ONEOK INC /NEW/
Form 10-Q
August 03, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2007

OR

__ 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 **001-13643**

ONEOK, Inc.

(Exact name of registrant as specified in its charter)

Oklahoma	**73-1520922**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 West Fifth Street, Tulsa, OK	**74103**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(918) 588-7000**

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 __

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer X Accelerated filer __ Non-accelerated filer __

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

On July 31, 2007, the Company had 103,885,788 shares of common stock outstanding.

Table of Contents

ONEOK, Inc.

QUARTERLY REPORT ON FORM 10-Q

As used in this Quarterly Report on Form 10-Q, the terms we, our or us mean ONEOK, Inc., an Oklahoma corporation, and its predecessors and subsidiaries, unless the context indicates otherwise.

The statements in this Quarterly Report on Form 10-Q that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as anticipate, estimate, expect, project, intend, plan, believe, should, goal, forecast and other words and terms of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that our goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations Forward Looking Statements and Part II, Item 1A, Risk Factors, in this Quarterly Report on Form 10-Q and under Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2006.

Table of Contents

Glossary

The abbreviations, acronyms, and industry terminology used in this Quarterly Report are defined as follows:

AFUDC	Allowance for funds used during construction
Bbl	Barrels, equivalent to 42 United States gallons
Bbl/d	Barrels per day
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Btu	British thermal units
EITF	Emerging Issues Task Force
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretations
Fort Union Gas Gathering	Fort Union Gas Gathering, L.L.C.
GAAP	United States Generally Accepted Accounting Principles
Guardian Pipeline	Guardian Pipeline, L.L.C.
KCC	Kansas Corporation Commission
Koch	Koch Industries, Inc.
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
MDth/d	Thousand decatherms per day
Midwestern Gas Transmission	Midwestern Gas Transmission Company
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
Moody s	Moody s Investors Service
NGL	Natural gas liquids
Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OBPI	ONEOK Bushton Processing Inc.
OCC	Oklahoma Corporation Commission
ONEOK	ONEOK, Inc.
ONEOK Partners	ONEOK Partners, L.P., formerly known as Northern Border Partners, L.P.
ONEOK Partners GP	ONEOK Partners GP, L.L.C., formerly known as Northern Plains Natural Gas Company, LLC, a ONEOK subsidiary
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
S&P	Standard & Poor s Rating Group
SEC	Securities and Exchange Commission
Statement	Statement of Financial Accounting Standards
TC PipeLines	TC PipeLines Intermediate Limited Partnership, a subsidiary of TC PipeLines, LP
TransCanada	TransCanada Corporation

Table of Contents

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Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
(Unaudited)	**2007**	**2006**	**2007**	**2006**
	(Thousands of dollars, except per share amounts)			
Revenues				
Operating revenues, excluding energy trading revenues	**$ 2,873,068**	$ 2,427,794	**$ 6,670,726**	$ 6,176,065
Energy trading revenues, net	**(1,764)**	4,112	**(416)**	11,482
Total Revenues	**2,871,304**	2,431,906	**6,670,310**	6,187,547
Cost of sales and fuel	**2,504,795**	2,033,692	**5,739,174**	5,288,048
Net Margin	**366,509**	398,214	**931,136**	899,499
Operating Expenses				
Operations and maintenance	**156,826**	156,737	**315,246**	314,243
Depreciation, depletion and amortization	**55,644**	67,095	**112,094**	123,420
General taxes	**17,925**	19,900	**41,584**	38,283
Total Operating Expenses	**230,395**	243,732	**468,924**	475,946
Gain (Loss) on Sale of Assets	**(369)**	115,087	**1,834**	116,392
Operating Income	**135,745**	269,569	**464,046**	539,945
Equity earnings from investments (Note M)	**18,758**	18,321	**42,813**	49,962
Other income	**12,342**	7,821	**18,683**	12,301
Other expense	**914**	5,958	**1,559**	11,218
Interest expense	**62,816**	59,603	**124,828**	115,188
Income before Minority Interests and Income Taxes	**103,115**	230,150	**399,155**	475,802
Minority interests in income of consolidated subsidiaries	**44,702**	100,567	**90,015**	136,339
Income taxes	**23,210**	51,638	**121,057**	131,779
Income from Continuing Operations	**35,203**	77,945	**188,083**	207,684
Discontinued operations, net of taxes (Note C)				
Income (loss) from operations of discontinued components, net of tax	**-**	(150)	**-**	(397)
Net Income	**$ 35,203**	$ 77,795	**$ 188,083**	$ 207,287
Earnings Per Share of Common Stock (Note N)				
Net earnings per share, basic	**$ 0.32**	$ 0.66	**$ 1.70**	$ 1.85
Net earnings per share, diluted	**$ 0.31**	$ 0.65	**$ 1.67**	$ 1.80
Average Shares of Common Stock *(Thousands)*				
Basic	**110,879**	117,423	**110,874**	112,283
Diluted	**112,986**	119,026	**112,858**	114,891
Dividends Declared Per Share of Common Stock	**$ 0.34**	$ 0.30	**$ 0.68**	$ 0.58

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

O NEOK, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Unaudited)	**June 30, 2007**	**December 31, 2006**
Assets	*(Thousands of dollars)*	
Current Assets		
Cash and cash equivalents	**$ 303,288**	$ 68,268
Short-term investments	**26,037**	31,125
Trade accounts and notes receivable, net	**1,028,968**	1,348,490
Gas and natural gas liquids in storage	**787,650**	925,194
Commodity exchanges and imbalances	**22,301**	53,433
Energy marketing and risk management assets (Note D)	**169,330**	401,670
Other current assets	**253,595**	296,781
Total Current Assets	**2,591,169**	3,124,961
Property, Plant and Equipment		
Property, plant and equipment	**6,990,392**	6,724,759
Accumulated depreciation, depletion and amortization	**1,946,041**	1,879,838
Net Property, Plant and Equipment (Note A)	**5,044,351**	4,844,921
Deferred Charges and Other Assets		
Goodwill and intangible assets (Note E)	**1,047,606**	1,051,440
Energy marketing and risk management assets (Note D)	**35,550**	91,133
Investments in unconsolidated affiliates	**741,851**	748,879
Other assets	**528,003**	529,748
Total Deferred Charges and Other Assets	**2,353,010**	2,421,200
Total Assets	**$ 9,988,530**	$ 10,391,082

