible for additional wellbores on increased density.

The fundamental question for me and for the technical team, as you move toward the flanks of the structure, the EURs or ultimate recoveries of these wells obviously go down. So if there was a way that you can improve the economics of the well by decreasing cost without sacrificing a substantial amount of the reserves, it would be an interesting endeavor. And one thing that is being studied and debated in our shop, and it is going to be driven ultimately by the reservoir model, is stopping short on the five-acre wells. And perhaps only drilling through the -- what we used to call the Lance, or into the top of the Mesaverde, but not completely through the Mesaverde pay.

The logic behind that is that from well performance and testing and from our reservoir modeling, it appears that even though the Mesaverde sands are discontinuous, the rock quality is better. And that we're recovering a larger percentage of the gas in place in the Mesaverde than in the shallower section, which is sort of counterintuitive. You would expect the better quality rock to be shallower, but in this case it doesn't appear to be so.

So if we could do that, and we can convince ourselves that it is a compelling case, we could reduce the well cost substantially on the five-acre density wells and improve economics. Sure, we're going to leave some gas behind that we would otherwise recover on the five-acre density, but I think probably ultimately improve economics. That is an open topic of discussion in our shop, and one that we will be continuing to study through the winter.

Keith Rattie - *Questar Corp. - Chairman, CEO*

Just one added point on that. Under the SEIS, we will be drilling in concentrated development areas that move from south to north on our block. We will be required to drill to the ultimate density within each of those concentrated areas. So there is a sense of urgency that Chuck was conveying about modeling and planning and deciding how we're going to approach five-acre density.

Joe Magner - *Tristone - Analyst*

Then just one other thing. With the changes on the outlook for the Vermillion and the increased activity on the Uinta and some shifting around on the Pinedale, any chance an updated 2P-3P reserve and resource assessment anytime soon?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

We continue to look at that. I would like to get some more data frankly in the Uinta before we update it. And we are also obviously studying what the implications of five-acre density do for our assessment at Pinedale. We haven't made a commitment on a date to do that update yet, but we are obviously looking at it.

But this time of year it is difficult to get it done, given that we won't release it until it is reviewed and approved by our independent third-party reserve evaluators. With year-end reserve evaluations coming up, that is going to be a tough slog, so it probably won't be this year.

Joe Magner - *Tristone - Analyst*

Thanks for that. Then just one last open item that has been out there for a while. The net profits interest litigation on the Pinedale, any update there or can we expect to see an update in the latest Q?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

You will see an update in our litigation section in the Q.

Operator

Faisel Khan, Citi.

Faisel Khan - *Citi - Analyst*

On the Wexpro comments you had, I'm curious what is the utility's ability to absorb that growing CapEx in terms of volumes?

Alan Allred - *Questar Corp. - president and CEO of Questar Gas*

We have looked at that and analyzed it, and we think near-term, even out two or three, four years we can do that. If it keeps going we may approach our limits, but at this point the utility welcomes the extra reserves and extra production, and we think we could utilize it.

Faisel Khan - *Citi - Analyst*

In terms of your some of your comments about your new mandate for your pipeline group, how much capital would you be willing to allocate to that sort of project going forward?

Keith Rattie - *Questar Corp. - Chairman, CEO*

Great question. I will let Allan Bradley piggyback on the latter part of this, but obviously the first criteria has to be a project that offers appropriate returns for the risk associated with the investment. But we have the ability to fund a big chunk of a major export pipeline if we have the opportunity to participate in it. And I'm talking about $0.5 billion or more. One approach to that funding would be the formation of a Master Limited Partnership.

Allan Bradley - *Questar Corp. - President and CEO of Questar Pipeline*

Thanks, Keith. I guess we view it as sort of a two-step process. One, our pipeline now is very well set up to deliver into one of three hubs, Wamsutter, Opal, which is Overthrust, Questar Pipeline, which is our White River Hub. So depending upon how markets want to source their gas, we see investment upstream like we supported REX, or perhaps if we have already set our system up and see a good opportunity to facilitate that expansion by investing in equity in a new export pipeline, as Keith said, we will want to do this, and we will have the capability to do it at a significant level.

So we're pretty excited about the future for our pipeline system and the tremendous work our team has done this past year getting our system both set up with new pipe expansions and additional processing to support these export lines.

