EQUITABLE RESOURCES INC /PA/
Form 10-K
February 22, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-3551

EQUITABLE RESOURCES, INC.

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	**25-0464690**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
225 North Shore Drive	**15212**
Pittsburgh, Pennsylvania	(Zip Code)
(Address of principal executive offices)	

Registrant s telephone number, including area code: **(412) 553-5700**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act
Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of voting stock held by non-affiliates of the registrant
as of June 30, 2007: $5,952,581,076

The number of shares of common stock outstanding
as of January 31, 2008: 122,152,641

DOCUMENTS INCORPORATED BY REFERENCE

The Company s definitive proxy statement relating to the annual meeting of shareowners, to be held April 23, 2008, which will be filed with the Commission within 120 days after the close of the Company s fiscal year ended December 31, 2007, is incorporated by reference in Part III to the extent described therein.

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Glossary of Commonly Used Terms, Abbreviations, and Measurements

Commonly Used Terms

AFUDC Allowance for Funds Used During Construction, carrying costs for the construction of certain long-term assets are capitalized and amortized over the related assets estimated useful lives, including the cost of financing construction of assets subject to regulation; the capitalized amount for construction of regulated assets includes interest cost and a designated cost of equity for financing the construction of these regulated assets.

Appalachian Basin The area of the United States comprised of those portions of West Virginia, Pennsylvania, Ohio, Maryland, Kentucky and Virginia that lie at the foot of the Appalachian Mountains.

basis When referring to natural gas, the difference between the futures price for a commodity and the corresponding sales price at various regional sales points. The differential commonly is related to factors such as product quality, location and contract pricing.

Btu One British thermal unit a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

CAP The Customer Assistance Program, a payment plan for low-income residential gas customers that sets a fixed payment for natural gas usage based on a percentage of total household income.

cash flow hedge A derivative instrument that complies with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, and is used to reduce the exposure to variability in cash flows from the forecasted physical sale of gas production whereby the gains (losses) on the derivative transaction are anticipated to offset the losses (gains) on the forecasted physical sale.

collar A financial arrangement that effectively establishes a price range for the underlying commodity. The producer bears the risk of fluctuation between the minimum (floor) price and the maximum (ceiling) price.

dekatherm (dth) A measurement unit of heat energy equal to 1,000,000 British thermal units.

development well A well drilled into a known producing formation in a previously discovered area.

exploratory well A well drilled into a previously untested geologic prospect to determine the presence of gas or oil.

farm tap Natural gas supply service in which the customer is served directly from a well or gathering pipeline.

futures contract An exchange-traded legal contract to buy or sell a standard quantity and quality of a commodity at a specified future date and price.

gas All references to gas in this report refer to natural gas.

gross Gross natural gas and oil wells or gross acres equal the total number of wells or acres in which the Company has a working interest.

heating degree days Measure used to assess weather s impact on natural gas usage calculated by adding the difference between 65 degrees Fahrenheit and the average temperature of each day in the period (if less than 65 degrees Fahrenheit). Each degree of temperature by which the average temperature falls below 65 degrees Fahrenheit represents one heating degree day. For example, a day with an average temperature of 50 degrees Fahrenheit will have 15 heating degree days.

hedging The use of derivative commodity and interest rate instruments to reduce financial exposure to commodity price and interest rate volatility.

Glossary of Commonly Used Terms, Abbreviations, and Measurements

horizontal drilling Drilling that ultimately is horizontal or near horizontal to increase the length of the well bore penetrating the target formation.

infill drilling Drilling between producing wells in a developed area to increase production.

margin deposits Funds or good faith deposits posted during the trading life of a futures contract to guarantee fulfillment of contract obligations.

margin call A demand for additional or variation margin deposits when futures prices move adversely to a hedging party s position.

multiple completion well A well producing oil and/or gas from different zones at different depths in the same well bore with separate tubing strings for each zone.

net Net gas and oil wells or net acres are determined by summing the fractional ownership working interests the Company has in gross wells or acres.

net revenue interest The interest retained by the Company in the revenues from a well or property after giving effect to all third party royalty interests (equal to 100% minus all royalties on a well or property).

proved reserves Reserves that, based on geologic and engineering data, appear with reasonable certainty to be recoverable in the future under existing economic and operating conditions.

proved developed reserves Proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.

proved undeveloped reserves Proved reserves that are expected to be recovered from new wells on undrilled proved acreage or from existing wells where a relatively major expenditure is required for completion.

reservoir A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

royalty interest The land owner s share of oil or gas production typically 1/8, 1/6, or 1/4.

transportation Moving gas through pipelines on a contract basis for others.

throughput Total volumes of natural gas sold or transported by an entity.

working interest An interest that gives the owner the right to drill, produce and conduct operating activities on a property and receive a share of any production.

Abbreviations

APB No. 18 Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock

APB No. 25 Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees

Dominion - Dominion Resources, Inc. When used in the context of discussion relating to the now terminated acquisition of Peoples and Hope, references to Dominion are as successor by merger to Consolidated Natural Gas Company, the original counterparty to the terminated acquisition agreement.

EITF No. 02-3 Emerging Issues Task Force Issue No. 02-3, Recognition and Reporting of Gains and Losses on Energy Trading Contracts under EITF Issues No. 98-10 and 00-17

FASB Financial Accounting Standards Board

FERC Federal Energy Regulatory Commission

Glossary of Commonly Used Terms, Abbreviations, and Measurements

FIN 45 FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34

FIN 48 FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109

Hope - Hope Gas, Inc

IRC Internal Revenue Code of 1986, as amended

IRS Internal Revenue Service

NYMEX New York Mercantile Exchange

OTC Over the Counter

PA PUC Pennsylvania Public Utility Commission

Peoples - The Peoples Natural Gas Company

SEC Securities and Exchange Commission

SFAS Statement of Financial Accounting Standards

SFAS No. 5 Statement of Financial Accounting Standards No. 5, Accounting for Contingencies

SFAS No. 19 Statement of Financial Accounting Standards No. 19, Financial Accounting and Reporting by Oil and Gas Producing Companies

SFAS No. 69 Statement of Financial Accounting Standards No. 69, Disclosures About Oil and Gas Producing Activities an amendment of FASB Statements 19, 25, 33, and 39

SFAS No. 71 Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation

SFAS No. 106 Statement of Financial Accounting Standards No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions

SFAS No. 109 Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes

SFAS No. 115 Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities

SFAS No. 123R Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment

SFAS No. 133 Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended

SFAS No. 143 Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations

SFAS No. 144 Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets

SFAS No. 146 Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities

SFAS No. 157 Statement of Financial Accounting Standards No. 157, Fair Value Measurements

SFAS No. 158 Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R)

SFAS No. 159 Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115

WV PSC Public Service Commission of West Virginia

Measurements

Bbl = barrel
Bcf = billion cubic feet
Bcfe = billion cubic feet of natural gas equivalents
Mcf = thousand cubic feet
Mcfe = thousand cubic feet of natural gas equivalents
MMBtu = million British thermal units
MMcf = million cubic feet
MMcfe = million cubic feet of natural gas equivalents

Forward-Looking Statements

Disclosures in this Annual Report on Form 10-K contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as anticipate, estimate, forecasts, approximate, expect, project, intend, plan, believe and other words of similar meaning in connection with any discussion of future operating or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned Outlook in Management s Discussion and Analysis of Financial Condition and Results of Operations, and the expectations of plans, strategies, objectives, and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company s drilling and infrastructure programs, production and sales volumes, reserves, capital expenditures, financing requirements, hedging strategy, tax position, formation of three reporting segments and the move to a holding company structure. A variety of factors could cause the Company s actual results to differ materially from the anticipated results or other expectations expressed in the Company s forward-looking statements. The risks and uncertainties that may affect the operations, performance and results of the Company s business and forward-looking statements include, but are not limited to, those set forth under Item 1A, Risk Factors and elsewhere in this Form 10-K.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

In this Form 10-K, references to we, us, our, Equitable, Equitable Resources and the Company refer collectively to Equitable Resources, Inc. and its consolidated subsidiaries, unless otherwise specified.