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

ONEOK, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Unaudited)	**June 30, 2007**	**December 31, 2006**
Liabilities and Shareholders Equity	*(Thousands of dollars)*	
Current Liabilities		
Current maturities of long-term debt	**$ 420,470**	$ 18,159
Notes payable	**105,000**	6,000
Accounts payable	**1,088,612**	1,076,954
Commodity exchanges and imbalances	**165,912**	176,451
Energy marketing and risk management liabilities (Note D)	**253,623**	306,658
Other	**266,275**	366,316
Total Current Liabilities	**2,299,892**	1,950,538
Long-term Debt, excluding current maturities	**3,608,840**	4,030,855
Deferred Credits and Other Liabilities		
Deferred income taxes	**772,821**	707,444
Energy marketing and risk management liabilities (Note D)	**78,028**	137,312
Other deferred credits	**571,110**	548,330
Total Deferred Credits and Other Liabilities	**1,421,959**	1,393,086
Commitments and Contingencies (Note J)		
Minority Interests in Consolidated Subsidiaries	**796,254**	800,645
Shareholders Equity		
Common stock, $0.01 par value: authorized 300,000,000 shares; issued 120,999,567 shares and outstanding 103,842,104 shares at June 30, 2007; issued 120,333,908 shares and outstanding 110,678,499 shares at December 31, 2006	**1,210**	1,203
Paid in capital	**1,278,866**	1,258,717
Accumulated other comprehensive income (loss) (Note F)	**(57,709)**	39,532
Retained earnings	**1,369,398**	1,256,759
Treasury stock, at cost: 17,157,463 shares at June 30, 2007 and 9,655,409 shares at December 31, 2006	**(730,180)**	(340,253)
Total Shareholders Equity	**1,861,585**	2,215,958
Total Liabilities and Shareholders Equity	**$ 9,988,530**	$ 10,391,082

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

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Table of Contents

ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
(Unaudited)	**2007**	**2006**
Operating Activities	*(Thousands of dollars)*	
Net income	**$ 188,083**	$ 207,287
Depreciation, depletion and amortization	**112,094**	123,420
Gain on sale of assets	**(1,834)**	(116,392)
Minority interests in income of consolidated subsidiaries	**90,015**	136,339
Distributions received from unconsolidated affiliates	**57,066**	69,819
Income from equity investments	**(42,813)**	(49,962)
Deferred income taxes	**34,731**	9,982
Stock-based compensation expense	**15,282**	8,495
Allowance for doubtful accounts	**8,301**	6,575
Changes in assets and liabilities (net of acquisition and disposition effects):		
Accounts and notes receivable	**311,221**	1,270,248
Inventories	**135,638**	2,141
Unrecovered purchased gas costs	**42,197**	(51,135)
Commodity exchanges and imbalances, net	**15,026**	29,561
Deposits	**41,964**	(5,652)
Regulatory assets	**(2,560)**	12,427
Accounts payable and accrued liabilities	**10,597**	(841,045)
Energy marketing and risk management assets and liabilities	**9,854**	(135,401)
Other assets and liabilities	**(61,474)**	108,371
Cash Provided by Operating Activities	**963,388**	785,078
Investing Activities		
Changes in investments in unconsolidated affiliates	**(7,653)**	(6,077)
Acquisitions	**-**	(128,485)
Capital expenditures	**(277,011)**	(132,593)
Changes in short-term investments	**5,088**	(496,526)
Proceeds from sale of assets	**3,763**	298,802
Increase in cash and cash equivalents attributable to previously unconsolidated subsidiaries	**-**	1,334
Decrease in cash and cash equivalents attributable to previously consolidated subsidiaries	**-**	(22,039)
Other investing activities	**-**	(2,376)
Cash Used in Investing Activities	**(275,813)**	(487,960)
Financing Activities		
Borrowing (repayment) of notes payable, net	**-**	(641,500)
Short-term financing payments	**(301,000)**	(1,175,000)
Short-term financing borrowings	**400,000**	1,432,500
Payment of debt	**(3,887)**	(31,955)
Equity unit conversion	**-**	402,448
Repurchase of common stock	**(390,152)**	(2,276)
Issuance of common stock	**8,419**	5,637
Dividends paid	**(75,444)**	(62,564)
Distributions to minority interests	**(90,491)**	(78,594)
Other financing activities	**-**	(47,996)
Cash Used in Financing Activities	**(452,555)**	(199,300)
Change in Cash and Cash Equivalents	**235,020**	97,818
Cash and Cash Equivalents at Beginning of Period	**68,268**	7,915
Effect of Accounting Change on Cash and Cash Equivalents	**-**	43,090
Cash and Cash Equivalents at End of Period	**$ 303,288**	$ 148,823

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)	**Common Stock Issued**	**Common Stock**	**Paid in Capital**	**Accumulated Other Comprehensive Income (Loss)**
	(Shares)	*(Thousands of dollars)*		
December 31, 2006	120,333,908	$ 1,203	$ 1,258,717	$ 39,532
Net income	-	-	-	-
Other comprehensive income (loss)	-	-	-	**(97,241)**
Total comprehensive income				
Repurchase of common stock (Note G)	-	-	-	-
Common stock issued pursuant to various plans	**665,659**	**7**	**5,092**	-
Stock-based employee compensation expense	-	-	**15,057**	-
Common stock dividends - $0.68 per share	-	-	-	-
June 30, 2007	**120,999,567**	**$ 1,210**	**$ 1,278,866**	**$ (57,709)**

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Continued)

(Unaudited)		**Retained Earnings**		**Treasury Stock**		**Total**
				(Thousands of dollars)		
December 31, 2006	$	1,256,759	$	(340,253)	$	2,215,958
Net income		**188,083**		**-**		**188,083**
Other comprehensive income (loss)		**-**		**-**		**(97,241)**
Total comprehensive income						90,842
Repurchase of common stock (Note G)		**-**		**(390,152)**		**(390,152)**
Common stock issued pursuant to various plans		**-**		**-**		**5,099**
Stock-based employee compensation expense		**-**		**225**		**15,282**
Common stock dividends - $0.68 per share		**(75,444)**		-		**(75,444)**
June 30, 2007	**$**	**1,369,398**	**$**	**(730,180)**	**$**	**1,861,585**

Table of Contents

ONEOK, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A. SUMMARY OF ACCOUNTING POLICIES

Our accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. Due to the seasonal nature of our business, the results of operations for the three and six months ended June 30, 2007, are not necessarily indicative of the results that may be expected for a 12-month period. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006.

