



News Release

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QUESTAR RECEIVES WYOMING GOVERNOR'S CONDITIONAL ENDORSEMENT OF PINEDALE WINTER-DRILLING PLAN

SALT LAKE CITY — Questar Corp. (NYSE:STR) applauded Wyoming Gov. Dave Freudenthal's conditional endorsement of the company's proposal for winter drilling at the company's Pinedale, Wyo., natural gas field, saying the proposal supports the governor's call for industry to engage in "responsible energy development."

In a letter to Prill Mecham, field manager of the Bureau of Land Management's Pinedale Field Office, Freudenthal, said: "With the caveats noted in this letter, I believe the proposal is a good model. It significantly reduces impacts to air, water, wildlife, cultural interests, vegetation and communities, while still meeting the economic needs of the project proponent."

The governor said various state agencies had favorably reviewed Questar's proposal, which was presented to the Bureau of Land Management last April. The governor's letter was submitted as part of a public-comment period preceding the BLM's formal decision on the Questar drilling plan, expected around Nov. 1. A news release from Gov. Freudenthal's office about the letter is included at the end of this release.

Keith O. Rattie, Questar chairman, president and CEO, said: "We are pleased that Governor Freudenthal has endorsed our Pinedale year-round drilling proposal. Our proposal is a five-fold win for the environment, the community, the state of Wyoming, natural gas customers and for Questar shareholders."

“The governor joins other key groups who have publicly endorsed our proposal, including Wyoming Game and Fish Department, the Sublette County Commissioners, the Sage Grouse Partners – a national organization whose mission is to protect sage grouse habitat – and local business and community leaders.

“Governor Freudenthal has called upon the energy industry to engage in responsible energy development,” Rattie said. “We support that objective – and we think our Pinedale plan is a good example of what he means by ‘responsible development.’ Most of the conditions cited by the governor are addressed in our current proposal. We’ll work with state and federal agencies to resolve his remaining concerns.”

BACKGROUND

Questar Market Resources, a subsidiary of Questar Corp. has an average 62% working interest in 14,800 acres on the northern part of the Pinedale Anticline (an area known as the Mesa). Under the current BLM Record of Decision (August 2000), Questar may not be allowed from year to year to drill on federal lands from mid-November until May due to prevailing conditions affecting the impact of drilling on wintering mule deer.

In April Questar asked the BLM to modify winter-access restrictions to specifically allow the company to operate on three active pads with two drilling rigs per pad, starting November 2004. In exchange for limited winter access, Questar proposed a comprehensive mitigation plan that goes far beyond what is required under the current Environmental Impact Statement (EIS):

- Questar will commit to develop the rest of its acreage with directional drilling from pads. Questar demonstrated the technical and economic feasibility of this approach in 2003. Directional drilling will reduce total surface disturbance over the entire drilling phase from the 1,500 acres allowed under the EIS to just 500 acres before post-drilling reclamation – a 1,000-acre reduction in initial surface-habitat disturbance. With limited winter access, development drilling of Questar’s current operated acreage on 20-acre spacing for the Lance pool will be completed in half the time (about nine years as opposed to 18 years with winter restrictions).
- Questar will invest \$25 million to build facilities to transport water and condensate off the Mesa in pipelines rather than by truck. This will eliminate up to 25,500 truckloads of

produced liquids per year at estimated peak production, and thereby reduce noise, traffic, dust and other air emissions.

- Questar will fund the improvement of other wildlife habitat, as directed by the BLM and Wyoming Game and Fish, on nearby contiguous leaseholds within Questar's 14,800 acreage block.
- Questar is willing to fund its proportionate share of air quality and other necessary environmental monitoring measures for the Pinedale Anticline Project Area as directed by the BLM.
- Questar has proven that flareless completions are technically and economically viable and will continue using flareless completions.

The BLM expects to complete an Environmental Assessment, obtain public comment, and make a decision on Questar's proposal for limited winter access by early November this year.

Questar is an integrated natural gas company with \$4 billion in enterprise value. Headquartered in Salt Lake City, Questar engages in gas and oil development and production; gas gathering, processing and marketing; interstate gas transmission and storage; and retail gas distribution.

Following is a news release issued by the Wyoming Governor's Office on Monday, Aug. 2, 2004:

GOVERNOR OFFERS CONDITIONAL SUPPORT FOR QUESTAR PROPOSAL

CHEYENNE, Wyo. — Gov. Dave Freudenthal has conditionally endorsed a proposal by Questar Corp. to perform year-round drilling in the Pinedale Anticline.

Freudenthal's support is contingent upon strong measures to reduce the impact of the development to the area's residents, air, wildlife and water. With the safeguards offered by Questar and additional measures suggested by the governor, the proposal could prove to be a good model for future oil and gas development, Freudenthal said today.

He offered his tentative support for the plan in a letter today to Prill Mecham, Pinedale field manager for the U.S. Bureau of Land Management.

"If everything goes smoothly as this proposal makes its way forward, it could prove to be a model for cooperation between the state and a company resulting in benefits for both," the governor said. "With the state's recommendations, we could end up with year-round drilling that actually improves the current conditions through the elimination of disturbances and

improvements in habitat.”

Questar’s proposal includes a move to directional drilling, which would reduce impacts on soil, wildlife, water and air resources. The company would limit its drilling footprint to 9 percent of the total authorized under the Pinedale Anticline environmental impact statement (EIS) record of decision. Questar would also pipe condensate and water from the drill pads instead of trucking it from the field, reducing the impact of development.

Among the governor’s “caveats” are that Questar commits to flareless completions, or completions without the raw flame that burns off methane and helps get natural gas flowing; habitat improvement to approximately 1,650 acres; and accommodations for the permittees that would be affected by the habitat mitigation. The complete text of the governor's letter, including a longer list of conditions for his support of Questar’s proposal, follows.

“With the caveats noted in this letter, I believe the proposal is a good model,” the governor wrote. “It significantly reduces impacts to air, water, wildlife, cultural interests, vegetation and communities, while still meeting the economic needs of the project proponent.”

Freudenthal said crucial winter range, sage grouse habitat and air quality are three of the primary unresolved conflicts in Questar’s scoping notice proposal. State agencies have developed additional mitigation and monitoring requirements that would likely eliminate unresolved conflicts, as well as provide monitoring to see how well the implemented actions work.

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