



Chemical reaction
Kerr-McGee might sell noncore unit.
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Williams, Oneok log '04 profits

Pipeline giant returns to black after three years of losses

STORIES BY RUSSELL RAY
World Staff Writer

Williams Cos. Inc. is back in the black, reporting Wednesday its first annual profit since 2000.

Higher returns from two of the company's core businesses — gas pipelines and midstream — drove earnings in 2004 to \$163.7 million, or 31 cents a share. That compares with a loss of \$492 million, or \$1.01 a share, in 2003.

The improvement follows three years of restructuring, as Tulsa-based Williams warded off bankruptcy after the collapse of Enron Corp. and clawed its way back to profitability by shedding assets and slashing costs.

"Our restructuring is complete," Steve Malcolm, chairman, president and chief executive officer, said during a conference call with investors. "We are seeking growth with disci-

Williams Cos. Inc.

- ▶ Earned \$164 million in 2004
- ▶ Lost \$492 million in 2003
- ▶ Lost \$755 million in 2002
- ▶ Lost \$478 million in 2001
- ▶ Earned \$524 million in 2000

pline."

The company reported fourth-quarter earnings of \$73.4 million, or 13 cents a share, versus a loss of \$53.7 million, or 10 cents a share, during the same quarter in 2003.

Excluding special items and accounting adjustments to Williams' wholesale power contracts, Williams earned \$51 million, or 9 cents a

SEE PROFIT E-2

Parent company of ONG helped by higher prices for natural gas

Higher natural gas prices helped fuel a 116 percent increase in 2004 earnings at Tulsa-based Oneok Inc., the company reported Wednesday.

Oneok, the parent of Oklahoma Natural Gas Co., recorded earnings of \$242.2 million, or \$2.30 a share, in 2004, up from \$112.5 million, or \$1.22 a share, in 2003.

Gas production more than doubled in 2004, thanks largely to the December 2003 purchase of producing properties in Texas, which fueled a \$45.9 million increase in revenues.

The average price Oneok received for gas surged to \$5.28 per thousand cubic feet (mcf) from \$4.78 in 2003. Operating income from production rose to \$47.8 million in 2004 from \$16.1 million the year before.

"Their earnings would have been even more impressive had they not hedged," said Tulsa money manager

Fred Russell.

The company said Wednesday it hedged a portion of its 2005 oil production at \$39.75 a barrel. Its gas production has been hedged at prices ranging from \$6.38 per mcf to \$5.89 per mcf. Oil closed Wednesday at \$51.17 a barrel while gas settled at \$6.31 on the New York Mercantile Exchange.

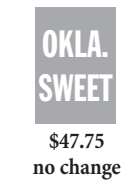
"You can't really fault them for being cautious," Russell said. "They've locked in prices that will give them a very comfortable profit."

Gathering and processing generated \$131 million in operating income last year, up from \$62.7 million in 2003. The improvement stems from higher prices for natural gas and natural gas liquids, Oneok said.

"Our gathering and processing op-

SEE ONEOK E-6

MARKET WATCH



BIZ QUICKS

Low-inflation news revives Wall Street spirits

Stocks regained ground Wednesday as the market's cautious optimism was restored by government data showing only modest inflation.

The Dow Jones industrial average rose 62.59, or 0.59 percent, to 10,673.79, following a 174-point slide Tuesday.

The broader gauges were also higher. The Standard & Poor's 500 index gained 6.64, or 0.56 percent, to 1,190.80. The Nasdaq composite index was up 0.93, or 0.05 percent, at 2,031.25.

"Judging by conversations with our clients, people were looking to re-engage," said Brian Belski, market strategist at Piper Jaffray.

Early Wednesday, the Labor Department reported a tiny 0.1 percent rise in its Consumer Price Index for January, as energy costs slid for a second straight month. The data, which suggests consumer inflation remains very much under control, was at odds with Friday's reading of the Producer Price Index, which showed higher inflation for wholesale goods.

While the discrepancy was puzzling to some, it provided a needed lift for stocks. The number release Wednesday "makes us less worried the Federal Reserve will need to step up its rate tightening," said Arthur Hogan, chief market analyst at Jefferies & Co. in Boston.

Delphi founding chairman to end 44-year career

J.T. Battenberg III, founding chairman and chief executive of Delphi Corp., said Wednesday he'll retire this year from the world's largest automotive supplier.

Battenberg, 61, will complete a career that spans 44 years and 14 assignments at General Motors Corp. and Delphi, which was spun off from GM in 1999.

