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PRESENTATION

Operator

Good morning. My names is Stephanie and I will be your conference operator today. At this time, I would like to welcome everyone to the fourth quarter year end 2009 earnings release conference call. All lines have been placed on mute to prevent any background noise. After the speakers remarks, there will be a question and answer session. (Operator Instructions). Thank you, I would like to turn the conference over to Richard Doleshek, Chief Financial Officer. Please go ahead, sir.

Richard Doleshek - *Questar Corp. - CFO*

Thank you, Stephanie. Good morning everybody. This is Richard Doleshek, Questar's Chief Financial Officer. We appreciate you joining us for Questar's fourth quarter and 2009 year-end results conference call. With me today are Keith Rattie, Questar's Chairman, President and Chief Executive Officer, Chuck Stanley, Questar's Chief Operating Officer and President of Questar Market Resources, Allan Bradley, President of Questar Pipeline Company, Ron Jibson, President of Questar Gas Company and Sam Brothwell, Vice President Investor Relations and Corporate Planning. In addition to issuing our earnings release yesterday, on Tuesday, we issued an operations update for Questar Exploration & Production Company. We put a lot of information out there for you to digest, and are excited to talk to you about our financial and operating results and our year-end reserves.

On Tuesday, QEP reported 2009 full-year production of 189.5 BCFE, which is a Company record. We provided details about year-end 2009 proved reserves which totaled 2.75 TCFE, which is also a Company record. We reported 2009 full-year capital investment at QEP of $1.06 billion and affirmed 2010 production guidance in the range of 210 BCFE to 215 BCFE. Yesterday, we issued our earnings release in which we reported our results for the fourth quarter and full year 2009, we slightly lowered our 2010 EBITDA guidance to account for a lower commodity price forecast and affirmed production and capital investment guidance for 2010. We'll discuss these items today and take your questions at the end of this call.

In today's conference call, we will use a non-GAAP measure, EBITDA, which is defined in our earnings release. In addition, we will be making numerous forward-looking statements and we remind everyone that our actual results could differ for a variety of reasons.

With regard to our financial performance, I would characterize our fourth quarter and full-year 2009 financial results as noteworthy. Our fourth quarter EBITDA was $466 million, which was the second-best quarter in Company history, only $200,000 lower than the high-water mark set in the fourth quarter of 2008. EBITDA for 2009 was $1.64 billion, down just 7% from the record level of $1.76 billion in 2008, even though natural gas prices in the field were less than half of what they were in 2008. Factors driving Questar's full year 2009 EBITDA were an 11% increase in production compared to last year, up 18 BCFE, a 54% decline in field level prices on an equivalent basis compared to last year, down from $7.53 per MCFE to $3.49 per MCFE. That price decline was offset by a $481 million increase in net proceeds from our commodity derivatives portfolio and an 11% decline in combined operating maintenance and production tax expense compared to last year.

Consolidated net income for the fourth quarter of the year was $150 million, up sequentially from $98 million in the third quarter driven by EBITDA that was $92 million higher in the quarter, but offset by higher DD&A, income tax, and interest expenses. Net income was $393 million for 2009, compared to $684 million in 2008. Factors driving net income lower for the year, aside from significantly lower commodity prices, were largely noncash, including higher DD&A expense, $164 million of mark to market losses before income tax on the basis-only swaps and $65 million of gains before income taxes on asset sales in 2008, offset by a provision for income taxes that was $156 million lower than 2009.

For 2009, we will report capital expenditures on accrual basis of $1.4 billion, down from $2.62 billion in 2008. With Questar Market Resources spending only $1.2 billion in 2009, compared to $2.4 billion in 2008, driven by reserve and leasehold acquisitions spending that was $548 million lower, exploration and development spending that was $317 million lower, and spending in our gathering and processing business that was $321 million lower than amounts spent in 2008. Note that we have set our 2010 budget at $1.58 billion. From a liquidity standpoint, Questar is in great shape. We have no long-term debt maturity until 2011 and as of the end of the year, which is when we typically have our peak commercial paper issuance to buy gas for the heating season at Questar Gas Company, we had $866 million available under committed credit lines.

In summary, we got through 2009 in good shape. Our commodity-hedge portfolio did what it was supposed to do, it insulated the Company from a dramatic decline in prices. We throttled way back on capital spending to live within our cash flow and still delivered record production and proven reserves. Our balance sheet is strong and we have plenty the liquidity to execute our capital plan in 2010. With that I'll turn it over to Keith.