Equitable Resources, Inc. is an integrated energy company, with an emphasis on Appalachian area natural gas activities, including production, gathering and processing, and distribution, transmission, storage and marketing. The Company and its subsidiaries offer energy (natural gas, and a limited amount of natural gas liquids and crude oil) products and services to wholesale and retail customers.

The results of operations of the Company for the year ended December 31, 2007 are reported in this Form 10-K through two business segments: Equitable Supply and Equitable Utilities. These reporting segments reflect the Company s lines of business and are reported in the same manner the Company evaluated its operating performance through December 31, 2007.

The Company was formed under the laws of Pennsylvania by the consolidation and merger in 1925 of two companies, the older of which was organized in 1888. In 1984, the corporate name was changed to Equitable Resources, Inc.

The Company and its subsidiaries had approximately 1,400 employees at the end of 2007, of which 292 employees were subject to collective bargaining agreements. In January 2007, the Company and one union reached agreement on a three-year renewal contract for various clerical employees represented by the union. The labor agreement with the United Steelworkers (USW), Local 12050 will expire on September 25, 2008 and the labor agreement with USW, Local 8-512 will expire on October 15, 2008. In October 2007, one USW bargaining unit, which had been operating without a contract since April 19, 2004, voted to decertify the USW as its collective bargaining representative. As a result, these employees are no longer represented by a union. The Company believes that its employee relations are generally good.

The Company makes certain filings with the SEC, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, available free of charge through its website, http://www.eqt.com, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. The filings are also available at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at http://www.sec.gov. The Company s annual reports to shareholders, press releases and recent analyst presentations are also available on the Company s website.

Business Segments

Equitable Supply

Equitable Supply s production business develops, produces and sells natural gas and, to a limited extent, crude oil and natural gas liquids, in the Appalachian region of the United States. Its gathering business consists of the gathering of gas produced by the Company and third parties and the processing of natural gas liquids. Equitable Supply generated approximately 64% of the Company s net operating revenues in 2007.

Production

Equitable Supply s production business, operating through Equitable Production Company and several other affiliates (collectively referred to as Equitable Production), is one of the largest owners of proved natural gas reserves in the Appalachian Basin. Equitable Production s key operating assets include:

- 1,016,960 gross (954,010 net) productive acres
- 2,286,759 gross (2,145,175 net) undeveloped acres
- total proved reserves at December 31, 2007 of 2,682 Bcfe; 65% of which were proved developed
- 12,889 gross (9,309 net) producing wells

The Company s proved reserves had discounted future net cash flows before income taxes of $3,989 million ($2,473 million after tax) at December 31, 2007. This standardized measure of discounted future net cash flows is calculated using adjusted year-end prices in accordance with SFAS No. 69. See Note 24 to the Consolidated Financial Statements for more information. These reserves are located entirely in the Appalachian Basin, which is characterized by wells with comparatively low rates of annual decline in production, long lives, low production costs and natural gas containing high energy content. Many of the Company s wells have been producing for decades, in some cases since the early 1900 s. Management believes that virtually all of the Company s wells are low risk development wells because they are drilled in areas and into reservoirs which are known to be productive.

The Company is focused on continuing its significant organic reserve and production growth through its drilling program and believes that this plan will increase its proved reserves based on the quality of the underlying asset base. From 2005 through 2007, Equitable has drilled 997 wells on locations not classified as proved in the reserves report, with less than 3 dry holes drilled. The Company has announced a significant capital commitment plan to support its reserve growth. Capital spending for well development (primarily drilling) is expected to increase to $619 million in 2008 from $298 million in 2007. A substantial portion of the Company s 2008 drilling efforts will be focused on drilling horizontal wells in shale formations in Kentucky and West Virginia. The Company is targeting completion of between 250 and 300 horizontal wells in 2008 and expects an average cost per horizontal well of approximately $1.2 million, below its estimates when it began the horizontal drilling program in the latter part of 2006. The Company expects average recovery results in the range of 0.75 Bcfe to 1.50 Bcfe per horizontal well.

The Company drilled 634 gross wells (456 net) in 2007 consisting of 88 horizontal shale wells, 266 coal bed methane wells and 280 other vertical wells. Included in this total are 36 infill wells. Drilling was concentrated within Equitable s core areas of southwestern Virginia, southeastern Kentucky and southern West Virginia.

The Company s drilling activity resulted in proved developed reserve additions of approximately 165 Bcfe in 2007. Of the proved developed reserve additions, approximately 43 Bcfe related to proved undeveloped reserves that were transferred to proved developed reserves. The company s 2007 extensions, discoveries and other additions of 321.0 Bcfe exceeded the 2007 production of 83.1 Bcfe (a drill bit reserves replacement ratio of 386%).

Equitable Supply s production for 2007 increased to 83.1 Bcfe, yielding an average proved reserves-to-production ratio (average reserve life) of approximately 32.3 years at year-end 2007 when compared to the Company s year-end proved reserves of 2,682 Bcfe.Equitable Supply s fourth quarter 2007 average daily sales were 210 MMcfe per day. Daily sales volumes are expected to reach 235 MMcfe by year-end 2008 with total production sales volumes expected to reach 80-81 Bcfe for the year.

See Note 24 to the Company s Consolidated Financial Statements for information on reserves, reserve activity, costs and the standard measure of discounted future cash flows.

The natural gas produced by Equitable Supply is a commodity and therefore the Company receives market-based pricing. The market price for gas located in the Appalachian Basin is generally higher than the price for gas located in the Gulf Coast, largely due to the differential in the cost to transport gas to customers in the northeastern United States. The recent increase in production in the Appalachian Basin by the Company and other producers is putting pressure on the capacity of existing gathering and midstream processing and transport systems. As a result, the Company has entered into certain discounted sales arrangements to obtain transportation capacity, so that its gas continues to flow.

The combination of long-lived production, low drilling costs, high drilling completion rates and proximity to natural gas markets has resulted in a highly fragmented operating environment in the Appalachian Basin. Natural gas drilling activity has increased as suppliers in the Appalachian Basin attempt to take advantage of natural gas prices which continue to be higher than historical levels. While increased activity can place constraints on availability of labor, equipment, pipeline transport and other resources in the Appalachian Basin, it also provides opportunities for expansion of natural gas gathering activities and potential to attract higher quality rigs and labor providers in the future.

Equitable Supply hedges a portion of its forecasted natural gas production. It also hedges third party purchases and sales. The Company s hedging strategy and information regarding its derivative instruments is outlined in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, and in Notes 1 and 3 to the Consolidated Financial Statements.

Gathering

Equitable Gathering operating through several subsidiaries of the Company derives its revenues from charges to customers for use of its gathering system in the Appalachian Basin. As of December 31, 2007, the system included approximately 7,500 miles of gathering lines located throughout West Virginia, eastern Kentucky and southwestern Virginia. Over 90% of the gathering system volumes are transported to interconnects with three major interstate pipelines: Columbia Gas Transmission, East Tennessee Natural Gas Company and Dominion Transmission. The gathering system also maintains interconnects with Equitrans, L.P. (Equitrans), the Company s interstate pipeline affiliate. Maintaining these interconnects provides the Company with access to geographically diverse markets.