"The past four decades have been an incredible journey," Battenberg said in a statement.

The board of Troy, Mich.-based Delphi has asked Battenberg to remain on the job until a successor is in place.

His assignments have covered various aspects of automotive design, engineering, manufacturing,

and finance and sales, both in the United States and Europe. But in recent years he has been restructuring Delphi, an effort that has involved cutting thousands of jobs and closing plants.

Last month, Delphi reported a loss of \$36 million for 2004, which compared with a loss of \$56 million in 2003. Last year's revenue totaled \$28.7 billion.

Delphi is among several auto suppliers that have warned of lower earnings because of higher materials expenses, particularly for steel, and because GM and Ford Motor Co. are turning out fewer vehicles.

Some smaller part suppliers have filed bankruptcy.

Sanditen Investments seeks bankruptcy shield

Sanditen Investments Ltd., a Tulsa real estate partnership formed in 1961, has filed for bankruptcy court protection and says it intends to sell its two shopping centers in Tulsa.

Pending court approval, Sanditen Investments will sell Country Club Shopping Center at 51st Street and Harvard Avenue and Garnett Plaza Shopping Center at 31st Street and Garnett Road, the company states in its U.S. Bankruptcy Court filing.

Sanditen Investments estimated its debts at between \$1 million and \$10 million in the Chapter 11 filing. Estimated assets are between \$10 million and \$50 million, the company says.

In addition to the shopping centers, assets include about 76 acres of undeveloped land, limited interest in a third Tulsa shopping center and some oil and gas holdings, the filing states.

From Bloomberg, AP, staff reports

Developer starts work for bank

Arvest is hoping City Council will approve a modified curb cut.

By LAURIE WINSLOW
World Staff Writer

Construction has begun on what is expected to be the future site of Arvest Bank's midtown location on the southeast corner of 15th Street and Utica Avenue.

If all goes as planned, the bank branch could open for business by November.

Along the way, the building project has met opposition from some neighbors, who are concerned about traffic in the residential area.

Although hurdles remain, the developer — 15th and Utica LLC — is proceeding with hopes that everything will work out and that it will be able provide adequate access to Victor Avenue for the bank.

Don Walker, Arvest's president, said the developer has assured him that it will be able to provide Arvest with satisfactory access to and from the bank by the time the project is complete.

"I told them, that being the case, I would proceed with my agreement to become a tenant in their facility," Walker said.

Currently, the developer can build on the site even though access to Victor Avenue has not been approved by the city. Chris Bumgarner, a developer with 15th and Utica LLC, said he hopes that can be changed.

"We're rolling the dice to try to make a quality project happen," he said. "We're taking a chance."

The project has been tied up for eight months. Bumgarner said he hopes it can be taken back to the Tulsa Metro Area Planning Commission and the City Council within 30 days with a slightly revised parking and access plan — a curb cut that would direct traffic north toward 15th Street.

"We never thought in a million years that a quality project with a quality tenant would meet so much opposition," he said.

If access to Victor Avenue is still denied, "I will be forced to exercise any and all legal means to get access to have this project built," Bumgarner said.

The Yorktown Neighborhood Association is in favor of the current design that has been approved by the City Council, said Mark Radzinski, the group's president.

"Right now, they have the OK to build it without the Victor curb cut, and that is the preferable design as far as the neighborhood goes," he said. "That's what we would like to see them do."

