

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. **0000055458-94-000005**

([HTML Version](#) on secdatabase.com)

FILER

KERR MCGEE CORP

CIK: **55458** | IRS No.: **730311467** | State of Incorporation: **OK** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-03939** | Film No.: **94528336**
SIC: **2911** Petroleum refining

Mailing Address
P.O. BOX 25861
OKLAHOMA CITY OK 73125

Business Address
KERR-MCGEE CTR
123 ROBERT S. KERR
OKLAHOMA CITY OK 73102
4052701313

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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

For the Quarterly Period Ended March 31, 1994

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 1-3939

KERR-McGEE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

73-0311467 A Delaware Corporation
(I.R.S. Employer (State or Other Jurisdiction of
Identification No.) Incorporation or Organization)

Kerr-McGee Center, Oklahoma City, Oklahoma 73125
(Address of Principal Executive Offices and Zip Code)

(405) 270-1313
Registrant's telephone number, including area code

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

Number of shares of common stock, \$1.00 par value, outstanding as of April 30, 1994: 51,658,219

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

<TABLE>

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

<CAPTION>

(Millions of dollars, except per-share amounts) <S>	Three Months Ended March 31,	
	1994 <C>	1993 <C>
Sales	\$ 800.9	\$ 783.5
Costs and Expenses		
Costs and operating expenses	600.3	599.7
Selling, general, and administrative expenses	37.2	35.0
Depreciation and depletion	79.1	72.7
Exploration, including dry holes and amortization of undeveloped leases	23.1	13.9
Taxes, other than income taxes	21.2	20.6
Interest and debt expense	12.9	12.4
Total Costs and Expenses	773.8	754.3
Other Income	27.1 5.3	29.2 6.8

Income before Income Taxes	32.4	36.0
Provision for Income Taxes	10.8	11.6
Net Income	\$ 21.6	\$ 24.4
Net Income per Common Share	\$.42	\$.50
Cash Dividends Declared per Common Share	\$.38	\$.38
Average Number of Shares Outstanding (thousands)	51,656	48,294

The accompanying notes are an integral part of this statement.

</TABLE>

<TABLE>

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

<CAPTION>

(Millions of dollars)	March 31, 1994	December 31, 1993
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash	\$ 100.4	\$ 94.4
Notes and accounts receivable	367.0	373.2
Inventories	392.9	348.9
Deposits and prepaid expenses	45.7	49.3
Total Current Assets	906.0	865.8
Property, Plant, and Equipment	5,936.9	5,852.3
Less reserves for depreciation, depletion, and amortization	3,391.6	3,338.9
	2,545.3	2,513.4
Investments and Other Assets	232.7	168.2
	\$ 3,684.0	\$ 3,547.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term borrowings and accounts payable	\$ 639.5	\$ 593.8
Other current liabilities	158.7	193.7
Total Current Liabilities	798.2	787.5
Long-Term Debt	686.8	589.9
Deferred Credits and Other Liabilities	666.7	657.8
Stockholders' Equity		
Common stock, par value \$1 - 150,000,000 shares authorized, 53,268,181 shares issued at 3-31-94 and at 12-31-93	53.3	53.3
Capital in excess of par value	308.1	308.0
Preferred stock purchase rights	.5	.5
Retained earnings	1,310.7	1,308.8
Unrealized gain on securities available-for-sale	14.7	-
Common shares in treasury, at cost - 1,611,688 shares at 3-31-94 and 1,612,688 at 12-31-93	(62.7)	(62.7)
Deferred compensation	(92.3)	(95.7)
Total Stockholders' Equity	1,532.3	1,512.2
	\$ 3,684.0	\$ 3,547.4

The "successful efforts" method of accounting for oil and gas exploration and production activities has been followed in preparing this balance sheet.

The accompanying notes are an integral part of this statement.

</TABLE>

<TABLE>

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

<CAPTION>

(Millions of dollars) <S>	Three Months Ended March 31,	
	1994 <C>	1993 <C>
Operating Activities		
Net income	\$ 21.6	\$ 24.4
Adjustments to reconcile to net cash provided by operating activities -		
Depreciation, depletion, and amortization	83.2	77.2
Deferred income taxes	(5.8)	1.4
Noncash items affecting net income	17.9	6.6
Other net cash provided (used) in operating activities	(50.6)	52.6
Net Cash Provided by Operating Activities	66.3	162.2
Investing Activities		
Capital expenditures	(129.4)	(151.9)
Purchase of long-term investments	(35.2)	(15.7)
Other investing activities	11.1	9.3
Net Cash Used in Investing Activities	(153.5)	(158.3)
Financing Activities		
Increase in short-term borrowings	148.9	54.6
Repayment of debt	(36.1)	(.9)
Dividends paid	(19.6)	(18.3)
Other financing activities	-	.5
Net Cash Provided by Financing Activities	93.2	35.9
Net Increase in Cash and Cash Equivalents	6.0	39.8
Cash and Cash Equivalents at Beginning of Period	94.4	57.3
Cash and Cash Equivalents at End of Period	\$ 100.4	\$ 97.1

The accompanying notes are an integral part of this statement.