Gathering system sales volumes for 2007 totaled 94.2 Bcfe, of which approximately 65% related to the gathering of Equitable Production s gas volumes, 24% related to third party volumes, and the remainder related to volumes in which interests were sold by the Company but which the Company continued to operate for a fee. Approximately 84% of Equitable Gathering s 2007 revenues were from affiliates. As a result of the gathering asset contribution to Nora Gathering, LLC in 2007 discussed in Note 4 to the Company s Consolidated Financial Statements, operations related to the Nora area gathering activities are no longer included in Equitable Gathering s operating results. Equitable Gathering records its 50% equity interest in the earnings of Nora Gathering, LLC under the equity method of accounting.

Key competitors for new gathering systems include independent gas gatherers and integrated Appalachian energy companies. See Outlook under Equitable Supply s section of Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations for discussion of the Company s strategy in regard to its midstream gathering operations.

Equitable Utilities

Equitable Utilities operations comprise gathering, transportation, storage, distribution and marketing of natural gas. Equitable Utilities has both regulated and nonregulated operations. The regulated activities consist of the Company s state-regulated distribution operations and federally-regulated pipeline and storage operations. The nonregulated activities include the nonregulated pipeline operations, non-jurisdictional marketing of natural gas, risk management activities for the Company and the sale of energy-related products and services. Equitable Utilities generated approximately 36% of the Company s net operating revenues in 2007.

Distribution Operations

Equitable Utilities distribution operations are carried out by Equitable Gas Company (Equitable Gas), a division of the Company. The service territory for the distribution operations includes southwestern Pennsylvania, municipalities in northern West Virginia and field line sales, also referred to as farm tap service, in eastern Kentucky and West Virginia. These areas have a rather static population and economy. The distribution operations provide natural gas services to approximately 275,000 customers, consisting of 256,400 residential customers and 18,600 commercial and industrial customers. Equitable Gas purchases gas through contracts with various sources including major and independent producers in the Gulf Coast, local producers in the Appalachian area and gas marketers (including an affiliate). These contracts contain various pricing mechanisms, ranging from fixed prices to several different index-related prices.

Equitable Gas distribution rates, terms of service, and contracts with affiliates are subject to comprehensive regulation by the PA PUC and the WV PSC and the issuance of securities is subject to regulation by the PA PUC. The field line sales rates in Kentucky are also subject to rate regulation by the Kentucky Public Service Commission. Equitable Gas also operates a small gathering system in Pennsylvania, which is not subject to comprehensive regulation.

The Company must usually seek approval of one or more of its regulators prior to increasing (or decreasing) its rates. Currently, Equitable Gas passes through to its regulated customers the cost of its purchased gas and transportation activities. It is allowed to recover a return in addition to the costs of its transportation activities. However, the Company s regulators do not guarantee recovery and may require that certain costs of operation be recovered over an extended term. Equitable Gas has worked with, and continues to work with, regulators to implement alternative cost recovery programs. Equitable Gas tariffs for commercial and industrial customers allow for negotiated rates in limited circumstances. Regulators periodically audit the Company s compliance with applicable regulatory requirements. The Company is not aware of any significant non-compliance as a result of any completed audits.

Because most of its customers use natural gas for heating purposes, Equitable Gas revenues are seasonal, with approximately 72% of calendar year 2007 revenues occurring during the winter heating season (the months of January, February, March, November and December). Significant quantities of purchased natural gas are placed in underground storage inventory during the off-peak season to accommodate higher demand during the winter heating season.

Pennsylvania law requires that local distribution companies develop and implement programs to assist low income customers with paying their gas bills. The costs of these programs are recovered through rates charged to other residential customers. Equitable Gas has several such programs, including the CAP. In October 2006, Equitable Gas submitted a request for PA PUC approval to increase funding to support the increasing costs of its CAP. On September 27, 2007, the PA PUC issued an order approving an increase to Equitable s surcharge, which is designed to offset the costs of the CAP. The revised surcharge went into effect on October 2, 2007. See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations for more information.

On March 1, 2006, the Company entered into a definitive agreement to acquire Dominion s natural gas distribution assets in Pennsylvania and in West Virginia for approximately $970 million, subject to adjustments, in a cash transaction for the stock of Peoples and Hope. In light of the continued delay in achieving the final legal approvals for this transaction, the Company and Dominion agreed to terminate the definitive agreement pursuant to a mutual termination agreement entered into on January 15, 2008. See Item 3, Legal Proceedings for a description of proceedings initiated by the Federal Trade Commission for the purpose of challenging the proposed acquisition.

Pipeline (Transportation and Storage) Operations

Equitable Utilities interstate pipeline operations are carried out by Equitrans. These operations offer gas gathering, transportation, storage and related services to affiliates and third parties in the northeastern United States, including but not limited to, Dominion Resources, Inc., Keyspan Corporation, NiSource, Inc., PECO Energy Company and UGI Energy Services, Inc. In 2007, approximately 66% of transportation volumes and approximately 77% of transportation revenues were from affiliates. Equitrans rates are subject to regulation by the FERC.

In the second quarter of 2006, the Company filed a certificate application with the FERC for approval to build a 70-mile, 20-inch diameter pipeline which will connect the Company-operated Kentucky hydrocarbon processing plant in Langley, Kentucky to the Tennessee Gas Pipeline in Carter County, Kentucky, and will initially provide up to 130,000 dekatherms per day of firm transportation service. The pipeline, known as the Big Sandy Pipeline, is owned and will be operated by Equitrans. On October 16, 2007, the FERC granted Equitrans request for an extension of time until March 31, 2008 to complete construction of the Big Sandy Pipeline. Capital expenditures incurred by the Company related to the Big Sandy Pipeline are included in the Equitable Supply business segment.

On April 5, 2006, the FERC approved a settlement to Equitrans consolidated 2005 and 2004 rate case filings. The settlement became effective on June 1, 2006. This settlement allows Equitrans to institute an annual surcharge for the tracking and recovery of all costs (operations, maintenance and return on invested capital) incurred on and after September 1, 2005, related to Equitrans Pipeline Safety Program under the Pipeline Safety Improvement Act of 2002. Filings to modify the surcharge must be made on or before March 1st of each year for approval by the FERC. On March 29, 2007, the Company received approval, subject to refund, to institute the surcharge, and on April 1, 2007, the Company commenced billing the surcharge. On November 26, 2007, the FERC removed the refund condition and approved the surcharge effective April 1, 2007. The Company anticipates that additional filings to modify the surcharge will continue to be made in future years to recover costs incurred in connection with its Pipeline Safety Program.

Equitrans firm transportation contracts on its mainline system expire between 2009 and 2011 and the firm transportation contracts on its Big Sandy Pipeline expire in 2018. The Company anticipates that the capacity associated with these expiring contracts will be remarketed such that the capacity will remain fully subscribed.

Energy Marketing

Equitable Utilities unregulated marketing operations include the non-jurisdictional marketing of natural gas at Equitable Gas, marketing and risk management activities at Equitable Energy, LLC (Equitable Energy), and the sale of energy-related products and services by Equitable Homeworks, LLC. Services and products offered by the marketing operations include commodity procurement, delivery and storage services, such as park and loan services, risk management and other services for energy consumers including large industrial, utility, commercial and institutional end-users. Equitable Energy also engages in energy trading and risk management activities for the Company. The objective of these activities is to limit the Company s exposure to shifts in market prices and to optimize the use of the Company s assets.