Our accounting policies are consistent with those disclosed in Note A of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006, except as described below.

Significant Accounting Policies

Short-Term Investments - Our short-term investments consist of auction-rate securities, which are corporate or municipal bonds that have underlying long-term maturities. The interest rates are reset through auctions that are typically held every 7-35 days, at which time the securities can be sold. We invest in auction-rate securities for a portion of our cash management program.

Property - The following table sets forth our property, by segment, for the periods presented.

	June 30, 2007	December 31, 2006
Non-Regulated	*(Thousands of dollars)*	
ONEOK Partners	**$ 1,952,682**	$ 1,894,529
Energy Services	**7,687**	7,689
Other	**179,001**	166,430
Regulated		
ONEOK Partners	**1,675,852**	1,529,923
Distribution	**3,175,170**	3,126,188
Property, plant and equipment	**6,990,392**	6,724,759
Accumulated depreciation, depletion and amortization	**1,946,041**	1,879,838
Net property, plant and equipment	**$ 5,044,351**	$ 4,844,921

At June 30, 2007, we had construction work in process of $455.9 million that had not yet been put in service and therefore was not being depreciated. Of this amount, $394.8 million was related to our ONEOK Partners segment and $43.8 million was related to our Distribution segment.

Income Taxes - In June 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109, which was effective for our year beginning January 1, 2007. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires the recognition of penalties and interest on any unrecognized tax benefits. Our policy is to reflect penalties and interest as part of income tax expense as they become applicable. The adoption of FIN 48 had an immaterial impact on our consolidated financial statements.

We file numerous consolidated and separate income tax returns in the United States federal jurisdiction and in many state jurisdictions. We also file returns in Canada. No returns are currently under audit, and no extensions of statute of limitations have been granted.

Table of Contents

Other

Pension and Postretirement Employee Benefits - In September 2006, the FASB issued Statement 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, which required us to record a balance sheet liability equal to the difference between our benefit obligations and plan assets. Statement 158 was effective for our year ending December 31, 2006, except for the measurement date change from September 30 to December 31, which will be effective for our year ending December 31, 2008.

Fair Value Measurements - In September 2006, the FASB issued Statement 157, Fair Value Measurements, which establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. Statement 157 is effective for our year beginning January 1, 2008. We are currently reviewing the applicability of Statement 157 to our operations and its potential impact on our consolidated financial statements.

In February 2007, the FASB issued Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities, which allows companies to elect to measure specified financial assets and liabilities, firm commitments, and nonfinancial warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. Statement 159 is effective for our year beginning January 1, 2008. We are currently reviewing the applicability of Statement 159 to our operations and its potential impact on our consolidated financial statements.

In April 2007, the FASB issued Staff Position No. FIN 39-1, Amendment of FASB Interpretation No. 39, which permits companies that enter into master netting arrangements to offset cash collateral receivables or payables with net derivative positions under certain circumstances. FIN 39-1 is effective for our year beginning January 1, 2008. We are currently reviewing the applicability of FIN 39-1 to our operations and its potential impact on our consolidated financial statements.

Reclassifications - We reclassified our short-term investments in our Consolidated Statement of Cash Flows for the six months ended June 30, 2006, and reported the related cash flows as an investing activity. See our discussion on page 12 for a description of our short-term investments, which consist of investments in auction-rate securities. Auction-rate securities are highly liquid, but are more appropriately classified as short-term investments rather than cash equivalents. The impact on our Consolidated Statement of Cash Flows for the six months ended June 30, 2006, is as follows:

	June 30, 2006			
	As Reported	Reclassification of Short-Term Investments	Other Reclassifications	As Reclassified
	(Thousands of dollars)			
Changes in short-term investments	$ -	(496,526)	-	$ (496,526)
Cash provided by (used in) investing activities	$ 8,421	(496,526)	145	$ (487,960)
Change in cash and cash equivalents	$ 594,344	(496,526)	-	$ 97,818
Cash and cash equivalents at end of period	$ 645,349	(496,526)	-	$ 148,823

These reclassifications were not material to our Consolidated Statement of Cash Flows for the six months ended June 30, 2006, and had no impact on our Consolidated Statements of Income or our Consolidated Balance Sheets for the periods presented.

Certain other amounts in our consolidated financial statements have been reclassified to conform to the 2007 presentation. These reclassifications did not impact previously reported net income or shareholders equity.

B. ACQUISITIONS AND DIVESTITURES

Acquisition of NGL Pipeline - In July 2007, ONEOK Partners announced its agreement to acquire an interstate natural gas liquids and refined petroleum products pipeline system and related assets from a subsidiary of Kinder Morgan Energy Partners, L.P. for approximately $300 million. The system extends from Bushton and Conway, Kansas, to Chicago, Illinois, and transports, stores and delivers a full range of NGL and refined products. The FERC-regulated system spans more than 1,600 miles and has a capacity to transport up to 125,000 Bbl/d. The transaction includes approximately 950,000 Bbl of storage capacity, eight NGL terminals and 50 percent ownership of the Heartland Pipeline Company (Heartland). ConocoPhillips owns the other 50 percent of Heartland and is the managing partner of the Heartland joint venture, which

consists primarily of three refined products terminals and connecting pipelines. In addition, ConocoPhillips has a right of first refusal to purchase the 50 percent ownership interest in Heartland that ONEOK Partners is seeking to acquire. ONEOK Partners expects to close the transaction, subject to regulatory approval, in the third quarter of 2007. Financing for this transaction will come from ONEOK Partners available cash and short-term credit facilities.