</TABLE>

KERR-MCGEE CORPORATION AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994

- A. The condensed financial statements included herein have been prepared by the company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary to present fairly the resulting operations for the indicated periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest annual report on Form 10-K.
- B. After adding the dilutive effect of the conversion of options to the weighted average number of shares outstanding, the shares used to compute net income per common share were 51,731,887 and 48,386,565 for the three months ended March 31, 1994 and 1993, respectively.
- C. The company's crude oil and refined petroleum products inventories are priced at cost under the LIFO method. Since the carrying values of inventories under the LIFO method are based on an annual determination of quantities and costs as of the last day of the fiscal year, the carrying values of inventories at March 31, 1994, were based on

certain estimates relating to quantities and costs expected to exist at December 31, 1994.

- D. Net cash provided by operating activities reflects cash payments for income taxes and interest as follows:

<TABLE>
<CAPTION>

(Millions of dollars) <S>	Three Months Ended March 31,	
	1994 <C>	1993 <C>
Income taxes	\$ 20.7	\$ 11.2
Interest	19.5	13.2

</TABLE>

- E. The Kerr-McGee Corporation Employee Stock Ownership Plan (ESOP) was established in 1989. A leveraged employee stock ownership plan, the ESOP invests only in the common stock of the company. Most of the company's employees are eligible to participate in both the ESOP and the Kerr-McGee Savings Investment Plan (SIP). Participants' contributions to the SIP are matched by company contributions to the ESOP. Although the SIP and the ESOP are separate plans, matching contributions to the ESOP are contingent upon participants' contributions to the SIP.

In 1989, the ESOP purchased 2.7 million shares of the company's common stock at market value. To finance the purchase, the ESOP incurred indebtedness to a group of institutional investors in the aggregate principal amount of \$125 million. The borrowings are guaranteed by the company.

Company stock acquired with the proceeds of the loan is held by the ESOP trust in a suspense account. The company's matching contributions and dividends paid on the common stock held in the loan suspense account are used to repay the loan. Stock is released from the loan suspense account as the principal and interest are paid. The stock is then allocated to participants' accounts at market value as the participants' contributions are made to the SIP.

Dividends paid on the common stock held in participants' accounts are also used to repay the loan. Stock with a market value equal to the amount of the dividend is allocated to the participants' accounts.

At March 31, 1994, the ESOP held 918,877 shares of company stock allocated to participants' accounts and 1,755,844 shares in the loan suspense account. An additional 8,704 shares had been released from the loan suspense account but not yet allocated to participants' accounts.

All ESOP shares are considered outstanding for earnings per share calculations. Dividends on ESOP shares are charged to retained earnings. Compensation expense, recognized by the cash method, is reduced for dividends paid on the ESOP shares. Total expenses recognized in connection with the ESOP (which includes interest expense incurred on the ESOP debt guaranteed by the company) are set forth below:

<TABLE>
<CAPTION>

(Millions of dollars) <S>	Three Months Ended March 31,	
	1994 <C>	1993 <C>
Total expenses recognized	\$ 4.0	\$ 4.1
Interest expense (included in above total)	2.2	2.3

</TABLE>

The company's total cash contribution to the ESOP for the first quarter of 1994 was \$6.2 million, net of \$2 million for dividends paid on the company's stock held by the ESOP. For the 1993 first quarter, the company's cash contribution was \$5.6 million, net of \$2 million for dividends.

F. The company adopted Statement of Financial Accounting Standards 115, "Accounting for Investments in Certain Debt and Equity Securities," in the first quarter of 1994. Net income was not affected by this change in accounting principle. At March 31, 1994, the company held equity securities considered to be available-for-sale. These securities are carried as Investments and Other Assets in the Consolidated Balance Sheet at fair value of \$35.8 million (cost of \$12 million). Gross unrealized holding gains of \$23.8 million are classified as a separate component of Stockholder's Equity, net of income taxes of \$9.1 million.

G. Since August 1979, when the company filed a plan with the Nuclear Regulatory Commission to decommission a former operation in West Chicago, Illinois, a number of judicial and administrative proceedings have been filed. The operation, which was closed in 1973, processed thorium ores, leaving ore residues, process buildings, and equipment with some low-level radioactivity on site. While a number of these proceedings have been settled or resolved, several proceedings remain pending, and a license to decommission has not been received. Currently, the State of Illinois has jurisdiction of this site and continues to require offsite disposal of the material.