Transfer of Gathering Assets

Effective January 1, 2006, certain gathering assets, consisting of 1,400 miles of gathering line and related facilities with approximately 13.3 Bcf of annual throughput, were transferred from Equitable Supply to Equitable Utilities for segment reporting purposes. The effect of the transfer is not material to the results of operations or financial position of the Equitable Utilities or Equitable Supply segments; segment results have not been restated for this transfer.

Change in Segments

In January 2008, the Company announced a change in organizational structure and several changes to executive management to better align the Company to execute its growth strategy for development and infrastructure expansion in the Appalachian Basin. These changes resulted in changes to the Company s reporting segments effective for fiscal year 2008. The Company s 2008 results will be reported through three business segments: Equitable Production, Equitable Midstream and Equitable Distribution. Historical results will also be restated beginning in 2008 to reflect this new structure. Under the new reporting structure, the Equitable Production segment will include the Company s exploration for, and development and production of, natural gas and a limited amount of crude oil in the Appalachian Basin. Equitable Midstream s operations will include the natural gas gathering, processing, transportation, storage and marketing activities of the Company as well as sales of a limited amount of natural gas liquids. Equitable Distribution s operations will be comprised primarily of the state-regulated distribution activities of the Company.

Discontinued Operations

In the fourth quarter of 2005, the Company sold its NORESCO domestic business for $82 million before customary purchase price adjustments. In the second quarter of 2006, the Company completed the sale of the remaining interest in its investment in IGC/ERI Pan-Am Thermal Generating Limited (Pan Am), previously included in the NORESCO business segment, for total proceeds of $2.6 million. As a result of these transactions, the Company has reclassified its financial statements for all periods presented to reflect the operating results of the NORESCO segment as discontinued operations.

Composition of Segment Operating Revenues

Presented below are operating revenues as a percentage of total operating revenues for each class of products and services representing greater than 10% of total operating revenues during the years 2007, 2006 and 2005.

	2007	**2006**	**2005**
Equitable Supply:			
Natural gas equivalents sales	28%	29%	30%
Equitable Utilities:			
Marketed natural gas sales	26%	20%	27%
Residential natural gas sales	23%	24%	26%

Financial Information About Segments

See Note 2 to the Consolidated Financial Statements for financial information by business segment including, but not limited to, revenues from external customers, operating income, and total assets.

Financial Information About Geographic Areas

Substantially all of the Company s assets and operations are located in the continental United States.

Environmental

See Note 20 to the Consolidated Financial Statements for information regarding environmental matters.

Item 1A. Risk Factors

Risks Relating to Our Business

In addition to the other information contained in this Form 10-K, the following risk factors should be considered in evaluating our business and future prospects. Please note that additional risks not presently known to us or that are currently considered immaterial may also have a negative impact on our business and operations. If any of the events or circumstances described below actually occurs, our business, financial condition or results of operations could suffer and the trading price of our common stock could decline.

Natural gas price volatility may have an adverse effect on our revenue, profitability and liquidity.

Our revenue, profitability and liquidity depend on the price for natural gas. The markets for natural gas are volatile and fluctuations in prices will affect our financial results. Natural gas prices are affected by a number of factors beyond our control, which include: weather conditions; the supply of and demand for natural gas; national and worldwide economic and political conditions; the price and availability of alternative fuels; the proximity to, and availability of capacity on, transportation facilities; and government regulations, such as regulation of natural gas transportation, royalties and price controls.

Increases in natural gas prices may be accompanied by or result in increased well drilling costs, increased deferral of purchased gas costs for our distribution operations, increased production taxes, increased lease operating expenses, increased exposure to credit losses resulting from potential increases in uncollectible accounts receivable from our distribution customers, increased volatility in seasonal gas price spreads for our storage assets, and increased customer conservation or conversion to alternative fuels. Significant price increases subject us to margin calls on our commodity price derivative contracts (hedging arrangements, including futures contracts, swap agreements and exchange traded instruments) which would potentially require us to post significant amounts of cash collateral with our hedge counterparties. The cash collateral, which is interest-bearing, provided to our hedge counterparties is returned to us in whole or in part upon a reduction in forward market prices, depending on the amount of such reduction, or in whole upon settlement of the related hedged transaction. In such cases we are, however, exposed to the risk of non-performance by our hedge counterparties of their obligations under the derivative contracts. In addition, to the extent we have hedged our current production at prices below the current market price, we are unable to benefit fully from the increase in the price of natural gas.

Lower natural gas prices may result in downward adjustments to the value of our estimated proved reserves and cause us to incur non-cash charges to earnings. In addition, our reserves may be impacted by increases in our estimates of development costs or changes to our production assumptions which may change our production plans or may result in downward adjustments to our estimated proved reserves and cause us to incur non-cash charges to earnings.

Our failure to assess production opportunities based on market conditions could negatively impact our long-term growth prospects for our production business.

Our goal of sustaining long-term growth for our production business is contingent upon our ability to identify production opportunities based on market conditions. Successfully identifying production opportunities involves a high degree of business experience, knowledge and careful evaluation of potential opportunities, along with subjective judgments and assumptions which may prove to be incorrect.

The amount and timing of actual future gas production is difficult to predict and may vary significantly from our estimates which may reduce our earnings.

Our future success depends on our ability to develop additional gas reserves that are economically recoverable and to maximize existing well production, and our failure to do so may reduce our earnings. We have expanded our drilling program in recent years and have announced plans to drill up to 750 wells in 2008, including a target of 250 to 300 horizontal wells. Our drilling of development wells can involve significant risks, including those related to timing and cost overruns and these risks can be affected by the availability of capital, leases, rigs and a qualified work force, as well as weather conditions, gas price volatility, government approvals, title problems, geology and other factors. Drilling for natural gas can be unprofitable, not only from dry wells, but from productive wells that do not produce sufficient revenues to return a profit. Additionally, a failure to effectively operate existing wells may cause production volumes to fall short of our projections. Without continued successful development or acquisition activities, together with effective operation of existing wells, our reserves and revenues will decline as a result of our current reserves being depleted by production.

Our failure to develop and maintain the necessary infrastructure to successfully deliver gas to market may adversely affect our earnings, cash flows and results of operations.

Our gas delivery depends on the availability of adequate transportation infrastructure. As we previously announced, $568 million of our 2008 capital commitment budget is planned for investment in midstream infrastructure, which we expect will include significant new investment in transportation infrastructure as well as our continuing investment in the Big Sandy Pipeline and the Langley hydrocarbon processing plant. **Investment in midstream infrastructure is intended to address a lack of capacity on, and access to, existing gathering and transportation pipelines as well as processing adjacent to and curtailments on such pipelines**. Our infrastructure development program can involve significant risks, including those related to timing and cost overruns, and these risks can be affected by the availability of capital, materials, and qualified contractors and work force, as well as weather conditions, gas price volatility, government approvals, title problems, geology, compliance by third parties with their contractual obligations to us and other factors. We also deliver to and are served by third party gas gathering, transportation, processing and storage facilities which are limited in number and geographically concentrated. An extended interruption of access to or service from these facilities could result in material adverse consequences to us.

Volatility in the capital markets or downgrades to our credit ratings could increase our costs of borrowing adversely affecting our business, results of operations and liquidity.

We rely on access to both short-term bank and money markets and longer-term capital markets as a source of liquidity for any capital requirements not satisfied by the cash flow from operations. Market disruptions or any downgrade of our credit rating may increase the cost of borrowing or adversely affect our ability to raise capital through the issuance of debt or equity securities or other borrowing arrangements, which could have a material adverse effect on our business, results of operations and liquidity. These disruptions could include an economic downturn, changes in capital market conditions generally and deterioration in the overall health of our industry.