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

Good morning, everyone. Richard has commented on our press releases on Tuesday and Wednesday, which we gave you an update on Questar E&P operations, and reported our fourth quarter and full-year 2009 results. I'm going to try to add some color to those comments and then turn to 2010 and beyond. We want investors to take note the strategy we put in place a few years ago to expand our E&P business beyond our traditional Rockies focus is working.

Questar E&P Midcontinent fourth quarter production, as Richard said, was up 46% from a year ago. And that, of course, was driven by growth from our Haynesville Shale, Anadarko Woodford Cana shale plays, and our Granite Wash play. Overall, Questar E&P fourth quarter 2009 production was up 20% from the year ago quarter, and up 26% sequentially from the third quarter of 2009. Please note that the plan we talked about a few quarters ago to curtail and defer Questar E&P production from last summer to this winter worked. Questar E&P averaged over 600 million cubic feet a day in the fourth quarter of 2009. As Richard noted, we got flush production from wells that we returned to sales after price-related shut-ins and curtailments in the second and third quarters.

In 2009, Questar E&P grew production 11%, replaced 379% of its production and grew year-end proved reserves by 24% to 2.75 trillion cubic feet equivalent, and did that despite 271 billion cubic feet equivalent of price-related revisions under the new SEC pricing rules. Excluding revisions, production replacement would have been 537%. Please note that we delivered this growth as Richard noted by cutting capital expenditures significantly. Questar E&P totaled 2009 capital investment of $1.056 billion included undeveloped leasehold acquisitions in our core areas of $215.1 million, producing property purchases of $6.4 million, and exploration costs of $92.9 million. In 2009, we allocated capital to our highest-margin plays, in particular Haynesville and Pinedale. We also allocated significant, or at least sufficient capital to make progress on our Woodford, Granite Wash and Bakken plays. Richard noted that hedging increased Questar E&P cash flow by over $575 million in 2009. Note also that the rest of Questar, Wexpro, Gas Management, Questar Pipeline, Questar Gas, and Energy Trading generated $656 million of EBITDA in 2009. These businesses as you know contribute cash and earnings that are not very sensitive to commodity prices.

Let me touch on a few other highlights from our ops release, and I'll refer you to the slides we posted on our Web site for today's call at www.Questar.com. We've been telling investors for some time that we intend to lease or acquire additional acreage in the Haynesville play. Questar E&P now has 46,000 net acres in the core of the Haynesville shale play, and that's up nearly 50% from mid-2009. In our ops release, we reported that since our last call, we've drilled and turned eight Questar E&P-operated Haynesville wells to sale, our productivity is up, our completed well costs are coming down, we averaged about $8.5 million per well on these wells, and note that we completed one of the wells for just over $7.2 million and I can assure you that there's a sense of urgency on our Haynesville team about continued productivity and cost improvement. Please note from slide three that we now have seven operated rigs in northwest Louisiana. Note also that Questar E&P proved reserves in the Haynesville play jumped to 592 billion cubic feet equivalent at year end 2009. In addition to 276 booked proved undeveloped locations, we have over 925 additional unbooked locations yet to drill assuming 80-acre density. And that's summarized on slide four.

Let me turn to Pinedale. We completed 96 new wells at Pinedale in 2009. Note that our Pinedale team drilled a 14,310-foot directional well, spud to total depth, in 13 days. We're now consistently under 20 days completed well costs on the last 25 Questar E&P-operated wells at Pinedale, averaged less than $4.8 million. And again, I can assure you there's an a sense of urgency on our Pinedale team about continuing that productivity performance. Our Pinedale team's relentless focus on costs matters because we have up to 1,400 low-risk development wells yet to drill at Pinedale on a combination of five-and 10-acre density. Please note we plan to operate six rigs at Pinedale in 2010, and you can get more details on slide five.

We also have given you an update on our Cana shale play in the release on Tuesday. Note on slide six that Questar E&P-operated wells have recently IP'ed at rates ranging from just below 5 million cubic feet a day to over 7.5 million cubic feet a day. We currently have one operated rig in this play, and we plan to have another rig in the near future.