In March 1992, the company entered into an agreement with a third party to provide for the disposal of such waste material at a permanent disposal facility in Utah, and the third party received a disposal license from the Nuclear Regulatory Commission in 1993. The agreement covers an estimated 13.5 million cubic feet of thorium mill tailings and other related materials. Removal of the waste material is subject to additional regulatory approvals being obtained.

In September 1992, the Governor of Illinois signed the Uranium and Thorium Mill Tailings Control Act, which imposes on the company, beginning January 1, 1994, an annual fee of \$2.00 per cubic foot of byproduct material stored at the former West Chicago mill site. The act also provides that the assessed fee may be used as reimbursement for removal expenses. In February 1993, the company filed suit in the Northern District of Illinois challenging this act on federal constitutional grounds and seeking to enjoin state officials from assessing such a fee. This suit is still pending. In early 1994, the company paid an assessed fee of \$33 million under protest and filed suit in the Cook County Circuit Court protesting the amount of the fee.

In May 1994, the company, the City of West Chicago (the City), and the State of Illinois (the State) finalized an agreement regarding the decommissioning of the closed West Chicago facility subject to formal approval and execution by all parties. The company plans to initiate construction as soon as licenses and permits are issued and is scheduled to commence shipments of material from the site by October 1, 1994. Subject to the company moving certain amounts of material by specified dates, the State has agreed that the fee applies only to byproduct material onsite and has further agreed to a cap on the storage fee of \$26 million per annum which results in a refund of \$7 million of the 1994 payment. The agreement also assures storage fee amounts paid will be promptly reimbursed to the company for removing the material. Subject to the City and State performing its obligations under the contract, the company has agreed to pay \$2.8 million to the City for public works projects and will pay \$800,000 to the State for response costs. Upon all the parties completing

their obligations under the agreement, the company has agreed to stay the pending litigation described in the preceding paragraph and ultimately dismiss such litigation.

The aggregate decommissioning and relocation costs to the company are difficult to estimate because of the many contingencies. These contingencies include the absence of regulatory approval of a relocation plan. It is presently estimated, however, that the total remaining decommissioning costs, including the relocation costs that may be expended pursuant to the agreement referred to above, will approximate \$150 million, payable over the time necessary to relocate the materials, presently estimated at between four and seven years. The company has established reserves for offsite disposal of the material. The costs to the company for removal will be reduced by any amounts recovered pursuant to the Energy Policy Act of 1992 (which could be up to \$40 million). As discussed in the preceding two paragraphs, all the amounts paid to the State of Illinois pursuant to the Uranium and Thorium Mill Tailings Control Act will be reimbursed to the company as relocation expenditures are incurred.

Almost all of the company's plants and facilities are subject to various environmental laws and regulations. In addition to the West Chicago site discussed above, the company has been notified that it may be responsible in varying degrees for a portion of the costs to clean up certain waste disposal sites and former plant sites. It was reported in the most recent Form 10-K that the total aggregate estimated cost to investigate and/or remediate all presently identified sites of former or current operations was \$443 million of which \$165 million was spent through December 31, 1993, and that reserves for future expenditures totaled \$278 million at December 31, 1993. No material changes in the expenditures or reserves was incurred during the first quarter of 1994.

The company is also a party to a number of other legal proceedings pending in various courts or agencies in which it or a subsidiary appears as plaintiff or defendant.

Because of continually changing environmental laws and regulations, the nature of the company's businesses, the large number of other potentially responsible parties, and pending legal proceedings, it is not possible to reliably estimate the amount or timing of all future expenditures relating to these contingencies. The company provides for costs related to contingencies when a loss is probable, and the amount is reasonably estimable. Although management believes, after consultation with general counsel, that adequate reserves have been provided for all known contingencies, it is possible, due to the above-noted uncertainties, additional reserves could be required in the future that could have a material effect on results of operations in a particular quarter or annual period. However, the ultimate resolution of these commitments and contingencies, to the extent not previously provided for, should not have a material adverse effect on the company's financial position.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition.

Comparison of 1994 Results with 1993 Results

CONSOLIDATED OPERATIONS

First-quarter 1994 net income totaled \$21.6 million, compared with \$24.4 million for the same 1993 period. The lower net income was due principally to higher net nonoperating expenses.

Operating profit of \$54.8 million was approximately the same as in the 1993 first quarter, despite a 25% decline in oil prices. Refining and

marketing had operating profit of \$22.6 million, compared with a loss of \$9.2 million in the first quarter of 1993. The improvement was due primarily to higher margins resulting from lower refined-product costs, partially offset by lower sales prices. Chemicals operating profit totaled \$16.9 million, up from \$14.8 million for first quarter 1993, due primarily to higher pigment sales volumes and higher forest product sales prices and volumes. Coal operating profit totaled \$12.6 million for the first 1994 quarter, down from \$20.7 million last year as lower sales prices more than offset lower per-unit production cost and higher sales volumes. Exploration and production operating profit was \$4.9 million, significantly lower than last year's operating profit of \$29.7 million. Lower crude oil sales prices, lower natural gas sales volumes, and increased exploration expense more than offset a 35% increase in crude oil sales volumes and a 17% increase in natural gas sales prices.