Overland Pass Pipeline Company - In May 2006, a subsidiary of ONEOK Partners entered into an agreement with a subsidiary of The Williams Companies, Inc. (Williams) to form a joint venture called Overland Pass Pipeline Company. Overland Pass Pipeline Company will build a 760-mile natural gas liquids pipeline from Opal, Wyoming, to the Mid-Continent natural gas liquids market center in Conway, Kansas. The pipeline will be initially designed to transport approximately 110,000 Bbl/d of NGLs, which can be increased to approximately 150,000 Bbl/d with additional pump facilities. A subsidiary of ONEOK Partners owns 99 percent of the joint venture and will manage the construction project, advance all costs associated with construction and operate the pipeline. Within two years of the pipeline becoming operational, Williams will have the option to increase its ownership up to 50 percent by reimbursing ONEOK Partners for its proportionate share of all construction costs. If Williams exercises its option to increase its ownership to the full 50 percent, Williams would have the option to become operator. This project requires the approval of various state and federal regulatory authorities. Assuming Overland Pass Pipeline Company obtains the required regulatory approvals as scheduled, ONEOK Partners currently expects construction of the pipeline to begin in the fall of 2007, with start-up scheduled for early 2008.

As part of a long-term agreement, Williams dedicated its NGL production from two of its natural gas processing plants in Wyoming to the joint-venture company. Subsidiaries of ONEOK Partners will provide downstream fractionation, storage and transportation services to Williams. The pipeline project is currently estimated to cost approximately $433 million, excluding AFUDC. During 2006, ONEOK Partners paid $11.6 million to Williams for acquisition of its interest in the joint venture and for reimbursement of initial capital expenditures. In addition, ONEOK Partners is investing approximately $216 million, excluding AFUDC, to expand its existing fractionation capabilities and the capacity of its natural gas liquids distribution pipelines. ONEOK Partners financing for the projects may include a combination of short- or long-term debt or equity.

ONEOK Partners - In April 2006, we sold certain assets comprising our former gathering and processing, natural gas liquids, and pipelines and storage segments to ONEOK Partners for approximately $3 billion, including $1.35 billion in cash, before adjustments, and approximately 36.5 million Class B limited partner units in ONEOK Partners. The Class B limited partner units and the related general partner interest contribution were valued at approximately $1.65 billion. We also purchased, through ONEOK Partners GP, from an affiliate of TransCanada, 17.5 percent of the general partner interest in ONEOK Partners for $40 million. This purchase resulted in our owning the entire 2 percent general partner interest in ONEOK Partners. Following the completion of the transactions, we own a total of approximately 37.0 million common and Class B limited partner units and the entire 2 percent general partner interest and control the partnership. Our overall interest in ONEOK Partners, including the 2 percent general partner interest, has increased to 45.7 percent.

Disposition of 20 Percent Interest in Northern Border Pipeline - In April 2006, in connection with the transactions described immediately above, our ONEOK Partners segment completed the sale of a 20 percent partnership interest in Northern Border Pipeline to TC PipeLines for approximately $297 million. Our ONEOK Partners segment recorded a gain on sale of approximately $113.9 million in the second quarter of 2006. ONEOK Partners and TC PipeLines each now own a 50 percent interest in Northern Border Pipeline, and an affiliate of TransCanada became the operator of the pipeline in April 2007. Under Statement 94, Consolidation of All Majority Owned Subsidiaries, a majority-owned subsidiary is not consolidated if control is likely to be temporary or if it does not rest with the majority owner. Neither ONEOK Partners nor TC PipeLines has control of Northern Border Pipeline, as control is shared equally through Northern Border Pipeline s Management Committee. As a result of this transaction, ONEOK Partners interest in Northern Border Pipeline is accounted for as an investment under the equity method, applied on a retroactive basis to January 1, 2006. TransCanada also paid us $10 million for expenses associated with the transfer of operating responsibility of Northern Border Pipeline to them.

Acquisition of Guardian Pipeline Interests - In April 2006, our ONEOK Partners segment acquired the 66-2/3 percent interest in Guardian Pipeline not previously owned by ONEOK Partners for approximately $77 million, increasing its ownership interest to 100 percent. ONEOK Partners used borrowings from its credit facility to fund the acquisition of the additional interest in Guardian Pipeline. Following the completion of the transaction, we consolidated Guardian Pipeline in our consolidated financial statements. This change was accounted for on a retroactive basis to January 1, 2006.

Table of Contents

C. DISCONTINUED OPERATIONS

In the third quarter of 2005, we made the decision to sell our Spring Creek power plant, located in Oklahoma, and exit the power generation business. We entered into an agreement to sell our Spring Creek power plant to Westar Energy, Inc. for approximately $53 million. The transaction received FERC approval, and the sale was completed on October 31, 2006. The 300-megawatt gas-fired merchant power plant was built in 2001 to supply electrical power during peak periods using gas-powered turbine generators.

This component of our business is accounted for as discontinued operations in accordance with Statement 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, amounts in our consolidated financial statements and related notes for the three and six months ended June 30, 2006, relating to our power generation business are reflected as discontinued operations.

D. ENERGY MARKETING AND RISK MANAGEMENT ACTIVITIES

Accounting Treatment - We account for derivative instruments and hedging activities in accordance with Statement 133, Accounting for Derivative Instruments and Hedging Activities. Under Statement 133, entities are required to record all derivative instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. If the derivative instrument does not qualify or is not designated as part of a hedging relationship, we account for changes in fair value of the derivative instrument in earnings as they occur. We record changes in the fair value of derivative instruments that are considered held for trading purposes as energy trading revenues, net and derivative instruments considered not held for trading purposes as cost of sales and fuel in our Consolidated Statements of Income. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposure to changes in fair values, cash flows or foreign currencies. For hedges of exposure to changes in fair value, the gain or loss on the derivative instrument is recognized in earnings during the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The difference between the change in fair value of the derivative instrument and the change in fair value of the hedged item represents hedge ineffectiveness, which is reported in earnings during the period the ineffectiveness occurs. For hedges of exposure to changes in cash flow, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (loss) and is subsequently recorded in earnings when the forecasted transaction affects earnings.

As required by Statement 133, we formally document all relationships between hedging instruments and hedged items, as well as risk management objectives, strategies for undertaking various hedge transactions and methods for assessing and testing correlation and hedge ineffectiveness. We specifically identify the asset, liability, firm commitment or forecasted transaction that has been designated as the hedged item. We assess the effectiveness of hedging relationships, both at the inception of the hedge and on an ongoing basis.