Moving to the Granite Wash play In the Texas Panhandle. We are currently completing our first Questar E&P-operated horizontal well, that's the Tom Puryear well, in Wheeler County. It's shown on slide seven and eight. We're drilling ahead on the second operated horizontal well, and we plan to add a second rig in this play later this year. Note also that we're participating in several non-operated wells and as I've said in the other locations, I can assure you if you went to Oklahoma City office, there's a sense of urgency about getting our first few operated horizontal wells down in the Granite Wash play and continued productivity improvement in the Woodford play.

Let me turn to our Bakken oil play in North Dakota. Recent wells drilled by both Questar E&P and other operators in this play have confirmed that the Bakken fairway extends onto Questar E&P's 80,000 net acres. In December, we turned our third operated horizontal well to sales with a peak 24-hour rate of over 1,400 barrels of oil equivalent per day. In fact, this well produced over 27,000 barrels of oil equivalent in the first 30 days. That's an average of over 900 barrels of oil equivalent per day. We're calling attention to this well, it's significant because it's two miles from the nearest Bakken producing well. As shown on slide nine, we've drilled and cased our fourth Questar E&P-operated well and we're drilling ahead on the fifth operated well.

To hold our costs down, we're going to defer completions on these wells until spring, and as I've said in the other areas, our Bakken team is very focused on costs and productivity improvement. We plan to run one rig in 2010, and note that we'll drill the first test of the Three Forks formation on our acreage in the near future. Also note that we now have a working interest in 27 producing wells in the Bakken play.

So quick summary, Haynesville shale, Pinedale Anticline, Granite Wash, Woodford shale, Bakken oil. We think that's a pretty good portfolio of E&P assets, it's the foundation of our plan to turn up the growth and drive shareholder value in the years ahead. I urge you to ask Chuck Stanley for more color when we get to Q and A.

Let me turn now for the outlook for 2010 and beyond. We expect Questar E&P production to range from 210 billion to 215 billion cubic feet equivalent in 2010, that would be up 11% to 13% from 2009. Now, those of you who follow us know that Questar E&P first quarter production typically declines sequentially from the fourth quarter in large part because we choose not to incur higher costs to complete Pinedale and other Rockies wells in the winter. In 2010, we're allocating about $900 million of capital to Questar E&P, about 60% of that to our Haynesville and Pinedale plays. We're allocating most of the remaining capital to our Woodford Shale, Granite Wash and Bakken plays, where margins and returns also appear attractive on the current forward curve. Please note that over 90% of Questar E&P 2010 Cap Ex is for identified low-risk drilling locations in our core plays. Now, forward natural gas and oil prices have declined since our last call, so yesterday, as Richard noted, we took our 2010 EBITDA guidance down to reflect the lower prices for unhedged Questar E&P production. We've summarized our assumptions in the table in the release. Also note that we hedged about 167 billion cubic feet equivalent of our 2010 natural gas and oil production, 156 BCFE with fixed price swaps and another 11 with collars. There's a table at the end of our release that summarizes those hedges.

Let me turn, briefly, comment on our other business, starting with our second E&P company, Wexpro. We are allocating $100 million to Wexpro in 2010, we estimate that Wexpro's investment base could grow from about $432 million at year end 2009, to about $450 million a year in 2010. Now, you'll recall that Wexpro develops reserves on behalf of Questar Gas on a defined set of properties in the Rockies, and earns a 19% unlevered after-tax return on its net investment. 2009 was the 28th year of operations under the 1981 Wexpro Agreement and Wexpro produced in its 28th year a record 48.2 BCFE of natural gas for Questar Gas. In 2009, Wexpro also replaced its production and reported record cost of service reserves at the year end, and after 28 years, Wexpro still has a large inventory of future drilling locations that will drive significant future growth.

Let me turn to Questar Gas Management, our midstream business. We are allocating $289 million of capital to our midstream team in 2010, and this could be a transforming year for this business. We're building a 420 million cubic feet per day deep-cut cryogenic natural gas processing plants next to our existing Blacks Fork processing hub, about 100 miles south of Pinedale. When this plant's completed in the third quarter of 2011, it will be fully loaded with volumes dedicated for the life of the Pinedale field from the Questar E&P-operated acreage on the northern part of the Anticline and other dedicated Green River Basin production. Based on the current forward frac spread, this project could generate over $60 million of EBITDA per year.