Net nonoperating expenses totaled \$22.4 million, up from \$19 million last year. Adversely affecting the 1994 quarter were lower gains on sales of assets.

SEGMENT OPERATIONS

Following is a summary of sales and operating profit and a discussion of major factors influencing the results of each of the company's business segments for the first quarter of 1994, compared with the same period last year.

<TABLE>

<CAPTION>

(Millions of dollars)		Three Months Ended	
		March 31,	
<S>	<C>	1994	1993
		<C>	<C>
Sales			
Exploration and production(1)		\$ 110.0	\$ 88.3
Refining and marketing		461.6	486.0
Chemicals		145.3	121.1
Coal		74.0	78.9
Other		10.0	9.2
Total Sales		\$ 800.9	\$ 783.5
Operating Profit (Loss)			
Exploration and production		\$ 4.9	\$ 29.7
Refining and marketing		22.6	(9.2)
Chemicals		16.9	14.8
Coal		12.6	20.7
Other		(2.2)	(1.0)
Total Operating Profit		54.8	55.0
Net Nonoperating Expense		(22.4)	(19.0)
Income before Income Taxes		32.4	36.0
Provision for Income Taxes		10.8	11.6
Net Income		\$ 21.6	\$ 24.4

(1) Excludes intersegment sales, primarily crude oil sales, of \$34 million and \$46.2 million for the three months ended March 31, 1994 and 1993, respectively.

</TABLE>

Exploration and Production -

Exploration and production operating profit for the first quarter of 1994 was \$4.9 million, down from \$29.7 million last year. Compared with the first quarter of 1993, the company's average crude oil price declined \$4.25 per barrel, or 25%, and natural gas sales volumes declined 29 MMCF per day, or 10%. Also adversely affecting the 1994 first quarter were higher operating expenses due primarily to production from the Gryphon, Scott, and East Brae fields in the North Sea; and higher exploration expense due primarily to dry hole costs in the Gulf of Mexico, the North Sea, and other international areas. Partially offsetting were higher crude oil sales volumes and higher natural gas sales prices.

Revenues, including intersegment sales, were \$144 million and \$134.5 million for the first quarter of 1994 and 1993, respectively. The following table shows the company's average crude oil and natural gas sales prices and volumes by geographic area for the first quarters of 1994 and 1993.

<TABLE>

<CAPTION>

Three Months Ended Percent

<S>	March 31,		Increase (Decrease) <C>
	1994 <C>	1993 <C>	
Crude oil sales (thousands of bbls/day)			
United States	25.5	27.5	(7)
Canada	4.9	4.9	-
North Sea	31.0	11.8	163
Other international	4.0	4.3	(7)
Total	65.4	48.5	35
Average crude oil sales price (per barrel)			
United States	\$ 12.19	\$ 17.30	(30)
Canada	11.47	15.59	(26)
North Sea	13.18	17.17	(23)
Other international	13.71	15.72	(13)
Average	\$ 12.70	\$ 16.95	(25)
Natural gas sales (MMCF per day)	264	293	(10)
Average natural gas sales price (per MCF)	\$ 2.04	\$ 1.74	17

</TABLE>

Refining and Marketing -

Lower refined-product cost, partially offset by lower sales prices, resulted in refining and marketing operating profit of \$22.6 million for the first quarter of 1994, compared with the \$9.2 million operating loss for the same 1993 quarter. Lower sales prices also adversely affected first-quarter 1994 revenues of \$461.6 million, compared with \$486 million for the same period last year. For the first three months of 1994 and 1993, refinery runs averaged 147,100 and 129,000 barrels per day, respectively.

Chemicals -

Chemicals' first-quarter 1994 operating profit of \$16.9 million on revenues of \$145.3 million, compared with operating profit of \$14.8 million on revenues of \$121.1 million for the 1993 first quarter. Revenues improved due primarily to higher pigment sales volumes and higher forest product sales prices and volumes. Operating profit improved primarily due to the higher revenues.

Coal -

First-quarter 1994 operating profit and revenues were \$12.6 million and \$74 million, respectively, down from \$20.7 million and \$78.9 million, respectively, for the same 1993 quarter. Revenues declined due to lower average sales prices resulting primarily from a late-1993 contract renegotiation, partially offset by higher sales volumes. The operating profit decline resulted principally from the lower revenues, partially offset by lower per-unit production costs.

Net Nonoperating Expense -

Net nonoperating expense was \$22.4 million for the first three months of 1994, compared with \$19 million for the same 1993 period. The increase was principally due to lower gains on sales of assets.