Refer to Note D of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006, for additional discussion.

Fair Value Hedges - In prior years, we and ONEOK Partners terminated various interest-rate swap agreements. The net savings from the termination of these swaps is being recognized in interest expense over the terms of the debt instruments originally hedged. Net interest expense savings for the six months ended June 30, 2007, for all terminated swaps were $5.2 million, and the remaining net savings for all terminated swaps will be recognized over the following periods.

	ONEOK	**ONEOK Partners**	**Total**
	(Millions of dollars)		
Remainder of 2007	$ 3.3	$ 1.8	$ 5.1
2008	6.6	3.7	10.3
2009	5.5	3.7	9.2
2010	5.4	3.7	9.1
2011	2.5	0.9	3.4
Thereafter	12.8	-	12.8

Table of Contents

Currently, the interest on $490 million of fixed-rate debt is swapped to floating using interest-rate swaps. The floating-rate is based on both the three- and six-month LIBOR, depending upon the swap. Based on the actual performance through June 30, 2007, the weighted average interest rate on the swapped debt increased from 6.64 percent to 6.96 percent. At June 30, 2007, we recorded a net liability of $24.1 million to recognize the interest-rate swaps at fair value. Long-term debt was decreased by $24.1 million to recognize the change in the fair value of the related hedged liability.

Our Energy Services segment uses basis swaps to hedge the fair value of certain firm transportation commitments. Net gains or losses from the fair value hedges and ineffectiveness are recorded to cost of sales and fuel. The ineffectiveness related to these hedges includes losses of $3.3 million and $3.9 million for the three months ended June 30, 2007 and 2006, respectively. The ineffectiveness related to these hedges included losses of $5.7 million and $9.3 million for the six months ended June 30, 2007 and 2006, respectively.

Cash Flow Hedges - Our Energy Services segment uses futures and swaps to hedge the cash flows associated with our anticipated purchases and sales of natural gas and cost of fuel used in the transportation of natural gas. Accumulated other comprehensive income (loss) at June 30, 2007, includes gains of approximately $3.1 million, net of tax, related to these hedges that will be realized within the next 23 months. If prices remain at current levels, we will recognize $9.3 million in net gains over the next 12 months, and we will recognize net losses of $6.2 million thereafter. In accordance with Statement 133, the actual gains or losses that are reclassified into earnings will be based on the referenced floating price at each designated pricing period, along with the realization of the gains or losses on the related physical volumes, which are not reflected in the amounts above.

Our ONEOK Partners segment periodically enters into derivative instruments to hedge the cash flows associated with its exposure to changes in the price of natural gas, NGLs and condensate. If prices remain at current levels, our ONEOK Partners segment will recognize $2.3 million in net losses, all of which will be recognized over the next nine months.

Our Distribution segment also uses derivative instruments to hedge the cost of anticipated natural gas purchases during the winter heating months to protect their customers from upward volatility in the market price of natural gas. Gains or losses associated with these derivative instruments are included in, and recoverable through, the monthly purchased gas adjustment. At June 30, 2007, Kansas Gas Service had derivative instruments in place to fix the cost of natural gas purchases for 2.6 Bcf, which represents part of its gas purchase requirements for the 2007/2008 winter heating months.

For all of our segments, net gains and losses are reclassified out of accumulated other comprehensive income (loss) to operating revenues or cost of sales and fuel in the period the ineffectiveness occurs. Ineffectiveness related to our cash flow hedges resulted in a loss of approximately $0.5 million and a loss of approximately $0.7 million for the three and six months ended June 30, 2007, respectively. Ineffectiveness related to our cash flow hedges resulted in a gain of approximately $2.3 million and a gain of approximately $9.5 million for the three and six months ended June 30, 2006, respectively. There were no material gains or losses during the three and six months ended June 30, 2007 and 2006, due to the discontinuance of cash flow hedge treatment.

E. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Carrying Amounts - The amount of goodwill recorded on our Consolidated Balance Sheets as of June 30, 2007, and December 31, 2006, was $600.7 million.

Equity Method Goodwill - For the investments we account for under the equity method, the premium or excess cost over underlying fair value of net assets is referred to as equity method goodwill. Investment in unconsolidated affiliates on our accompanying Consolidated Balance Sheets includes equity method goodwill of $185.6 million as of June 30, 2007, and December 31, 2006.

Intangible Assets

Our ONEOK Partners segment had $291.3 million of intangible assets related to contracts acquired through our acquisition of the natural gas liquids businesses from Koch, which are being amortized over an aggregate weighted-average period of 40 years. The remaining intangible asset balance has an indefinite life. The aggregate amortization expense for each of the next five years is estimated to be approximately $7.7 million. Amortization expense for intangible assets for the three and six months ended June 30, 2007, was $1.9 million and $3.8 million, respectively.

16

Table of Contents

The following table reflects the gross carrying amount and accumulated amortization of intangible assets at June 30, 2007, and December 31, 2006.

	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
		(Thousands of dollars)	
June 30, 2007	**$ 462,214**	**$ (15,332)**	**$ 446,882**
December 31, 2006	$ 462,214	$ (11,499)	$ 450,715

F. COMPREHENSIVE INCOME

The tables below show the gross amount of comprehensive income (loss) and related tax (expense) benefit for the periods indicated.