Later this year, Gas Management should complete construction of the 150 million cubic feet a day, Iron Horse deep-cut cryogenic processing plan adjacent to the existing Stagecoach processing hub in the Uinta Basin. Iron Horse returns on capital are underwritten by fee-based contracts from third-party producers. This plant will also be fully loaded when it goes into service. Our timing on both of these projects appears to be good, construction costs are down significantly from the boom years of 2006 and 2008, and I can assure you there's a sense of urgency on our midstream team about bringing in these projects on schedule and within budget. As we discussed in our last call, Gas Management has also entered the gas gathering and treating business in the Haynesville Shale play. Our Louisiana entry strategy will look a lot like the strategy that produced more than a tenfold increase in earnings from our Rockies midstream business over the last decade. We're building gathering and CO2 treating facilities to handle both Questar E&P and third-party volumes.

Let me turn to our regulated businesses, starting with Questar Pipeline in late 2009. Our Pipeline team completed two key expansion projects that together add 300 million cubic feet a day of capacity on Overthrust Pipeline. Recall that Overthrust runs through the heart of the Green River Basin from the Opal hub to the Wamsutter hub. In 2010, we'll expand Overthrust again with a 43-mile, 36-inch pipeline loop west of Rock Springs, Wyoming. This $100 million project is underwritten by long-term contracts to move gas west for delivery into Kern River Pipeline and ultimately to Ruby Pipeline. In total, we've allocated $161 million of capital to our pipeline business in 2010, and I can assure you that our pipeline team, as they did in 2009, is focused on executing these projects ahead of schedule and within the budget.

Finally, we're allocating $128 million of capital to Questar Gas, our utility, in 2010. This will include capital to replace and expand older feeder lines. Our utility earned its allowed return for the fifth year in a row in 2009, Questar Gas's rates remain the lowest in the continental U.S. Our employees are among the most productive in the industry. Questar Gas ranked third among 73 U.S. gas utilities in lowest O&M cost per customer. Our employees are also serving customers well, our customer satisfaction ratings today are at an all-time high. So, let me summarize. Questar successfully adjusted to tough market conditions in 2009, we turned up the growth in the fourth quarter and we're off to a good start in 2010. Operator, let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). The first question comes from the line of Brian Singer with Goldman Sachs.

Brian Singer - *Goldman Sachs - Analyst*

Thank you. Good morning.

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

Good morning, Brian.

Brian Singer - *Goldman Sachs - Analyst*

Wanted to follow up on Haynesville and how you are completing the wells there, or really flowing those wells with your modified procedures. Can you just talk to what your expectations are for decline rates, and EURs, if that's at all different from your earlier completions and maybe a little of color, it may be early on how that Weyerhauser well is holding up?

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

Thanks Brian. This is a good opportunity to bring Chuck Stanley in.

Chuck Stanley - *Questar Corp. - President, Market Resources*

Good morning, Brian, as we mentioned in the ops release, and you saw in the table, we deliberately changed our flowback procedures, we're still stimulating the wells using the same frac in 16 stages, and pumping about the same amount of fluid and sand. But we and other operators have noticed that the wells that are flowed back hard on initial flowback and cleanup over the long term at any given point in the production history, if you look at a cumulative production of a BCFE or a cumulative production of 2 BCFE, wells that are flowed-back hard on bigger chokes tend to have lower flowing pressures at any given point on the cumulative production curve than a well that is choked back and not flowed hard. We don't know exactly what's going on down hole. We can speculate that flowing the wells really hard may cause partial closure of some of the fractures, it may allow some fractures to dewater, while others are water-logged. It's probably some combination of those things. But in the end, what we're doing now is trying to minimize the draw-down at the bottom hole portion of the well out in the lateral, and we've tried to keep the choke size down to 14/64 to 16/64 maximum choke size. That compares to earlier wells that we reported that had choke sizes in the 24/64 to 26/64 range, and allowed us to make initial rates of 20-plus million cubic feet a day.