Provision for Income Taxes -

The provision for income taxes was \$10.8 for the first three months of 1994, approximately the same as for the 1993 period.

FINANCIAL CONDITION

At March 31, 1994, the company's net working capital position was \$107.8 million, compared with \$78.3 million at December 31, 1993. Working capital increased due principally to additional commercial paper borrowings classified as long-term debt, partially offset by net property, plant and equipment additions.

The company had unused lines of credit and revolving credit facilities of \$331 million at March 31, 1994. Of this amount, \$250 million and \$50 million can be used to support the commercial paper borrowings of Kerr-McGee Credit Corporation and Kerr-McGee Oil (U.K.) PLC, respectively.

For the first three months of 1994, net cash provided by operating activities of \$66.3 million was comprised principally of net income of

\$21.6 million and depreciation, depletion, and amortization of \$83.2 million. Partially offsetting was a net increase in current assets, excluding cash and marketable securities, of \$39.2 million. Net cash provided by operating activities for the same 1993 period was \$162.2 million.

First-quarter 1994 capital expenditures totaled \$119.4 million, approximately the same as for the 1993 first quarter. Petroleum-related expenditures, principally in the Gulf of Mexico, North Sea, and offshore China, were 86% of the 1994 amount. Chemicals expenditures were 10% of the total. Management anticipates that the cash requirements for the next several years can be provided through internally generated funds and selective long- and/or short-term borrowings.

The company continues to evaluate strategic alternatives for the refining and marketing operations, as announced in June 1992.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to the West Chicago matter on page 23 of the company's Form 10-K for the year ended December 31, 1993. For the report on the current status of this matter, reference is made to Note G to the Consolidated Financial Statements beginning on page 6 of this Form 10-Q.

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

- (a) The 1994 annual meeting of stockholders was held on May 3, 1994.
- (b) The following matters were voted upon at the annual meeting:
 - (1) Following are the directors elected at the 1994 annual meeting and the tabulation of votes related to each nominee.

<TABLE>

<CAPTION>

Nominee	Affirmative	Votes Withheld
<S>	<C>	<C>
Bennett E. Bidwell	45,119,968	347,351
Earnest H. Clark, Jr.	45,101,302	366,017
Martin C. Jischke	45,117,698	349,621
Robert S. Kerr, Jr.	45,130,733	336,586
Frank A. McPherson	45,126,634	340,685
William C. Morris	45,149,348	317,971
John J. Murphy	45,132,917	334,402
John J. Nevin	45,128,332	338,987
Farah M. Walters	45,106,501	360,818

</TABLE>

- (2) The stockholders ratified the appointment of Arthur Andersen & Co. as independent public accountants for 1994. Affirmative votes were 45,185,836; negative votes were 212,925; and abstentions were 68,558.

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibit
 - 10.7 Kerr-McGee Corporation Executive Deferred Compensation Plan as amended and restated effective January 1, 1994.
- (b) Reports on Form 8-K
 - None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934,

the Registrant has duly caused this report to be signed on its behalf
by the undersigned, thereunto duly authorized.

KERR-McGEE CORPORATION

Date: May 13, 1994 By (JOHN M. RAUH)
 J. Michael Rauh
 Vice President and Controller
 and Chief Accounting Officer

KERR-McGEE CORPORATION

EXECUTIVE DEFERRED COMPENSATION PLAN

(Amended and Restated effective February 1, 1994)

KERR-McGEE CORPORATION

EXECUTIVE DEFERRED COMPENSATION PLAN

(Amended and Restated effective February 1, 1994)

TABLE OF CONTENTS

I.	Establishment and Purpose	
1.1	Establishment.	1
1.2	Purpose.	1
1.3	Effective Date of Plan	1
II.	Definitions	
2.1	Account.	1
2.2	Affiliate.	1
2.3	Base Salary.	2
2.4	Beneficiary.	2
2.5	Committee.	2
2.6	Company.	2
2.7	Credited Interest.	2
2.8	Deferral Amount.	2
2.9	Deferral Payment Date.	2
2.10	Deferral Year.	2
2.11	Disability or Disabled	2
2.12	Eligible Employee.	3
2.13	Employee	3
2.14	ERISA.	3
2.15	Incentive Award.	3
2.16	Participant.	3
2.17	Plan	3
2.18	Plan Year.	3
III.	Eligibility and Participation	
3.1	Eligibility.	3
3.2	Participation and Classification of Participants	3
IV.	Deferral Amount Elections	