	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Gross	**Tax (Expense) Benefit**	**Net**	**Gross**	**Tax (Expense) Benefit**	**Net**
			(Thousands of dollars)			
Unrealized gains (losses) on energy marketing and risk management assets/liabilities	**$ 44,354**	**$ (17,561)**	**$ 26,793**	$ 5,361	$ (3,023)	$ 2,338
Unrealized holding losses arising during the period	**(1,831)**	**709**	**(1,122)**	-	-	-
Realized gains recognized in net income	**(25,284)**	**9,780**	**(15,504)**	(74,257)	28,723	(45,534)
Pension and postretirement benefit plan amortization	**(4,081)**	**1,578**	**(2,503)**	-	-	-
Other comprehensive income (loss)	**$ 13,158**	**$ (5,494)**	**$ 7,664**	$ (68,896)	$ 25,700	$ (43,196)

	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Gross	**Tax (Expense) Benefit**	**Net**	**Gross**	**Tax (Expense) Benefit**	**Net**
			(Thousands of dollars)			
Unrealized gains (losses) on energy marketing and risk management assets/liabilities	**$ (22,911)**	**$ 7,774**	**$ (15,137)**	$ 86,196	$ (34,290)	$ 51,906
Unrealized holding gains arising during the period	**293**	**(113)**	**180**	-	-	-
Realized gains recognized in net income	**(128,320)**	**49,634**	**(78,686)**	(62,975)	24,359	(38,616)
Pension and postretirement benefit plan amortization	**(5,867)**	**2,269**	**(3,598)**	-	-	-
Other comprehensive income (loss)	**$ (156,805)**	**$ 59,564**	**$ (97,241)**	$ 23,221	$ (9,931)	$ 13,290

Table of Contents

The table below shows the balance in accumulated other comprehensive income (loss) for the periods indicated.

	Unrealized Gains (Losses) on Energy Marketing and Risk Management Assets/Liabilities	Unrealized Gains on Available-for-Sale Securities	Pension and Postretirement Benefit Plan Obligations	Accumulated Other Comprehensive Income (Loss)
		(Thousands of dollars)		
December 31, 2006	$ 89,971	$ 12,614	$ (63,053)	$ 39,532
Other comprehensive income (loss)	**(93,823)**	**180**	**(3,598)**	**(97,241)**
June 30, 2007	**$ (3,852)**	**$ 12,794**	**$ (66,651)**	**$ (57,709)**

G. CAPITAL STOCK

Stock Repurchase Plan - We have no remaining shares available for repurchase under our stock repurchase plan.

On May 17, 2007, our Board of Directors authorized a stock buy back program to repurchase up to 7.5 million shares of our currently issued and outstanding common stock. On June 28, 2007, we repurchased 7.5 million shares of our outstanding common stock under an accelerated share repurchase agreement with Bank of America, N.A. (Bank of America) at an initial price of $49.33 per share for a total of $370 million, which completed the plan approved by our Board of Directors. These shares were recorded as treasury shares in our Consolidated Balance Sheet as of June 30, 2007. Bank of America borrowed 7.5 million of our shares from third parties and will purchase shares in the open market to settle its short position. Our repurchase is subject to a financial adjustment based on the volume-weighted average price, less a discount, of the shares subsequently repurchased by Bank of America over the course of the repurchase period. The price adjustment can be settled, at our option, in cash or in shares of our common stock. If we had settled at June 30, 2007, we would have owed Bank of America approximately $3.6 million related to the price adjustment.

On August 7, 2006, under a previously authorized stock repurchase plan, we repurchased 7.5 million shares of our outstanding common stock under an accelerated share repurchase agreement with UBS Securities LLC (UBS) at an initial price of $37.52 per share for a total of $281.4 million. These shares were recorded as treasury shares in our Consolidated Balance Sheets. UBS borrowed 7.5 million of our shares from third parties and purchased shares in the open market to settle its short position. Our repurchase was subject to a financial adjustment based on the volume-weighted average price, less a discount, of the shares subsequently repurchased by UBS over the course of the repurchase period. The price adjustment could have been settled, at our option, in cash or in shares of our common stock. In February 2007, the forward purchase contract with UBS was settled for a cash payment of $20.1 million, which was recorded in equity.

In accordance with EITF Issue No. 99-7, Accounting for an Accelerated Share Repurchase Program, the repurchases were accounted for as two separate transactions: (1) as shares of common stock acquired in a treasury stock transaction recorded on the acquisition date and (2) as a forward contract indexed to our common stock. Additionally, we classified the forward contracts as equity under EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock.

Dividends - Quarterly dividends paid on our common stock for shareholders of record as of the close of business on January 31, 2007 and April 30, 2007, were $0.34 per share. Additionally, on July 19, 2007, we declared a quarterly dividend of $0.36 per share ($1.44 per share on an annualized basis) payable on August 14, 2007, to shareholders of record on July 31, 2007.

H. CREDIT FACILITIES

General - On March 30, 2007, ONEOK Partners amended and restated its five-year revolving credit facility agreement (2007 Partnership Credit Agreement), with several banks and other financial institutions and lenders in the following principal ways: (i) revised the pricing, (ii) extended the maturity by one year to March 2012, (iii) eliminated the interest coverage ratio covenant, (iv) increased the permitted ratio of indebtedness to EBITDA to 5 to 1 (from 4.75 to 1), (v) increased the swingline sub-facility commitments from $15 million to $50 million and (vi) changed the permitted amount of subsidiary indebtedness from $35 million to 10 percent of ONEOK Partners consolidated indebtedness.

Table of Contents

In July 2007, ONEOK Partners exercised the accordion feature in its 2007 Partnership Credit Agreement to increase the commitment amounts by $250 million to a total of $1.0 billion.

Except as discussed above, our $1.2 billion five-year credit agreement, as amended and restated in 2006, and ONEOK Partners 2007 Partnership Credit Agreement, contain typical covenants as discussed in Note H of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006. At June 30, 2007, we and ONEOK Partners were in compliance with all covenants.

At June 30, 2007, we had $78.7 million in letters of credit issued and no borrowings outstanding under our various credit agreements, and ONEOK Partners had $10 million in letters of credit issued and $105 million in borrowings outstanding under its 2007 Partnership Credit Agreement.

I. EMPLOYEE BENEFIT PLANS

The following table sets forth the components of net periodic benefit cost for our pension and other postretirement benefit plans for the periods indicated.