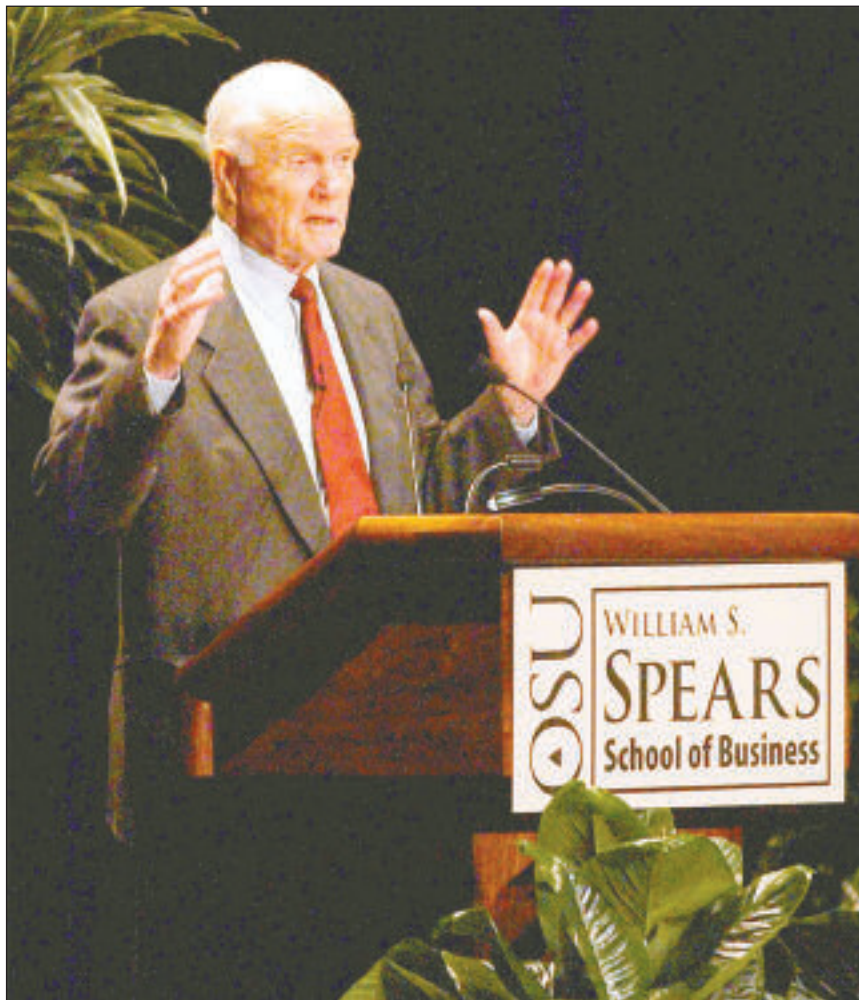
The Mediterranean-style building, and its landscaping, would be an attractive anchor on the corner, Walker said.

"All along, they (the developers)

SEE BANK E-6

A hero's warnings

Education, federal deficit worry Glenn



STEPHEN PINGRY / Tulsa World

Former astronaut and U.S. Sen. John Glenn answers questions Wednesday at the Oklahoma State University-sponsored Tulsa Business Forum in the Tulsa Performing Arts Center.

'One of the biggest owners of U.S. debt is the Chinese. We don't want to be in the position of having to borrow money to pay our bills.'

JOHN GLENN

ON THE MOUNTING DEBT AND DEFICIT PROBLEMS THE UNITED STATES IS FACING

By D.R. STEWART
World Staff Writer

John H. Glenn Jr., former combat pilot, pioneering astronaut and U.S. senator from Ohio, warned Tulsans Wednesday that huge federal deficits and public school mediocrity could consign the nation to second-class status.

In a 1½-hour speech to more than 2,000 people at Oklahoma State University's Tulsa Business Forum at the Tulsa Performing Arts Center, Glenn, 83, said the United States is entering a "dangerous" period.

Big federal spending programs, a large national debt and foreign military ventures were campaign issues used by Republicans against Democrats in the past, Glenn said.

"In the last election, we had a role reversal of the parties," Glenn said. "The president's budget is 40 percent above what it was when he took office in his first term. Of the (Bush) tax cuts, 30 percent goes to the top 1 percent of people in the country."

In the past, many nations have used the U.S. dollar as a reserve currency — in effect, betting on the soundness of the U.S. economy and the dollar, Glenn said.

Today, he said, some nations and international monetary authorities are wondering if the United States will get serious about its debt, deficits and underperforming research and educational institutions.

SEE GLENN E-2

Ebbers team calls whistleblower

Cynthia Cooper shared in Time magazine's Person of the Year award.

By ERIN McCLAM
Associated Press

NEW YORK — Lawyers for former WorldCom Inc. chief Bernard Ebbers began mounting a defense Wednesday, calling as their first witness the woman credited with blowing the whistle on WorldCom's massive accounting fraud.

Cynthia Cooper, the former head of internal auditing at WorldCom, told jurors that auditors at Arthur Andersen gave a "green light" rating to the company's accounting for 2000 and 2001. In 2002, Cooper alerted the board of

directors to irregular accounting practices, touching off the scandal that eventually sank WorldCom. Cooper later shared in Time magazine's Person of the Year award.

She testified after federal prosecutors rested their case against Ebbers, who is accused of overseeing the \$11 billion accounting fraud. The government called 14 witnesses over 16 days of testimony.