I think to get at the root question here, Brian, if we compare the wells that we recently completed, we don't see any, first of all, the earlier wells we, after cleaning them up, choked them back to 10-12 million cubic feet a day, which resulted in fairly high bottom-hole pressures. We see some wells that have been on since the first well in the table in the recent release, the Beckett well, that had an IP of slightly over 20 million a day. It averaged, after we choked it back, about 13.3 million cubic feet a day. It [cumed] about 400 million cubic feet just in the first month on production. It's been on production now 116 days. It's [cumed] a little over 1.5 billion cubic feet of gas, and it's still making 13.2 million a day, so it's making basically the same rate that it was when we, after we cleaned it up and choked it back. I'll compare that to the most recent well, some of the most recent wells. For instance, the Weyerhauser well that you asked about came on at 13.3 million cubic a feet a day, it averaged 12 million cubic feet a day during the first 30 days, so it [cumed] a little over 360 million cubic feet of gas. It's now been on for a total of 74 days, and it's [cumed] about 790 million cubic feet, so three-quarters of a BCF. It's still making about 11 million cubic feet a day. In short, once we choked these wells back, we've yet to see significant decline in the first 60, 90, 120 days that they have been online. But what we do anticipate is with smaller choke sizes and higher bottom hole pressures that the ultimate recovery on the wells will be higher.

Brian Singer - *Goldman Sachs - Analyst*

Thank, that's really helpful. Thank you for the color. Separately, can you just confirm your uncompleted inventory and any remaining shut-ins? Is that all done with? Is there anything left?

Chuck Stanley - *Questar Corp. - President, Market Resources*

We didn't get all of the wells at Pinedale completed. We got closed down by cold weather, I think we still had half a dozen or so wells, but as you know, normally, we shut down completion activity at Pinedale and carry wells through the winter. We'll start up again in March when the weather warms up. So we will have a substantial inventory there, but that's normal. In the other areas, just the normal course of backlog, getting rigs moved off and getting completion crews moved in.

Brian Singer - *Goldman Sachs - Analyst*

Great. Thank you.

Operator

Your next question comes from the line of Rebecca Followill with Tudor, Pickering and Holt.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Thanks, guys for the good results for the quarter and just the production update. On the reserve numbers on Haynesville, what are you booking per well on Haynesville?

Chuck Stanley - *Questar Corp. - President, Market Resources*

Hi Becca, it's Chuck again. Our average EUR on the PDP wells that we either operate or participate in is about 6.5 BCFE, and there's a range around that. Obviously we have some wells booked close to 10 BCFE on the high side. The proved undeveloped locations, and this is all gross gas, not net gas, the proved undeveloped locations are booked at 6 BCFE each. And just a little bit of more color on the booking methodology, we've booked a maximum of two proved locations per 640-acre unit or section. If there's one PDP well, we'll book a maximum of one pud. If there are no PDP wells in the section, we'll book a maximum of two puds per unit. To help you do the math, our average working interest on those undeveloped locations is 42%, so if you try to back in into the reserve number, I think that gives you all the information you need, except for NRI, and our NRIs are a little under 80% on average.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Great. That's very helpful. Second question is on production. I know that seasonally, the first quarter normally is lower than the fourth quarter, but the four quarter was so big this year because of the flush production, and incremental production coming online, so should we look for even a bigger decline in the first quarter or is there an offset with some of the Haynesville?

Chuck Stanley - *Questar Corp. - President, Market Resources*

That's a good question. Yes, we will see a decline, and it will be magnified some because of, as you correctly identified, the flush production we saw in the fourth quarter as we both brought wells that had been curtailed back up to full productive rate. We had wells shut in that, as you - - we discussed in previous calls, acted at a mini storage project. And when those wells come back on, they come back at a higher rate than they were producing at when they were shut in. We also rapidly worked through our backlog of standing wells that had not been completed, so yes, there will be a more dramatic decline in the first quarter as we don't get back to well completions until the end of the first quarter and into the second quarter so that decline will not be reversed until the end of the second quarter.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Great, thank you. The last question, which I missed the opening remarks so you may have already addressed it, but the question that is on everyone's mind is structure. Any thoughts on where you stand on looking at that or the process?

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

Becca, I'll stake that one. I commented in those prepared remarks as we hit each one of our operating areas, about a sense of urgency in our operating divisions about performance improvement. I can assure you and investors that that same sense of urgency extends to the management team and the current CEO's office when it comes to our chronic valuation gap. And I can also assure you that the urgency walks right out of the CEO's office into the Board room. Now, looking at it over a long-term perspective, if you'd owned the shares for the entire decade just ended, you would have realized about a 470% total shareholder return, and that would have been good enough to rank number 30 out of the 500 companies in the S&P 500. Some management teams might be content with that, but we're not, and we can do the math on our valuation. We're getting feedback, Sam gets feedback from time to time that we need to do a better job telling our story, perhaps we need to be more promotional. I don't believe you can talk your way to a better valuation. I think it takes execution. You folks can judge from the results that we just put up and from the last several quarters whether we're executing. I can tell you that if good execution fails to close the valuation gap than we're going to have to do something different. I appreciate the question.