We cannot be sure that our current ratings will remain in effect for any given period of time or that our rating will not be lowered or withdrawn entirely by a rating agency. An increase in the level of our indebtedness in the future may result in a downgrade in the ratings that are assigned to our debt. Any downgrade in our rating could result in an increase in our borrowing costs, which would diminish financial results.

We are subject to risks associated with the operation of our wells, pipelines and facilities.

Our business operations are subject to all of the inherent hazards and risks normally incidental to the production, transportation, storage and distribution of natural gas. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. There can be no assurance that insurance policies we maintain to limit our liability for such losses will be adequate to protect us from all material expenses related to potential future claims for personal and property damage or that such levels of insurance will be available in the future at economical prices.

Our need to comply with comprehensive, complex and sometimes unpredictable government regulations may increase our costs and limit our revenue growth, which may result in reduced earnings.

Significant portions of our gathering, transportation, storage and distribution businesses are subject to state and federal regulation including regulation of the rates which we may assess our customers. The agencies that regulate our rates may prohibit us from realizing a level of return which we believe is appropriate. These restrictions may take the form of imputed revenue credits, cost disallowances (including purchased gas cost recoveries) and/or expense deferrals. Additionally, we may be required to provide additional assistance to low income residential customers to help pay their bills without the ability to recover some or all of the additional assistance in rates.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local, as well as foreign authorities relating to protection of the environment and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, restoration of drilling properties after drilling is completed, pipeline safety and work practices related to employee health and safety. Complying with these requirements could have a significant effect on our costs of operations and competitive position. If we fail to comply with these requirements, even if caused by factors beyond our control, such failure could result in the assessment of civil or criminal penalties and damages against us.

The rates of federal, state and local taxes applicable to the industries in which we operate, including production taxes paid by Equitable Supply, which often fluctuate, could be increased by the various taxing authorities. In addition, the tax laws, rules and regulations that affect our business could change. Any such increase or change could adversely impact our cash flows and profitability.

See Item 7A, Quantitative and Qualitative Disclosures About Market Risk, for further discussion regarding the Company s exposure to market risks, including the risks associated with our use of derivative contracts to hedge commodity prices.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Principal facilities are owned by the Company s business segments, with the exception of various office locations and warehouse buildings, which are leased. A limited amount of equipment is also leased. The majority of the Company s properties are located on or under (1) public highways under franchises or permits from various governmental authorities, or (2) private properties owned in fee, held by lease, or occupied under perpetual easements or other rights acquired for the most part without warranty of underlying land titles. The Company s facilities are generally well maintained and, where necessary, are replaced or expanded to meet operating requirements.

Equitable Supply. This segment s production and gathering properties are located in the Appalachian Basin, specifically Kentucky, Pennsylvania, Virginia and West Virginia. This segment currently has an inventory of approximately 3.3 million gross acres (approximately 69% of which is considered undeveloped), which encompasses nearly all of the Company s acreage of proved developed and undeveloped natural gas and oil production properties. Although most of its wells are drilled to relatively shallow depths (2,000 to 6,500 feet below the surface), the Company retains what are normally considered deep rights on the majority of its acreage. As of December 31, 2007, the Company estimated its total proved reserves to be 2,682 Bcfe, including proved undeveloped reserves of 923 Bcfe. No report has been filed with any federal authority or agency reflecting a 5% or more difference from the Company s estimated total reserves. Additional information relating to the Company s estimates of natural gas and crude oil reserves and future net cash flows is provided in Note 24 (unaudited) to the Consolidated Financial Statements.

Natural Gas and Crude Oil Production:

	2007	**2006**	**2005**
Natural Gas:			
MMcf produced	82,401	80,698	78,105
Average well-head sales price per Mcfe sold (net of hedges)	$ 4.89	$ 4.79	$ 5.13
Crude Oil:			
Thousands of Bbls produced	119	112	108
Average sales price per Bbl	$ 62.06	$ 58.35	$ 53.07

Average production cost, including severance taxes, of natural gas and crude oil during 2007, 2006 and 2005 was $0.749, $0.768 and $0.771 per Mcfe, respectively.

	Natural Gas	**Oil**
Total productive wells at December 31, 2007:		
Total gross productive wells	12,867	22
Total net productive wells	9,290	19
Total in-process wells at December 31, 2007:		
Total gross productive wells	107	
Total net productive wells	83	

Total acreage at December 31, 2007:	
Total gross productive acres	1,016,960
Total net productive acres	954,010
Total gross undeveloped acres	2,286,759
Total net undeveloped acres	2,145,175

Number of net productive and dry exploratory and development wells drilled:

	2007	2006	2005
Exploratory wells:			
Productive			
Dry			
Development wells:			
Productive	455.8	455.0	344.2
Dry	0.5	1.0	1.0

Selected data by state (at December 31, 2007 unless otherwise noted):

		Kentucky	West Virginia	Virginia	Pennsylvania	Ohio(a)	Total
Natural gas and oil production (MMcfe)	2007	37,488	21,205	23,044	1,377		83,114
Natural gas and oil production (MMcfe)	2006	35,699	20,534	23,723	1,415		81,371
Natural gas and oil production (MMcfe)	2005	33,849	19,924	21,913	2,247	822	78,755
Net revenue interest (%)		84.7%	63.8%	52.4%	88.6%		68.0%
Total gross productive wells (b)		4,968	4,696	2,538	687		12,889
Total net productive wells.		4,132	2,914	1,576	687		9,309
Total gross acreage		1,440,903	1,202,114	536,503	124,199		3,303,719
Total net acreage		1,374,619	1,085,761	514,674	124,131		3,099,185
Proved developed reserves (Bcfe)		926	498	307	28		1,759
Proved undeveloped reserves (Bcfe).		423	380	120			923
Proved developed and undeveloped reserves (Bcfe).		1,349	878	427	28		2,682
Gross proved undeveloped drilling locations		1,270	1,285	856			3,411
Net proved undeveloped drilling locations		1,229	1,260	474			2,963
Approximate miles of gathering line		3,400	2,600	1,500			7,500

(a) Relates to certain non-core gas properties sold in May 2005. See Note 4 to the Company s Consolidated Financial Statements.

(b) At December 31, 2007, the Company had approximately 116 multiple completion wells.

Wells located in Kentucky are primarily in shale formations with depths ranging from 2,500 feet to 6,000 feet and average spacing of 72 acres. Wells located in West Virginia are primarily in tight sand formations with depths ranging from 2,500 feet to 6,500 feet and average spacing of 40 acres in the northern part of the state and 60 acres in the southern part of the state. Wells located in Virginia are primarily in coal bed methane formations with depths ranging from 2,000 feet to 3,000 feet and average spacing of 60 acres. Wells located in Pennsylvania are primarily in tight sand formations with depths ranging from 3,000 feet to 5,000 feet and average spacing of 40 acres.

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The gathering operations own or operate approximately 7,500 miles of gathering line and 204 compressor units comprising 110 compressor stations with approximately 181,300 horse power of installed capacity, as well as other general property and equipment.

Substantially all of Equitable Supply s sales are delivered to several large interstate pipelines on which the Company leases capacity. These pipelines are subject to periodic curtailments for maintenance and repairs.

Equitable Supply owns and leases office space in Pennsylvania, West Virginia, Virginia and Kentucky.

Equitable Utilities. This segment owns and operates natural gas distribution properties as well as other general property and equipment in western Pennsylvania, West Virginia and Kentucky. The segment also owns and operates underground storage, transmission and gathering facilities in Pennsylvania and West Virginia.