U.S. District Judge Barbara Jones denied a defense motion to clear Ebbers on all nine counts against him. Defense lawyers routinely make such a motion after prosecutors rest their case.

Defense lawyer Brian Heberlig argued the government had not proved criminal conduct because it failed to show WorldCom's books violated gen-

erally accepted accounting principles, commonly known as GAAP.

While the government could conceivably have offered such evidence, "We submit that was a failure of proof on this critical element," Heberlig told the judge.

Jones ruled the government had only to prove WorldCom made false statements in its financial statements — not necessarily that they had violated specific accounting industry rules.

Cooper testified that WorldCom finance chief Scott Sullivan did not mention "anything uncomfortable" about company accounting when he attended a 2001 audit committee meeting.

Sullivan himself testified that by that

SEE TRIAL E-6

Kerr-McGee may sell unit

BLOOMBERG NEWS

Kerr-McGee Corp. has hired investment bankers to help evaluate a possible sale of the company's chemicals business.

The Oklahoma City-based oil producer's March 8 board meeting will focus on "strategic alternatives" for the chemicals unit, including a sale of the business, spokesman Rick Buterbaugh told investors and analysts on a conference call Wednesday.

Last Friday, Kerr-McGee revealed that billionaire Carl Icahn and one of his partnerships were planning to buy as much as \$1 billion of Kerr-McGee stock. Icahn gained a reputation for aggressive investing in the 1980s.

Kerr-McGee officials "are motivated by Carl Icahn because they heard his footsteps," said Fadel Gheit, an analyst at Oppenheimer & Co. in New York who rates Kerr-McGee shares at buy and does not own any.

The chemicals unit, which includes manufacturing of titanium dioxide, provides about a third of Kerr-McGee's revenue.

David Khani, an analyst at Friedman Billings Ramsey & Co., on Tuesday called the business "a low-hanging fruit," saying it is not attractive to many oil investors.

Gheit said Kerr-McGee should focus on its oil and gas business and shed other assets, such as its chemicals unit. "It doesn't fit



Bloomberg News file

A Kerr-McGee Corp. employee writes down information at a South Texas oil field operation. After last week's announcement that billionaire Carl Icahn and one of his partnerships are planning to buy up to \$1 billion of Kerr-McGee stock, the company is taking its first steps toward the possible sale of its chemicals business.

with what they're doing."

Wednesday on the New York Stock Exchange, shares of Kerr-McGee rose \$1.64, or 2.2 percent, to \$75.84. The stock has jumped 31 percent this year, third-most among members of the Standard & Poor's 500 and the biggest gain among oil and natural-gas producers in the index.

A sale of the chemicals unit could raise \$1.4 billion to \$2 bil-

lion, which Kerr-McGee might use to buy back stock, said Khani, who rates the company's shares at outperform and does not own any.

Kerr-McGee spokeswoman Debbie Schramm declined to identify the investment bank that the company has hired.

Buterbaugh said the company raised its forecast for first-quarter chemicals earnings by 20

percent, to between \$25 million and \$27 million.

Icahn gained fame in the 1980s with his acquisition of Trans World Airlines Inc. He also sought to profit from Texaco Inc.'s bankruptcy and made four attempts to acquire control of RJR Nabisco.

More recently, Icahn made profitable bets on the direction of Revlon Inc. bonds and Conoco Inc. shares. His approach, which he calls "activist investing" in marketing documents, has earned Icahn a fortune estimated at \$7.6 billion by Forbes Magazine.

The Federal Trade Commission cleared Icahn's plans for he and the Icahn Partners Master Fund LP to each buy \$100 million to \$500 million worth of Kerr-McGee shares. The maximum investment by both would represent about 9 percent of Kerr-McGee's stock.

Icahn is not commenting.

Kerr-McGee made the biggest acquisition in the company's history in June, when it bought Westport Resources Corp. for \$2.5 billion to help stem declines in oil and gas production.

Chemicals provide about a third of the company's revenue.

BANK:

Arvest left its site at 21st Street and Birmingham Avenue.

FROM E-1

have worked diligently with the city and neighbors, and we have listened to the neighbors, and we won't do anything to harm that neighborhood, but I am convinced we will be able to work out the issues," Walker said.

Bumgarner echoed the banker's comments.

"If you look around this part of town, you'll notice that every property that fronts onto an arterial street has requested access onto the public side street. That's all we want," Bumgarner said.

He noted that several banks within a half-mile radius of the proposed Arvest bank have access to side streets.