	Pension Benefits Three Months Ended		Pension Benefits Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Components of Net Periodic Benefit Cost	*(Thousands of dollars)*			
Service cost	**$ 5,262**	$ 5,267	**$ 10,526**	$ 10,532
Interest cost	**12,152**	10,871	**24,305**	21,742
Expected return on assets	**(14,538)**	(14,396)	**(29,078)**	(28,794)
Amortization of unrecognized prior service cost	**371**	378	**743**	756
Amortization of net loss	**4,035**	3,353	**8,070**	6,708
Net periodic benefit cost	**$ 7,282**	$ 5,473	**$ 14,566**	$ 10,944

	Postretirement Benefits Three Months Ended		Postretirement Benefits Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Components of Net Periodic Benefit Cost	*(Thousands of dollars)*			
Service cost	**$ 1,598**	$ 1,583	**$ 3,196**	$ 3,166
Interest cost	**3,957**	3,539	**7,915**	7,078
Expected return on assets	**(1,597)**	(1,141)	**(3,194)**	(2,282)
Amortization of unrecognized net asset at adoption	**797**	797	**1,595**	1,595
Amortization of unrecognized prior service cost	**(569)**	(571)	**(1,139)**	(1,143)
Amortization of loss	**2,482**	2,271	**4,964**	4,542
Net periodic benefit cost	**$ 6,668**	$ 6,478	**$ 13,337**	$ 12,956

Contributions - For the six months ended June 30, 2007, contributions of $1.9 million were made to our pension plan and $1.9 million to our postretirement benefit plan. Additionally, we made benefit payments from our pension plan of $1.1 million and from our postretirement benefit plan of $7.7 million in the six months ended June 30, 2007. We presently anticipate our total 2007 contributions to fund future benefits will be $1.9 million for the pension plan and $5.5 million for the other postretirement benefit plan. Additionally, the 2007 expected benefit payments from our pension plan are estimated to be $2.3 million and expected benefit payments from our postretirement benefit plan are estimated to be $22.1 million.

19

Table of Contents

J. COMMITMENTS AND CONTINGENCIES

Environmental Liabilities - We own or retain legal responsibility for the environmental conditions at 12 former manufactured gas sites in Kansas. Our expenditures for environmental evaluation and remediation to date have not been significant in relation to our results of operations, and there have been no material effects upon earnings during 2007 related to compliance with environmental regulations. See Note K of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006, for additional discussion. There has been no material change to the status of the manufactured gas sites since December 31, 2006.

K. SEGMENTS

Segment Descriptions - We have divided our operations into four reportable segments based on similarities in economic characteristics, products and services, types of customers, methods of distribution and regulatory environment. These segments are as follows: (1) our ONEOK Partners segment gathers, processes, transports and stores natural gas; gathers, treats, stores and fractionates NGLs; and provides NGL gathering and distribution services; (2) our Distribution segment delivers natural gas to residential, commercial and industrial customers, and transports natural gas; (3) our Energy Services segment markets natural gas to wholesale and retail customers; and (4) our Other segment primarily consists of the operating and leasing operations of our headquarters building and a related parking facility. Our Distribution segment is comprised of regulated public utilities, and portions of our ONEOK Partners segment are also regulated.

Accounting Policies - The accounting policies of the segments are the same as those described in Note A and Note M of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006. Intersegment sales are recorded on the same basis as sales to unaffiliated customers. Corporate overhead costs relating to a reportable segment have been allocated for the purpose of calculating operating income. Our equity method investments do not represent operating segments.

Customers - We had no single external customer from which we received 10 percent or more of our consolidated gross revenues.

Operating Segment Information - The following tables set forth certain operating segment financial data for the periods indicated.

Three Months Ended June 30, 2007	**ONEOK Partners (a)**	**Distribution (b)**	**Energy Services**	**Other and Eliminations**	**Total**
			(Thousands of dollars)		
Sales to unaffiliated customers	**$ 1,205,583**	**$ 357,271**	**$ 1,309,428**	**$ 786**	**$ 2,873,068**
Energy trading revenues, net	**-**	**-**	**(1,764)**	**-**	**(1,764)**
Intersegment sales	**164,794**		**109,806**	**(274,600)**	**-**
Total revenues	**$ 1,370,377**	**$ 357,271**	**$ 1,417,470**	**$ (273,814)**	**$ 2,871,304**
Net margin	**$ 216,380**	**$ 130,368**	**$ 19,058**	**$ 703**	**$ 366,509**
Operating costs	**80,430**	**91,614**	**8,355**	**(5,648)**	**174,751**
Depreciation, depletion and amortization	**28,013**	**26,970**	**537**	**124**	**55,644**
Gain (loss) on sale of assets	**(379)**	**-**	**-**	**10**	**(369)**
Operating income	**$ 107,558**	**$ 11,784**	**$ 10,166**	**$ 6,237**	**$ 135,745**
Equity earnings from investments	**$ 18,758**	**$ -**	**$ -**	**$ -**	**$ 18,758**
Capital expenditures	**$ 129,581**	**$ 42,511**	**$ -**	**$ 4,706**	**$ 176,798**

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment s regulated operations had revenues of $69.7 million, net margin of $61.0 million and operating income of $25.5 million for the three months ended June 30, 2007.

(b) - All of our Distribution segment s operations are regulated.

Table of Contents

Three Months Ended June 30, 2006	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
			(Thousands of dollars)		
Sales to unaffiliated customers	$ 1,061,785	$ 317,109	$ 1,056,458	$ (7,558)	$ 2,427,794
Energy trading revenues, net	-	-	4,112	-	4,112
Intersegment sales	97,565	-	134,209	(231,774)	-
Total revenues	$ 1,159,350	$ 317,109	$ 1,194,779	$ (239,332)	$ 2,431,906
Net margin	$ 211,766	$ 119,631	$ 64,327	$ 2,490	$ 398,214
Operating costs	73,766	91,523	10,334	1,014	176,637
Depreciation, depletion and amortization	39,282	27,162	529	122	67,095
Gain (loss) on sale of assets	114,061	(1)	-	1,027	115,087
Operating income	$ 212,779	$ 945	$ 53,464	$ 2,381	$ 269,569
Loss from operations of discontinued components	$ -	$ -	$ (150)	$ -	$ (150)
Equity earnings from investments	$ 18,321	$ -	$ -	$ -	$ 18,321
Capital expenditures	$ 35,799	$ 41,017	**$ -**	$ 1,106	$ 77,922

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment s regulated operations had revenues of $69.9 million, net margin of $62.8 million and operating income of $143.8 million, including $113.9 million gain on sale of assets, for the three months ended June 30, 2006.

(b) - All of our Distribution segment s operations are regulated.