Becca Followill - *Tudor, Pickering, Holt & Co. Securities - Analyst*

Great, thank you.

Operator

(Operator Instructions). Your next question comes from the line of Robert Christensen with Buckingham Research.

Robert Christensen - *Buckingham Research - Analyst*

Good morning. And thanks. The question I have is about the, I guess at this stage, pilot projects of choking back these Haynesville wells. It seems early days to make a statement that the EURs would be increased, with half a year of this exercise of choking back wells. What evidence do you have that the EURs would truly increase? Don't we just defer this high pressure problem down hole? I wouldn't characterize it as a problem, but the closure and stress and all that down hole. Don't we just defer that? And come back and come back with EURs that might be less? Isn't it early days to make the statement? A number of companies are taking this to this level.

Chuck Stanley - *Questar Corp. - President, Market Resources*

Bob, it's Chuck. You're right in that it is early days. Interestingly, we've seen this phenomenon in other reservoirs, not shales and tight gas sands and other areas in our operations where we changed our flowback methodology and reduced the draw-down at the reservoir horizon, and overall saw better well performance and higher EURs compared to direct offset wells in almost identical rock. Yes, it is early, but there is, I think, a very strong reservoir engineering and empirical relationship between flowing bottom hole pressure and cumulative production and ultimate recovery. And if we take well A, which is flowed back hard and cleaned up with an unconstrained flowback and look at the flowing pressure at 1 BCF of cumulative production, and let's just say 8,000 pounds, and we look at a well that is babied and has been flowed back on a smaller choke to avoid drawing down the reservoir pressure, at 1 BCF, we might see 9,000 pounds. So, if we extrapolate that into the future, one would presume that the flowing pressure at any given point on the cumulative production curve would be higher, and ultimately, what defines the recovery -- ultimate recovery from a gas well is abandonment pressure, so at any point along the curve, you would be higher on the flowing pressure and therefore prolong the point to abandonment. We -- you're correct. We don't have a lot of data on this, although it is interesting that other operators are observing the same phenomenon in other shale plays. We see the same thing, indications of the same thing, in the Cana shale play that we are an operator in, and as I mentioned, we've seen it in tight gas sand reservoirs and other basins. I think as an industry we've conditioned the analyst community to focus solely on initial production rate and, unfortunately, that may not be the most prudent headline for ultimate recovery and ultimate economics of the play.

Robert Christensen - *Buckingham Research - Analyst*

That's a very good answer for me. Thank you. If I may have a follow-on. How many wells in the Haynesville do you need to drill to hold your leases?

Chuck Stanley - *Questar Corp. - President, Market Resources*

Bob, I don't have an exact number, a large amount of our leasehold is held by production by shallower Hosston and Cotton Valley wells, and no pew clauses that sever the shallow rights from the deep, but we're comfortable with the current drilling program we can more than save our leases. We have some leases that are still under primary term, but they've got significant term left on them. It's less than 30 total.

Robert Christensen - *Buckingham Research - Analyst*

I have another question if I may. I don't know whether -- your DD&A rates seems high still, and I know that the success you're having should bring it down over time. I was just wondering under successful efforts accounting, if prices for natural gas were to go up, would we have any kind of midyear, mid-quarters type of adjustments where you bring revisions back on. I'm not just familiar with the accounting and certainly the rules have changed, which could materially lower your DD&A rate.

Chuck Stanley - *Questar Corp. - President, Market Resources*

Richard, you want to handle that one?

Richard Doleshek - *Questar Corp. - CFO*

Sure, Bob, it's Richard. If you look at the DD&A rate at QEP over the last three quarters, the high-water mark was 307, and the second quarter coming down to 263 and the fourth quarter, and as you guys observed with the reserves that were booked, most of those being on the proved, undeveloped side, that only impacts our leasehold DD&A rates. So I think it's fair to say the DD&A rate should modestly trend down through the year, but even if we brought a lot of those reserves back, due to upward prices in revisions there, most likely it's not going to materially change the DD&A rate.

Robert Christensen - *Buckingham Research - Analyst*

But isn't that painful? I mean you just gave the exercise at $3.60 gas after you net out gathering compression and all that. $2.90 is the fixed cost, and the real gas price is pretty much on the border of your DD&A rate.