4.1	Deferral Amount.	3
4.2	Election of Deferral Amount.	4
4.3	Deferral Amount Election Forms	4
V. Payment of Benefits		
5.1	Time of Payment.	4
5.2	Method of Payment.	5
5.3	Death Benefit.	5
5.4	Consolidation of Payments.	5
5.5	Beneficiary Designations	6
VI. Accounts and Credited Interest		
6.1	Participant Accounts	6
6.2	Adjustment of Accounts	6
6.3	Credited Interest.	7
6.4	Vesting.	7
6.5	Account Statements	7
VII. Administration of the Plan		
7.1	Administration	8
7.2	Compensation and Expenses.	8
7.3	Claims Review Procedures	8
7.4	Finality of Determinations	9
7.5	Indemnification.	9
VIII. Provision For Benefits		
8.1	Provision For Benefits	9
IX. Amendment, Termination, or Merger		
9.1	Amendment and Termination.	10
9.2	Merger, Consolidation or Acquisition	10
X. General Provisions		
10.1	Effect on Other Plans.	10
10.2	Nonalienation.	10
10.3	Incompetency	11
10.4	Effect of Mistake.	11
10.5	Plan Not an Employment Contract.	11
10.6	Tax Withholding.	11
10.7	Severability	11
10.8	Applicable Law	11

KERR-McGEE CORPORATION
EXECUTIVE DEFERRED COMPENSATION PLAN
(Amended and Restated effective February 1, 1994)

Article I

Establishment and Purpose

1.1 Establishment. Kerr-McGee Corporation, a corporation organized under the laws of the state of Delaware ("Company"), hereby establishes a deferred compensation plan for Eligible Employees to be known as the Kerr-McGee Corporation Executive Deferred Compensation Plan ("Plan").

1.2 Purpose. The Plan shall provide Eligible Employees the ability to defer payment of Base Salary and Incentive Awards granted by the Company. The Plan is intended to provide such Eligible Employees with a degree of flexibility in their financial planning.

1.3 Effective Date of Plan. The Plan is effective as of January 1, 1991, and is applicable only to the Eligible Employees who are actively employed by the Company on or after December 31, 1990.

Article II

Definitions

Pronouns and other similar words used herein in the masculine or neuter gender shall be read in the appropriate gender. The singular form of words shall be read as plural where appropriate. Where capitalized words or phrases appear in the Plan, they shall have the meaning set forth below.

2.1 "Account" means the recordkeeping account maintained in the name of a Participant to which Deferral Amounts and Credited Interest are recorded pursuant to the provisions of Article VI.

2.2 "Affiliate" means:

(a) any corporation other than the Company (i.e., either a subsidiary corporation or an affiliated or associated corporation of the Company), which together with the Company is a member of a "controlled group of corporations" within the meaning of Section 414(b) of the Internal Revenue Code;

(b) any organization that is under "common control" with the Company as determined under Section 414(c) of the Internal Revenue Code; or

(c) any organization which together with the Company is a member of an "affiliated service group" within the meaning of Section 414(m) of the Internal Revenue Code.

2.3 "Base Salary" means the salary, excluding any extraordinary compensation, an Eligible Employee is paid from the Company beginning on and after March 27, 1994.

2.4 "Beneficiary" means the person, persons, trust, or other entity designated by a Participant to receive benefits, if any, under this Plan at such Participant's death pursuant to Section 5.5.

2.5 "Committee" means the Executive Compensation Committee or such other Committee as may be appointed by the Board of Directors of Kerr-McGee Corporation from time to time.

2.6 "Company" means Kerr-McGee Corporation and its Affiliates.

2.7 "Credited Interest" means the amounts credited to a Participant's Account pursuant to Section 6.3.

2.8 "Deferral Amount" means the portion of an Eligible Employee's Incentive Award and Base Salary which he elects to defer pursuant to Article VI. Deferral Amounts shall be referred to by reference to the Plan Year in which the Incentive Award and Base Salary deferred under this Plan would otherwise have been paid.

2.9 "Deferral Payment Date" means the date, specified by an Eligible Employee on his Deferral Amount election form, on which a Deferral Amount shall be paid or commence being paid. An Eligible Employee shall designate from the following Deferral Payment Dates on his Deferral Amount election form with respect to each Deferral Year:

(a) "Early Distribution Date" means the first business day of February of the fifth Plan Year following the applicable Deferral Year; and

(b) "Normal Distribution Commencement Date" means as soon as administratively feasible following the earlier of the date on which the Participant terminates employment as an Employee for any reason or the date the Participant is determined by the Committee to be Disabled.

2.10 "Deferral Year" means the Plan Year in which an Incentive Award or Base Salary for which an Eligible Employee makes a Deferral Amount election which would have been paid absent such election.

2.11 "Disability or Disabled" means a mental or physical condition which qualifies the Participant as being disabled for purposes of any of the plans or programs of the employer that employs the Participant under which benefits, compensation, or awards are contingent upon a finding of disability or, in the opinion of the Committee, causes the Participant to be unable to perform his usual duties for the employer.