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

This is Chuck. I would add that as a producer in the region, and talking to the other producers, there is already growing focus on what the next step is for export capacity out of the region. If you follow all of the active drillers in the Rockies and you add up the aggregate production growth, we need to start yesterday on another pipeline to serve this region to make sure that we don't see a repeat of this year.

Faisel Khan - *Citi - Analyst*

Do you think that there is willingness on behalf of other producers to start looking at a project now and maybe possibly underwriting a pipeline with long-term contracts?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

Absolutely. I think people realize that the large amount of capital that is being invested in the resource plays in this region, not only in Wyoming, but also in western Colorado and eastern Utah, demands additional export capacity. And folks realize that when you strand the amount of capital with low prices due to high Rockies basis that it is a painful and avoidable situation.

Keith Rattie - *Questar Corp. - Chairman, CEO*

The operative rule on major project like this is first in wins. The first sponsor group that secures the contract commitments, the shipping commitments necessary to underwrite the investment, will be the one that gets built.

As I tried to -- the point I tried to make in my comments was that we don't have an existing export pipeline franchise to protect. We do have an E&P business to protect, and we have relationships in the key markets that are going to be, I think, essential. I am not sure that the producers in the Rockies, given the uncertainty about long-term access to public lands, are going to be able to step up for all of the capacity in the next major pipeline project out of the region. We need to get some market support. And by that I mean long-term contract commitments from end-users in wherever the target market is.

Faisel Khan - *Citi - Analyst*

I guess if the pipeline company came up with a project, would the E&P company be willing to be an anchor tenant on that sort of project?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

I can feel the arm going behind my back and being twisted by Mr. Bradley as we speak. Obviously, these pipeline -- these mega-pipeline projects have worked in the past because producers realize that if they commit a portion of their production volumes to a new project, and it may only be 10% of their production volume, but if each producer does that, then the remaining -- the 90% of the production volume that is not committed directly benefits from the narrowing of basis. That is the sales technique that Mr. Bradley will be employing as he talks to producers to convince them that they need to support this project.

Keith Rattie - *Questar Corp. - Chairman, CEO*

I will have to be the umpire in that negotiation. On the Rockies Express Project nearing completion now, we chose to support that project by investing $300 million in our pipeline business to make the connection from Opal through an existing 88 miles of 36-inch pipeline that was underutilized, i.e., our Overthrust Pipeline existing right-of-way and compression capability. We think our pipeline team's efforts to work with the REX group probably accelerated the completion of that project by about a year.

I would like to see us, from a corporate point of view, make our contribution to the next major project in a similar type fashion. But we're not going to let a project fail or not fail on the basis of whether or not we make that commitment to capacity.

Operator

Rebecca Followill, Tudor Pickering. That question has been withdrawn.

Richard Tullis, Capital One.

Richard Tullis - *Capital One - Analyst*

Thanks very much for all the detail on Vermillion. I just had a couple of more follow-up questions. I think most of it has already been answered. What is your cost in the 14D well thus far?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

It is a little over $10 million.

Keith Rattie - *Questar Corp. - Chairman, CEO*

It has been a train wreck, as described. Those costs are not indicative of what the long-term costs for development are going to be.

Richard Tullis - *Capital One - Analyst*

Sure. How many wells are you planning in Vermillion for '08, just baseline?

Chuck Stanley - *Questar Corp. - President and CEO of Questar Market Resources*

We will keep a rig busy there if we can convince ourselves that we are -- that we are able to drill and complete a well that is economic. And we're taking it on a well-by-well basis going forward and will not make a statement on how many wells we are going to drill if we don't get better results than we are seeing today. So all eyes today are first of all on cleaning out this 14D well and seeing exactly what happened. And then with this 62H seeing if we can complete it and get a better result then we have seen in the first two horizontal wells.

Operator

There are no further questions at this time.

Keith Rattie - *Questar Corp. - Chairman, CEO*

We appreciate your interest in Questar. You'll have more information available at our Web site on www.questar.com. We plan our semi-annual trip to Boston and New York in early November. And we intend to have a lot more color available for that presentation, and we look forward to seeing some of you there. Thanks again for your interest in Questar.

Operator

Thank you for participating in today's Questar Corporation's conference call. This call will be available for replay beginning at 12.30 PM Eastern standard time today through 11.59 PM Eastern standard time on Friday, November 2, 2007. The conference ID number for the replay is 6009061. Again, the conference ID number for the replay is 6009061. The number to dial for the replay is 1-800-642-1687 or 706-645-9291. This concludes today's conference call. You may now disconnect.