"This is a good project for this neighborhood, for this part of town and Tulsa in general," Bumgarner said. "We're not asking for anything other than every other property owner in the same situation."

Arvest plans to enter a long-term lease and occupy 10,000 square feet on the first and second floors of the \$3 million, three-story building with a drive-through. Another 10,000 square feet would be available to lease to another tenant, Bumgarner

said.

The new midtown location — at the former site of landmark appliance shop H.L. Moss Co. — will replace Arvest's former site at 21st Street and Birmingham Avenue, which the bank had been leasing but outgrown. MidFirst Bank began operating out of that site this month.

"We have always felt that the midtown area was a key part of our strategy... This will allow us to serve a significant part of the medical community as well as the midtown residents with 8 a.m. to 8 p.m. banking," Walker said. "We believe the medical community needs those longer hours we provide."

The new location will be located between two major hospitals — St. John Medical Center and Hillcrest Medical Center.

"We're extremely conscious of doing things the right way to the best of our abilities in this part of town," Bumgarner said.

He noted that some other projects in the midtown area have included the Mediterranean-style office building on the southwest corner of 21st Street and Utica Avenue, and TK's restaurant.

The developer has purchased a home at 1518 S. Victor Ave. that will be removed to make way for the bank's parking lot. Bumgarner said he is giving away the home to an individual who will remove it from the site.

Construction for the new site is being handled by Oakridge Builders Inc., and the architect is McFarland Davies Architects.

Laurie Winslow 581-8466

laurie.winslow@tulsaworld.com

TRIAL:

Whether Bernard Ebbers will testify is unknown.

FROM E-1

time, he had already told Ebbers he thought it was wrong for accountants to make adjustments to hide expenses and falsely boost revenues.

The defense team has not said in open court whether it plans to call Ebbers himself as a witness.

Defense lawyers also want to call three former WorldCom executives as witnesses, but have been told those witnesses will plead the Fifth Amendment.

Jones denied a motion Wednesday to grant immunity to those three witnesses, but said she will consider the issue further.

The government's case rests heavily on Sullivan who testified that Ebbers ordered him to "hit our numbers" — a remark he said he interpreted as an instruction to carry out the enormous fraud.

Another government witness, former WorldCom controller Da-

vid Myers, said Ebbers once apologized to him in a hallway for what the accountants had been forced to do.

A former Bank of America account manager also testified about the \$400 million in personal loans Ebbers took out, backed by WorldCom stock and later shored up by guarantees from WorldCom's board of directors.

The government contends Ebbers, worried about margin calls on the loans, was obsessed with keeping WorldCom's share price high and producing revenue and earnings figures that pleased Wall Street.

The prosecution's star witness was Sullivan, testified he repeatedly warned Ebbers from 2000 to 2002 that falsifying the books was the only way the company could meet stock analysts' expectations.

Ebbers, 63, is accused of fraud, conspiracy and making seven false filings to the Securities and Exchange Commission. The charges carry up to 85 years in prison.

WorldCom was forced into bankruptcy in the summer of 2002 when the fraud became known. It has since re-emerged under the name MCI Inc., which is being bought by Verizon Communications for \$6.7 billion in cash and stock.

ONEOK:

The company distributes gas in Oklahoma and Kansas.

FROM E-1

erations experienced a significant increase in operating income as a result of favorable commodity pricing, coupled with continued contract restructuring efforts," David Kyle, chairman, president and chief executive, said in a prepared statement.

Oneok is the leading distributor of natural gas in Oklahoma and Kansas.

Oneok's distribution business saw operating income drop slightly in 2004 to \$110.2 million from \$117.8 million in 2003.

The company attributed the decline to increased expenses and warmer weather, which reduced the demand for gas in

Oklahoma and Kansas. The decline in demand accounted for a \$4.9 million drop in revenues, Oneok said.

Income from Oneok's transportation and storage business was slightly higher in 2004 at \$59.8 million. Energy Services had \$137.8 million in operating income in 2004, down from \$197 million in 2003.

Executives blamed the decrease on a \$43.7 million drop in marketing and storage profits and a \$9.5 million increase in reservation fees, among other things.

For the quarter, earnings rose to \$98.4 million, or 90 cents a share, from \$62.9 million, or 66 cents a share, in the fourth quarter of 2003.

Shares of Oneok rose 14 cents Wednesday to close at \$28.64.

Russell Ray 581-8380

russell.ray@tulsaworld.com

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