The distribution operations consist of approximately 4,100 miles of pipe in Pennsylvania, West Virginia and Kentucky. The interstate pipeline operations consist of approximately 3,200 miles of transmission, storage, and gathering lines and interconnections with five major interstate pipelines. The interstate pipeline system stretches throughout north central West Virginia and southwestern Pennsylvania. The addition of the Big Sandy Pipeline is expected to add 68 miles of transmission line and 9,000 horse power of installed capacity in Kentucky. Equitrans has 14 natural gas storage reservoirs with approximately 496 MMcf per day of peak delivery capability and 63 Bcf of storage capacity of which 32 Bcf is working gas. These storage reservoirs are clustered, with 8 in northern West Virginia and 6 in southwestern Pennsylvania.

Headquarters. The corporate headquarters and other operations are located in leased office space in Pittsburgh, Pennsylvania.

Item 3. Legal Proceedings

Federal Trade Commission v. Equitable Resources, Inc. et al, Before Federal Trade Commission

On March 14, 2007, the Federal Trade Commission (FTC) issued an administrative complaint challenging the Company s proposed acquisition of Peoples from Dominion. Each of the Company, Dominion and Peoples were named as parties in the complaint.

The complaint charged that the acquisition agreement violated Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45 (which prohibits unfair methods of competition in or affecting commerce), and that the acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18 (which prohibits conduct which substantially lessens competition and/or tends to create a monopoly in a relevant market), and Section 5 of the Federal Trade Commission Act. The relief sought by the FTC in the complaint included, among other things, (i) an order preventing the Company from acquiring Peoples, (ii) a prohibition against any transaction between the Company and Dominion that combines their operations in the relevant markets except as may be approved by the FTC, and (iii) any other relief appropriate to correct the anticompetitive effects of the transaction or to restore Peoples as a viable, independent competitor in the relevant market.

On January 15, 2008, the Company and Dominion mutually agreed to terminate the definitive agreement pursuant to which the Company was to acquire Peoples and Hope and, based upon this termination, the administrative complaint was dismissed on January 31, 2008.

Federal Trade Commission v. Equitable Resources, Inc. et al, United States Court of Appeals for the Third Circuit

On April 13, 2007, the FTC filed a complaint in the U.S. District Court for the Western District of Pennsylvania seeking a preliminary injunction to enjoin the Company s proposed acquisition of Peoples from Dominion. Each of the Company, Dominion and Peoples are named as defendants in the complaint. The relief sought by the FTC in the complaint was an injunction to maintain the status quo during the pendency of the administrative proceeding described above. On May 14, 2007, the District Court dismissed the FTC s request for a preliminary injunction on the basis that the state action immunity doctrine barred the FTC s claim. The FTC appealed the dismissal to the United States Court of Appeals for the Third Circuit. On June 1, 2007, the Third Circuit issued an order enjoining the transaction pending further order of the Third Circuit. On February 4, 2008, the FTC filed a motion seeking to have the FTC s appeal to the Third Circuit declared moot and the District Court opinion vacated in light of the termination of the acquisition agreement. The Company has filed an opposition to the motion.

Kay Company, LLC et al v. Equitable Production Company et al, U.S. District Court, Southern District of West Virginia

On September 13, 2006, several royalty owners who have entered into leases with Equitable Production Company, a subsidiary of the Company, filed a gas royalty action in the Circuit Court of Roane County, West Virginia. The suit was served on July 31, 2006 and alleges that Equitable Production Company has failed to pay royalties on the fair value of the gas produced and marketed from the leases and has taken improper post-production deductions from the royalties paid. It seeks class certification, compensatory and punitive damages, an accounting, and other relief based on alleged breach of contract, breach of fiduciary duty and fraudulent concealment. Equitable Production Company removed the suit to the U.S. District Court for the Southern District of West Virginia on August 7, 2006. The plaintiffs have filed an amended complaint naming the Company as an additional defendant.

In June 2006, the West Virginia Supreme Court of Appeals issued a decision involving interpretation of certain types of oil and gas leases of an unrelated party, in a case where a class of royalty owners in the state of West Virginia had filed a lawsuit claiming that the defendant underpaid royalties by deducting certain post-production costs not permitted by such types of leases and not paying a fair value for the gas produced from the royalty owners leases. In January 2007, the jury in the aforementioned case returned a verdict in favor of the plaintiff royalty owners, awarding the plaintiffs significant compensatory and punitive damages for the alleged underpayment of royalties. While the defendant has appealed the verdict, this decision may ultimately impact other royalty interest rights in West Virginia. The Company is vigorously defending its case and believes that the claims and facts in the unrelated lawsuit can be differentiated from those asserted against the Company. Nevertheless, the Company has reviewed its West Virginia royalty agreements and established a reserve it believes to be appropriate.

In addition to the claims disclosed above, in the ordinary course of business, various other legal claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves for other pending litigation, which it believes are adequate, and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any other matter currently pending against the Company will not materially affect the financial position of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company s security holders during the last quarter of its fiscal year ended December 31, 2007.

Executive Officers of the Registrant (as of February 22, 2008)

Name and Age	**Current Title (Year Initially Elected an Executive Officer)**	**Business Experience**
John A. Bergonzi (55)	Vice President, Finance (2003)	Elected to present position July 2007; Vice President and Corporate Controller from January 2003 to June 2007; Corporate Controller and Assistant Treasurer from December 1995 to December 2002.
Theresa Z. Bone (44)	Vice President and Corporate Controller (2007)	Elected to present position July 2007; Vice President and Controller of Equitable Utilities from December 2004 until July 2007; Vice President and Controller of Equitable Supply from May 2000 to December 2004.
Philip P. Conti (48)	Senior Vice President and Chief Financial Officer (2000)	Elected to present position February 2007; Vice President and Chief Financial Officer from January 2005 to February 2007, also Treasurer until January 2006; Vice President, Finance and Treasurer from August 2000 to January 2005.
Randall L. Crawford (45)	Senior Vice President and President, Midstream and Distribution (2003)	Elected to present position in January 2008; Senior Vice President, and President, Equitable Utilities from February 2007 to December 2007; Vice President, and President, Equitable Utilities from February 2004 to February 2007; President, Equitable Gas Company from January 2003 to January 2004.
Martin A. Fritz (43)	Vice President and President, Midstream (2006)	Elected to current position January 2008; Vice President and Chief Administrative Officer from February 2007 to December 2007; Vice President and Chief Information Officer from April 2006 to February 2007; Chief Information Officer from May 2003 to March 2006; Deputy General Counsel from April 1999 to April 2003.
Murry S. Gerber (54)	Chairman and Chief Executive Officer (1998)	Elected to present position February 2007; Chairman, President and Chief Executive Officer from May 2000 to February 2007; President and Chief Executive Officer from June 1, 1998 to February 2007.
M. Elise Hyland (48)	President, Equitable Gas (2008)	Elected to present position July 2007; Senior Vice President, Customer Operations Equitable Gas Company from March 2004 to June 2007; Vice President, Strategic Planning and Analysis Equitable Gas Company from January 2003 to February 2004.
Joseph E. O Brien (55)	Senior Vice President (2001)	Elected to present position January 2008; Senior Vice President and President, Equitable Supply from February 2007 to January 2008; Vice President, and President Equitable Supply from February 2006 to February 2007; Vice President,

		Facility Construction from July 2005 to January 2006. President, NORESCO, LLC from January 2000 to June 2005.
Johanna G. O Loughlin (61)	Senior Vice President, General Counsel and Corporate Secretary (1996)	Elected to present position January 2002.
Charlene Petrelli (47)	Vice President and Chief Human Resources Officer (2003)	Elected to present position February 2007; Vice President, Human Resources from January 2003 to February 2007.