2.12 "Eligible Employee" means an Employee who is designated by the Committee as belonging to a "select group of management or highly compensated employees", as such phrase is defined under ERISA; is an executive of the Company employed in salary grade 28 or above; is a resident of the United States; is paid on the Company's United States payroll; and is employed by the Company on December 31 preceding the applicable Deferral Year.

2.13 "Employee" means an individual who is an employee of the Company or an Affiliate.

2.14 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.15 "Incentive Award" means any award to an Eligible Employee under the Company's Annual Incentive Compensation Plan as it may be amended or modified from time to time or any successor plan ("AICP").

2.16 "Participant" means an Eligible Employee who has become a Participant under the Plan pursuant to Section 3.2.

2.17 "Plan" means this Kerr-McGee Corporation Executive Deferred Compensation Plan, as amended from time to time.

2.18 "Plan Year" means the 12-month period beginning each January 1 and ending on the succeeding December.

Eligibility and Participation

3.1 Eligibility. All Eligible Employees shall be eligible to participate in the Plan. All determinations as to an Employee's status as an Eligible Employee shall be made by the Committee. The determinations of the Committee shall be final and binding on all Employees. The Committee shall provide each Eligible Employee with notice of his status as an Eligible Employee under this Plan and permit such Eligible Employee the opportunity to make the Deferral Amount election pursuant to Article IV. Such notice may be given at such time and in such manner as the Committee may determine.

3.2 Participation and Classification of Participants. Each Eligible Employee who has a Deferral Amount credited to his Account under this Plan shall be a Participant. An Eligible Employee shall continue as a Participant as long as there is a balance credited to his Account.

Article IV

Deferral Amount Elections

4.1 Deferral Amount. An Eligible Employee shall elect to defer none, all, or any portion of any Incentive Award that may be awarded by the Company. The amount deferred shall be specified as a percentage of any Incentive Award granted to an Eligible Employee in a Deferral Year; provided, no Deferral Amount shall be less than \$5,000. Effective March 27, 1994, an Eligible Employee may also elect to defer none or any portion of his biweekly Base Salary up to 25% as long as such deferral is in 1% increments, rounded to the nearest dollar, and provided further that the amount of such deferral shall not reduce such Eligible Employee's Base Salary to an amount less than the amount which is permitted under Section 401(a)(17) of the Internal Revenue Code of 1986, as amended from time to time.

4.2 Election of Deferral Amount. An Eligible Employee must file a Deferral Amount election form each Plan Year. Except as may be permitted by the Internal Revenue Code or the regulations adopted thereunder, the election shall apply to the Deferral Year which commences immediately following the Plan Year in which the election is made and to the Base Salary and all Incentive Awards granted to the Eligible Employee by the Company with respect to such Deferral Year. Incentive Awards made with respect to a Deferral Year must be awarded by the Company during such Deferral Year and be designated by the Company having been made with respect to such Deferral Year.

If an Eligible Employee does not file a Deferral Amount election form during a Plan Year, such Eligible Employee will be deemed to have elected not to defer receipt of any Incentive Awards or Base Salary attributable to the Deferral Year immediately following the Plan Year.

4.3 Deferral Amount Election Forms. All Deferral Amount elections shall be made on the Deferral Amount election form. The Deferral Amount election form shall specify the Deferral Amount, Deferral Payment Date, the form of payment, if applicable, and the Eligible Employee's designated Beneficiary to receive any death benefit applicable to such Deferral Amounts. Other than the designation of Beneficiary and the method of payment to Beneficiaries, all Deferral Amount elections shall be irrevocable

once the Deferral Year has commenced.

Article V

Payment of Benefits

5.1 Time of Payment. Each Deferral Amount election form filed by an Eligible Employee shall specify the Deferral Payment Date on which benefit payments are to be made or commence with respect to the Deferral Amount covered by such election. An Eligible Employee shall have the option of designating an Early Distribution Date that will apply if employment continues until the Early Distribution Date. If an Eligible Employee fails to make an effective Deferral Payment Date designation or terminates employment, his Deferral Payment Date for the Deferral Amount subject to the election shall be the Eligible Employee's Normal Distribution Commencement Date. Except as provided in Section 5.3, all benefit payments shall be made to the Participant on the Deferral Payment Date specified in his applicable Deferral Amount election form.

5.2 Method of Payment. If an Eligible Employee elects an Early Distribution Date, the method of payment is in the form of a lump sum. However, if an Eligible Employee elects Normal Distribution Commencement Date on a Deferral Amount election form, such Eligible Employee must specify on the Deferral Amount election form the method of payment for the Deferral Amount covered by such election. An Eligible Employee may designate payment in the form of a single lump sum payment or in the form of annual installment payments payable for 5, 10 or 15 years. Annual installment payments shall be paid once a year, with the first annual installment payment being paid on the Participant's Normal Distribution Commencement Date and each subsequent annual installment paid on the first business day of February of each subsequent year until all installment payments have been paid. Annual installment payment amounts shall be determined by reference to the balance, as of the Participant's Normal Distribution Commencement Date, in the subaccount of the Participant's Account which represents the Deferral Amount to be paid in installments. After commencement of installment payments, a Participant's Account and subaccounts comprising such Account shall continue to be adjusted in the same manner as set forth at Section 6.3.