Richard Doleshek - *Questar Corp. - CFO*

It - -

Robert Christensen - *Buckingham Research - Analyst*

How do you explain -- this keeps me somewhat at bay from the stock on a profitability basis.

Richard Doleshek - *Questar Corp. - CFO*

Yes and certainly, you're looking at on a full cycle return basis which is what DD&A attempts to model. If you look at our cash basis, we're lifting the molecules out of the ground at less than $1 per MCFE, which is LOE and production taxes and then you add $0.36, and $0.34 for G&A and interest respectively. So on a cash basis, we're clearly doing very well and then when you look at the full cycle economics, including your investment base for leasehold as well as your development dollars that you get into a scenario where you're not covering all your costs, but again, our hedge portfolio really helped us in 2009 so, on a full cycle basis, we are still net cash, or net positive on an after DD&A basis.

Chuck Stanley - *Questar Corp. - President, Market Resources*

Bob, this is Chuck again. One other comment I would make is that there is a profound lack of comparability between a full cost E&P company and a successful efforts company because of the ability or the requirement under full cost accounting to take ceiling test impairments and basically impair away billions of dollars of past investments. The standard for a successful efforts company is quite a bit higher bar in order to take an impairment charge, so if you look back at our history of impairments, they have been relatively modest compared to that of other full cost companies. And as a result, we carry the costs and you see the full history of our investment in our E&P business reflected in the DD&A rate rather than one that has been significantly reduced by taking ceilings test write-downs over time.

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

That final comment, if you look back over the last several quarters in the low price environment, we tested at the end of each quarter for impairment of our E&P properties, and you'll see the write-downs for impairment have been very minimal.

Robert Christensen - *Buckingham Research - Analyst*

Thank you, guys. Appreciate it.

Operator

(Operator Instructions). Your next question comes from the line of Faisel Khan with Citigroup.

Tim Schneider - *Citigroup - Analyst*

Hey, guys, it's Tim Schneider for Faisel. If I look at slide seven on the Granite Wash, I noticed that you updated the top end guidance range, I guess on the EURs to 12 Bcf per well, I was wondering what the incremental new flow was on that?

Chuck Stanley - *Questar Corp. - President, Market Resources*

Tim, this is Chuck, just looking at, off the well results, we participated in several of the outside-operated wells that have made the headlines recently, and looking at the performance of those wells over a short period of time, and knowing what we know about some of these Granite Wash reservoirs, we believe that on the high end it could be as high as 12 BCF.

Tim Schneider - *Citigroup - Analyst*

Okay, and if I look at it on the cost side, the incremental cost would only be $400,000? Top end of the cost goes from $8 million to $8.4 million per well.

Chuck Stanley - *Questar Corp. - President, Market Resources*

Right. That's just more refinement on our view, on completed well costs on some of these deeper Atoka laterals where you're measured depth is substantially deeper than the shallower Caldwell and Cherokee zones and just knowing what we know about drilling costs.

Tim Schneider - *Citigroup - Analyst*

Got it. As far as timing goes, when do you think the well is going to be completed? The one that's currently completing?

Chuck Stanley - *Questar Corp. - President, Market Resources*

The Tom Puryear is down, its fracked, unfortunately it has been one of those wells that bad things normally come in threes, and I think we're on five for bad things. Right now, we have coiled tubing stuck in the well during drill out, we're going to have to fish that out, finish the drill-out before we can get the well to sales, so hopefully fairly shortly. That well has been basically troubled from the beginning. We had difficulty drilling it, we had some shallow drilling problems that forced us to sidetrack the well several times before we got into the horizontal lateral, and we got sidetracked by delays related to weather on the completion, so I've given up trying to predict a date, but it's close to coming on production. The Edwards well is spudded, and is getting ready to start building the corner to turn horizontal. We've got another rig working over in Oklahoma in the Oklahoma portion of Granite Wash play drilling an offset to our Roxanne well that we reported several quarters ago.

Tim Schneider - *Citigroup - Analyst*

Thank you.

Operator

(Operator Instructions). At this time, there are no questions in queue. I will turn it back over to management for closing remarks.

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

We want to thank everyone for calling in today to listen to Questar conference call. You know how to get a hold of us, we'll continue to post information and on our Web site, www.Questar.com. Thanks for your interest in Questar.

Operator

This concludes today's conference call. You may now disconnect.