David L. Porges (50)	President and Chief Operating Officer (1998)	Elected to present position February 2007; Vice Chairman and Executive Vice President, Finance and Administration from January 2005 to February 2007; Executive Vice President and Chief Financial Officer from February 2000 to January 2005.
Steven T. Schlotterbeck (42)	Vice President and President, Production (2008)	Elected to present position January 2008; Executive Vice President, Exploration and Development, Equitable Production Company (EPC) from July 2007 to December 2007; Managing Director, Exploration and Production Planning and Development, EPC from January 2006 to June 2007; Senior Vice President, Production and Planning, EPC from August 2003 to December 2005; Vice President, Production Management, EPC from April 2002 to July 2003.

All executive officers have executed agreements with the Company and serve at the pleasure of the Company s Board of Directors. Officers are elected annually to serve during the ensuing year or until their successors are chosen and qualified.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s common stock is listed on the New York Stock Exchange. The high and low sales prices reflected in the New York Stock Exchange Composite Transactions, and the dividends declared and paid per share, are summarized as follows (in U.S. dollars per share):

	2007			2006		
	High	**Low**	**Dividend**	**High**	**Low**	**Dividend**
1st Quarter	$ 50.50	$ 39.26	$ 0.22	$ 39.02	$ 34.05	$ 0.21
2nd Quarter	53.70	47.96	0.22	37.00	31.59	0.22
3rd Quarter	54.42	44.57	0.22	37.48	32.55	0.22
4th Quarter	56.75	51.54	0.22	44.48	34.83	0.22

As of February 12, 2008, there were 3,793 shareholders of record of the Company s common stock.

The amount and timing of dividends is subject to the discretion of the Board of Directors and depends on business conditions, the Company s results of operations and financial condition and other factors. Based on currently foreseeable market conditions, the Company anticipates that comparable dividends will be paid on a regular quarterly basis.

The following table sets forth the Company s repurchases of equity securities registered under Section 12 of the Exchange Act that have occurred in the three months ended December 31, 2007.

Period	**Total number of shares (or units) purchased (a)**	**Average price paid per share (or unit)**	**Total number of shares (or units) purchased as part of publicly announced plans or programs**	**Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (b)**
October 2007 (October 1 October 31)	1,525	$ 53.38		8,385,400
November 2007 (November 1 November 30)	81,949	$ 53.54		8,385,400
December 2007 (December 1 December 31)	602,454	$ 53.62		8,385,400
Total	685,928			

(a) Includes 682,765 shares delivered in exchange for the exercise of stock options to cover award cost and tax withholding and 3,163 shares for Company-directed purchases made by the Company s 401(k) plans.

(b) Equitable s Board of Directors previously authorized a share repurchase program with a maximum of 50.0 million shares and no expiration date. The program was initially publicly announced on October 7, 1998, with subsequent amendments announced on November 12, 1999, July 20, 2000, April 15, 2004 and July 13, 2005.

Stock Performance Graph

The following graph compares the most recent five-year cumulative total return attained by shareholders on Equitable Resources common stock with the cumulative total returns of the S & P 500 index, and a customized peer group of eleven companies listed in footnote 1 below whose principal businesses are natural gas distribution, exploration and production, and transmission. An investment of $100 (with reinvestment of all dividends) is assumed to have been made on December 31, 2002 in the Company s common stock, in the S & P 500 index, and in the peer group. Relative performance is tracked through December 31, 2007.

	2002	**2003**	**2004**	**2005**	**2006**	**2007**
EQUITABLE RESOURCES, INC.	100.00	125.54	182.70	226.67	264.09	342.95
SELF-CONSTRUCTED PEER GROUP (1)	100.00	124.44	155.16	189.72	224.36	249.62
S & P 500	100.00	128.68	142.69	149.70	173.34	182.87

(1) The following eleven companies are included in the customized peer group: CMS Energy Corporation, Energen Corporation, Keyspan Corporation, Kinder Morgan, Inc., National Fuel Gas Company, NiSource Inc., OGE Energy Corporation, ONEOK, Inc., Peoples Energy Corporation, Questar Corporation and Southwestern Energy Company. This is the same peer group used for the company s 2007 short-term incentive plans. During 2007, Keyspan Corporation, Kinder Morgan, Inc. and Peoples Energy Corporation completed significant transactions which resulted in those companies merging out of existence or going private. Those companies are included in the calculation from

December 31, 2002 through December 31, 2006, at which time they are removed from the peer group calculation. The company uses other peer groups for other purposes, including its executive performance incentive program under the 1999 Long-Term Incentive Plan.

See item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information relating to compensation plans under which the Company s securities are authorized for issuance.

Item 6. Selected Financial Data

	As of and for the year ended December 31,				
	2007	2006	2005	2004(a)	2003(a)
	(Thousands, except per share amounts)				
Operating revenues	$ 1,361,406	$ 1,267,910	$ 1,253,724	$ 1,045,183	$ 876,574
Income from continuing operations before cumulative effect of accounting change (b)	$ 257,483	$ 216,025	$ 258,574	$ 298,790	$ 165,750
Income from continuing operations before cumulative effect of accounting change per share of common stock (c)					
Basic	$ 2.12	$ 1.79	$ 2.14	$ 2.42	$ 1.34
Diluted	$ 2.10	$ 1.77	$ 2.09	$ 2.37	$ 1.31
Total assets (d)	$ 3,936,971	$ 3,282,255	$ 3,342,285	$ 3,205,346	$ 2,948,073
Long-term debt (d)	$ 753,500	$ 763,500	$ 766,500	$ 626,500	$ 647,000
Cash dividends declared per share of common stock (c)	$ 0.880	$ 0.870	$ 0.820	$ 0.720	$ 0.485

(a) Amounts for 2004 and 2003 have been reclassified to reflect the operating results of the NORESCO segment as discontinued operations.

(b) The year ended December 31, 2003, excludes the negative cumulative effect of an accounting change of $3.6 million related to the adoption of SFAS No. 143.

(c) All per share amounts have been adjusted for the two-for-one stock split effected on September 1, 2005.

(d) Certain previously reported amounts have been reclassified to conform to the current year presentation.

See Item 1A, Risk Factors, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes 4 and 5 to the Consolidated Financial Statements for other matters that affect the comparability of the selected financial data as well as uncertainties that might affect the Company s future financial condition.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Results of Operations

Equitable s consolidated income from continuing operations for 2007 was $257.5 million, or $2.10 per diluted share, compared with $216.0 million, or $1.77 per diluted share, for 2006, and $258.6 million, or $2.09 per diluted share, for 2005.

The $41.5 million increase in income from continuing operations from 2006 to 2007 resulted from several factors including the 2007 pre-tax gain of $126.1 million on the sale of assets in the Nora area and a $17.0 million increase in production revenues at Equitable Supply. At Equitable Utilities, increases in marketing revenues due to favorable storage asset optimization opportunities that were captured at a time of unusually high commodity price volatility which settled in the first quarter of 2007, and increases in distribution revenues due to colder weather in Equitable Gas s service territory contributed to the increase in income from continuing operations over 2006.

The increases in revenue between years were partially offset by a $46.2 million increase in incentive compensation expense, the $10.1 million write-off of deferred transaction costs related to the termination of the proposed acquisition of Peoples and Hope, and $9.7 million in higher depletion, depreciation and amortization, primarily at Equitable Supply. In addition, higher labor costs and charges for certain legal reserves, settlements and related expenses partially offset the increases in income from continuing operations.