Six Months Ended June 30, 2007	**ONEOK Partners (a)**	**Distribution (b)**	**Energy Services**	**Other and Eliminations**	**Total**
			(Thousands of dollars)		
Sales to unaffiliated customers	**$ 2,210,719**	**$ 1,238,293**	**$ 3,219,975**	**$ 1,739**	**$ 6,670,726**
Energy trading revenues, net	**-**	**-**	**(416)**	**-**	**(416)**
Intersegment sales	**321,130**		**309,617**	**(630,747)**	**-**
Total revenues	**$ 2,531,849**	**$ 1,238,293**	**$ 3,529,176**	**$ (629,008)**	**$ 6,670,310**
Net margin	**$ 421,527**	**$ 357,596**	**$ 150,462**	**$ 1,551**	**$ 931,136**
Operating costs	**155,891**	**187,329**	**19,084**	**(5,474)**	**356,830**
Depreciation, depletion and amortization	**55,526**	**55,245**	**1,075**	**248**	**112,094**
Gain on sale of assets	**1,824**	**-**	**-**	**10**	**1,834**
Operating income	**$ 211,934**	**$ 115,022**	**$ 130,303**	**$ 6,787**	**$ 464,046**
Equity earnings from investments	**$ 42,813**	**$ -**	**$ -**	**$ -**	**$ 42,813**
Total assets	**$ 5,134,445**	**$ 2,740,656**	**$ 1,733,633**	**$ 379,796**	**$ 9,988,530**
Capital expenditures	**$ 202,444**	**$ 67,720**	**$ -**	**$ 6,847**	**$ 277,011**

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment s regulated operations had revenues of $145.8 million, net margin of $127.6 million and operating income of $59.5 million, for the six months ended June 30, 2007.

(b) - All of our Distribution segment s operations are regulated.

Table of Contents

Six Months Ended June 30, 2006	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
			(Thousands of dollars)		
Sales to unaffiliated customers	$ 2,080,688	$ 1,104,352	$ 3,027,877	$ (36,852)	$ 6,176,065
Energy trading revenues, net	-	-	11,482	-	11,482
Intersegment sales	248,492	-	378,572	(627,064)	-
Total revenues	$ 2,329,180	$ 1,104,352	$ 3,417,931	$ (663,916)	$ 6,187,547
Net margin	$ 413,461	$ 315,072	$ 167,481	$ 3,485	$ 899,499
Operating costs	149,122	182,037	19,628	1,739	352,526
Depreciation, depletion and amortization	66,752	55,314	1,104	250	123,420
Gain (loss) on sale of assets	115,366	(1)	-	1,027	116,392
Operating income	$ 312,953	$ 77,720	$ 146,749	$ 2,523	$ 539,945
Loss from operations of discontinued components	$ -	$ -	$ (397)	$ -	$ (397)
Equity earnings from investments	$ 49,962	$ -	$ -	$ -	$ 49,962
Total assets	$ 4,943,368	$ 2,628,453	$ 1,689,530	$ 817,630	$ 10,078,981
Capital expenditures	$ 53,575	$ 77,692	$ -	$ 1,326	$ 132,593

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment s regulated operations had revenues of $146.7 million, net margin of $129.3 million and operating income of $178.1 million, including $113.9 million gain on sale of assets, for the six months ended June 30, 2006.

(b) - All of our Distribution segment s operations are regulated.

L. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental information with respect to our cash flow for the periods indicated.

	Six Months Ended June 30, 2007	2006
	(Thousands of dollars)	
Cash paid (received) during the period		
Interest	**$ 130,141**	$ 125,670
Income taxes	**$ 2,360**	$ 159,628

M. UNCONSOLIDATED AFFILIATES

Equity Earnings from Investments - The following table sets forth our equity earnings from investments for the periods indicated. All amounts in the table below are equity earnings from investments in our ONEOK Partners segment for the periods indicated.

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
		(Thousands of dollars)		
Northern Border Pipeline	**$ 10,511**	$ 12,703	**$ 28,551**	$ 38,850
Bighorn Gas Gathering, L.L.C.	**2,009**	1,788	**3,700**	3,821
Fort Union Gas Gathering	**2,567**	2,330	**5,155**	4,278
Venice Energy Services Company, L.L.C. (a)	**2,850**	-	**2,850**	-
Lost Creek Gathering Company, L.L.C.	**304**	1,159	**1,633**	2,600

Other		**517**		341		**924**		413
Equity earnings from investments	**$**	**18,758**	$	18,321	**$**	**42,813**	$	49,962

(a) - Venice Energy Services Company, L.L.C. is a cost method investment.

Table of Contents

Unconsolidated Affiliates Financial Information - Summarized combined financial information of our unconsolidated affiliates is presented below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Income Statement	*(Thousands of dollars)*			
Operating revenue	**$ 88,619**	$ 90,613	**$ 188,887**	$ 188,499
Operating expenses	**43,561**	40,427	**82,705**	77,028
Net income	**33,747**	38,765	**83,483**	88,906
Distributions paid to ONEOK Partners	**$ 30,611**	$ 29,111	**$ 57,066**	$ 69,819

N. EARNINGS PER SHARE INFORMATION

We compute earnings per common share (EPS) as described in Note R of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006.

The following tables set forth the computations of the basic and diluted EPS for the periods indicated.

	Three Months Ended June 30, 2007		
	Income	**Shares**	**Per Share Amount**
Basic EPS from continuing operations	*(Thousands, except per share amounts)*		
Income from continuing operations available for common stock	**$ 35,203**	**110,879**	**$ 0.32**
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	**-**	**2,107**	
Income from continuing operations available for common stock and common stock equivalents	**$ 35,203**	**112,986**	**$ 0.31**

	Three Months Ended June 30, 2006		
	Income	**Shares**	**Per Share Amount**
Basic EPS from continuing operations	*(Thousands, except per share amounts)*		
Income from continuing operations available for common stock	$ 77,945	117,423	$ 0.66
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	-	1,603	
Income from continuing operations available for common stock and common stock equivalents	$ 77,945	119,026	$ 0.65

	Six Months Ended June 30, 2007		
	Income	**Shares**	**Per Share Amount**
Basic EPS from continuing operations	*(Thousands, except per share amounts)*		
Income from continuing operations available for common stock	**$ 188,083**	**110,874**	**$ 1.70**
Diluted EPS from continuing operations			