

Questar Corporation
180 East 100 South
P.O. Box 45433
Salt Lake City, UT 84145-0433

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Contact: Curt Burnett
Office 801-324-5647

Questar CEO Urges Congress to Remove Barriers to Gas Production

U.S. Faces 'Supply Problem' Rattie Tells Senate Committee

WASHINGTON, D.C. -- Questar Corp. President and CEO Keith Rattie today urged Congress to remove barriers to domestic natural gas development or face the prospect of future natural gas shortages and higher utility costs for American consumers.

Testifying before the United States Senate Committee on Energy and Natural Resources in Washington, D.C., Rattie cited Energy Information Agency estimates that U.S. natural gas consumption will increase 54 percent to a total 35 trillion cubic feet (tcf) per year by 2025. He added that while the North American natural gas resource base is adequate to meet this demand, 30 to 40 percent of these supplies are "either off limits or only open to development under highly restricted conditions.

"We're not running out of natural gas, and we're not running out of places to look for natural gas," Rattie said. "However, we are running out of places where we are *allowed* to look for gas. The truth that must be confronted now is that, as a matter of policy, this country has chosen not to develop much of its natural gas resource base. Many of the 65 million American households that depend on natural gas for heat are unaware of this choice."

Rattie said record-high natural gas prices this winter in many parts of the country are caused by rising demand and lower production. Residential consumption has jumped because temperatures are closer to normal after several warmer-than-normal winters. U.S. natural gas production is about 4 percent lower than a year earlier because of lower drilling activity and declining well-production rates.

Rattie called on Congress to begin by forging "a national consensus that natural gas is

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abundant, and that natural gas development is good for our economy, good for the environment, and good for society.”

Rattie asked Congress to reinstate tax credits to stimulate exploration and production of “unconventional” gas resources.

Rattie also urged opening federal lands in the Rockies to exploration and easing restrictions on off-shore development. He pointed to advances in technology and new drilling techniques as proof that “our energy resources can be developed without harming the environment.” He called environmental concerns that hamper responsible resource development exaggerated and counterproductive. “The irony is that by choosing not to develop our most environmentally benign fuel, we’re burning more coal and running our aging nuclear plants harder than ever,” he said.

Rattie also encouraged Congress to ease barriers to new pipeline construction and to increase funding for research and development of new natural gas technology.

Rattie’s comments came just days after natural gas prices in the eastern U.S. jumped to their highest levels since 2001. He called this price spike “a second wake-up call.” The first, according to Rattie, occurred in 2001 when a “perfect storm” of events, including a cold winter, a hot summer and a surging economy led to increased demand for natural gas and the highest prices in decades. As drilling boomed and supplies increased, prices eventually retreated. But as prices eased so did the rate of drilling. Producers drilled 30 percent fewer wells in 2002 than in 2001. This downturn in new supplies set the stage for this winter’s price spike, Rattie said.

Despite 2002’s decline in drilling, the number of new wells completed last year was 50 percent higher than the yearly average between 1995 and 2000. Nevertheless, Rattie pointed out that U.S. gas production is lower today than it was five years ago. “Producers are on an accelerating treadmill, running harder trying to stay in place,” he said. “Simply put, we have a natural gas supply problem. The implications are even more sobering when we consider what’s expected to happen to demand over the next two decades.”

Pointing to events in 2001, Rattie said market forces were enough to keep prices in check. In the long term, however, “there is much that Congress can do to help gas supply keep

pace with demand.

“The burden of delivering a 50 percent increase in gas supply over the next 20 to 25 years . . . is a tall order,” Rattie said. “Even more so when one considers the barriers we throw in the way of domestic natural gas development. Unless we remove those barriers, there’s no chance the industry can supply a 35-tcf market in 2025.”

Questar Corp. is a \$3.1 billion diversified natural gas company headquartered in Salt Lake City. Through subsidiaries, it engages in gas and oil development and production; gas gathering, processing and marketing; interstate gas transmission and storage; retail gas distribution; retail energy services; and information systems and technologies.

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