The $42.6 million decrease in income from continuing operations from 2005 to 2006 included the impact of several factors. In 2005, the Company recognized a pre-tax gain of $110.3 million on the sale of Kerr-McGee Corporation (Kerr-McGee) shares. In 2006, the Company incurred $12.3 million of transition planning expenses relating to the now terminated acquisition of Peoples and Hope. The Company also recorded a reserve for certain legal disputes. The impact of lower realized selling prices ($25.8 million) and warmer weather ($9.3 million) also contributed to the decrease between years.

These unfavorable effects on income from continuing operations between 2005 and 2006 were partially offset by 2005 charges of $16.0 million for the termination and settlement of certain defined benefit pension plans and of $7.8 million for the Company s office consolidation, as well as the 2006 favorable impact of the Equitrans rate case settlement. Additionally, income from continuing operations for 2006 was positively impacted by reduced expenses related to the executive performance incentive programs ($22.7 million), favorable storage asset optimization ($16.4 million), and higher production sales volumes ($11.6 million).

The Company s effective tax rate for its continuing operations for the year ended December 31, 2007, was 35.9% compared to 33.7% for the year ended December 31, 2006, and 37.2% for the year ended December 31, 2005. The higher effective tax rate in 2007 is the result of several factors including a change in the West Virginia state tax law and a reduced 2006 rate resulting from the release of state valuation allowances related to state net operating loss carryovers. The higher effective tax rate in 2005 was primarily the result of tax benefit disallowances under Section 162(m) of the IRC. See Note 6 to the Consolidated Financial Statements.

Business Segment Results

Business segment operating results are presented in the segment discussions and financial tables on the following pages. Operating segments are evaluated on their contribution to the Company s consolidated results based on operating income, equity in earnings of nonconsolidated investments, and other income. Interest expense and income taxes are managed on a consolidated basis. Headquarters costs are billed to the operating segments based upon a fixed allocation of the headquarters annual operating budget. Differences between budget and actual headquarters expenses are not allocated to the operating segments. Certain performance-related incentive costs, pension costs and administrative costs totaling $65.3 million, $21.9 million and $48.0 million in 2007, 2006 and 2005, respectively, were not allocated to business segments. The higher unallocated expenses in 2007 and 2005 compared to 2006 primarily relate to lower long-term incentive expenses in 2006.

The Company has reconciled each segment s operating income, equity in earnings of nonconsolidated investments and other income to the Company s consolidated operating income, equity in earnings of nonconsolidated investments and other income totals in Note 2 to the Consolidated Financial Statements. Additionally, these subtotals are reconciled to the Company s consolidated net income in Note 2. The Company has also reported the components of each segment s operating income and various operational measures in the sections below, and where appropriate, has provided information describing how a measure was derived. Equitable s management believes that presentation of this information is useful to management and investors in assessing the financial condition, operations and trends of each of Equitable s segments without being obscured by the financial condition, operations and trends for the other segments or by the effects of corporate allocations. In addition, management uses these measures for budget planning purposes.

As discussed in Item 1 above, the Company realigned its business segments in January 2008.

Equitable Supply

Overview

Equitable Supply is focused on organic reserve and production growth through its drilling program. The Company drilled 634 gross wells (456 net) wells in 2007, including 88 horizontal shale wells. Proved reserves increased 165 Bcfe (7%) to 2,682 Bcfe during the year.

Equitable Supply s revenues for 2007 increased 3% compared to 2006 revenues. Despite a $0.37 decrease in the average NYMEX price in 2007, the average well-head sales price increased 3% as a result of a less unfavorable hedge impact compared to 2006 and favorable liquids prices. Sales volumes increased more than 5% from 2006, excluding volumes from properties sold during 2007, primarily as a result of increased production from the 2007 and 2006 drilling programs partially offset by the normal production decline in the Company s producing wells.

Operating expenses at Equitable Supply increased 9% primarily due to charges for legal reserves, settlements and related expenses, as well as higher depletion resulting from increased drilling investments as the Company continues to expand its development in the Appalachian Basin.

During 2007, the Equitable Supply segment sold to Pine Mountain Oil and Gas, Inc. (PMOG), a subsidiary of Range Resources Corporation (Range), a portion of the Company s interests in certain gas properties in the Nora area totaling approximately 74 Bcf of proved reserves. Also during 2007, the Equitable Supply segment contributed certain Nora area gathering facilities and pipelines to Nora Gathering, LLC, a newly formed entity that is equally owned by the Company and PMOG, in exchange for a 50% equity interest in the LLC and cash. These transactions resulted in a net gain of $126.1 million. See Note 4 to the Company s Consolidated Financial Statements for further discussion of these transactions. As a result of the gathering asset contribution, gathered volumes, gathering revenues and gathering-related expenses related to the Nora area gathering activities are no longer included in Equitable Supply s operating results. However, Equitable Supply records its 50% equity interest in the earnings of Nora Gathering, LLC in equity in earnings of nonconsolidated investments.

The Company is working to obtain the third party consents required to complete the transaction on a portion of the property not included in the 2007 closing. A final closing covering the remainder of the gas properties and related remaining gathering assets included in the above transactions would reduce the Company s proved reserves by a maximum of approximately 9 Bcf.

During the third quarter of 2007, the Equitable Supply segment purchased an additional working interest of approximately 13.5% in certain gas properties in the Roaring Fork area totaling approximately 12.3 Bcf of proved reserves and certain gathering assets from the minority interest holders. See Note 5 to the Company s Consolidated Financial Statements for further discussion of this transaction.

Results of Operations

	Years Ended December 31,							
		2007		2006	% change 2007 - 2006		2005	% change 2006 - 2005
OPERATIONAL DATA								
Production:								
Natural gas and oil production (MMcfe) (a)		83,114		81,371	2.1		78,755	3.3
Company usage, line loss (MMcfe)		(6,035)		(5,215)	15.7		(4,897)	6.5
Natural gas inventory usage, net (MMcfe)							51	(100.0)
Total sales volumes (MMcfe)		77,079		76,156	1.2		73,909	3.0
Average (well-head) sales price ($/Mcfe)	$	4.98	$	4.83	3.1	$	5.17	(6.6)
Lease operating expenses (LOE), excluding production taxes ($/Mcfe)	$	0.31	$	0.29	6.9	$	0.28	3.6
Production taxes ($/Mcfe)	$	0.44	$	0.48	(8.3)	$	0.49	(2.0)
Production depletion ($/Mcfe)	$	0.70	$	0.62	12.9	$	0.59	5.1
Gathering:								
Gathered volumes (MMcfe)		94,210		108,592	(13.2)		121,044	(10.3)
Average gathering fee ($/Mcfe)	$	1.14	$	1.02	11.8	$	0.82	24.4
Gathering and compression expense ($/Mcfe)	$	0.49	$	0.42	16.7	$	0.31	35.5
Gathering and compression depreciation ($/Mcfe)	$	0.17	$	0.14	21.4	$	0.12	16.7
(in thousands)								
Production operating income	$	231,417	$	231,849	(0.2)	$	260,931	(11.1)
Gathering operating income		32,128		37,315	(13.9)		32,650	14.3
Total operating income	$	263,545	$	269,164	(2.1)	$	293,581	(8.3)
Production depletion	$	58,264	$	50,330	15.8	$	46,750	7.7
Gathering and compression depreciation		15,693		15,411	1.8		14,312	7.7
Other DD&A		5,903		4,759	24.0		3,835	24.1
Total DD&A	$	79,860	$	70,500	13.3	$	64,897	8.6
Capital expenditures (thousands) (b)	$	715,722	$	335,948	113.0	$	264,095	27.2

	Years Ended December 31,				
	2007	2006	% change 2007 - 2006	2005	% change 2006 - 2005
FINANCIAL DATA (thousands)					