If the Eligible Employee fails to make an effective designation as to the method of payment, payment shall be made in the form of a single lump sum payment on the Participant's Normal Distribution Commencement Date.

The Committee, in its sole discretion, may elect to accelerate any installment payment if a Participant's Normal

Distribution Commencement Date is determined with reference to the date the Participant is deemed Disabled, or a Participant is deemed Disabled but had previously elected an Early Distribution Date.

5.3 Death Benefit. If a Participant dies with a balance credited to his Account, such balance shall be paid to his Beneficiary designated on the applicable Deferral Amount election form. The then current balance of each Account or subaccount payable to a designated Beneficiary shall be paid under the method of payment designated for the payment of such amount or under the method of payment separately designated for payment of benefits to such Beneficiary, as provided in Section 5.5. The Committee, in its sole discretion, may elect to accelerate payment of any portion of the unpaid balance of any Account. Each Beneficiary of a deceased Participant who is eligible to receive death benefit payments under this Section shall have the amounts to be paid to such Beneficiary allocated to a subaccount in the name of the Beneficiary under the deceased Participant's Account. Such subaccount shall be adjusted from time to time as provided in Article VI.

5.4 Consolidation of Payments. In any case where a Participant or Beneficiary is receiving more than one benefit payment during a Plan Year, the Committee may, in its sole discretion, elect to consolidate such payments into a lesser number of payments.

5.5 Beneficiary Designations. A Participant shall designate a Beneficiary who, upon his death, shall receive payments that otherwise would have been paid to him under the Plan. All Beneficiary designations shall be in writing. Any such designation shall be effective only if and when delivered to the Committee during the lifetime of the Participant. The Participant may specify on the Beneficiary designation form the method of payment to the designated Beneficiary. The designated method of payment must be a method permitted under Section 5.3. A Participant may change a designated Beneficiary or Beneficiaries or change a designated method of payment to a Beneficiary by filing a new Beneficiary designation form.

If a designated Beneficiary of a Participant predeceases the Participant, the designation of such Beneficiary shall be void. If a designated Beneficiary to whom benefits under the Plan remain unpaid dies after the Participant and the Participant failed to specify a contingent Beneficiary on the appropriate Beneficiary designation form, the remainder of such death benefit payments shall be paid to such Beneficiary's estate. If a Participant fails to designate a Beneficiary with respect to any death benefit payments or if such designation is ineffective, in whole or in part, any payment that otherwise would have been paid to such Participant shall be paid to his surviving spouse or, if none, to

his estate.

Article VI

Accounts and Credited Interest

6.1 Participant Accounts. The Committee shall maintain, or cause to be maintained, a bookkeeping Account for each Participant for the purpose of accounting for the Participant's interest under the Plan. The Committee shall maintain within each Participant's Account such Deferral Amount subaccounts as may be necessary to identify each separate Deferral Amount, and Credited Interest allowable thereto, by reference to the Deferral Year to which each Deferral Amount relates. The combination of the subaccounts maintained in the name of a Participant shall comprise the Participant's Account. In addition to the foregoing bookkeeping subaccounts maintained for each Participant, the Committee shall maintain, or cause to be maintained, such other accounts, subaccounts, records or books as it deems necessary to properly provide for the maintenance of Accounts and to carry out the intent and purposes of the Plan.

6.2 Adjustment of Accounts. Each Participant's Account shall be adjusted to reflect all Deferral Amounts credited to his Account, all Credited Interest and other earnings credited to his Account as provided by Section 6.3, and all benefit payments charged to his Account. A Participant's Deferral Amount shall be credited to such Participant's Account as of the date on which the amount being deferred would have become payable to the Participant absent the deferral election, or on such other date as the Committee specifies, and shall be credited to the applicable subaccount within such Account by reference to the applicable Deferral Year. Credited Interest and other earnings shall be credited to Participant Accounts pursuant to Section 6.3. Charges to a Participant's Account to reflect benefit payments shall be made as of the date of any such payment and shall be charged to the applicable subaccount within such Account. As of any relevant date, the balance standing to the credit of a Participant's Account, and each separate subaccount comprising such Account, shall be the respective balance in such Account and the component subaccounts as of the close of business on such date after all applicable credits and charges have been posted.

6.3 Credited Interest. Each Participant's Account shall be credited with Credited Interest on the balance in such Account. Credited Interest shall be allocated to the appropriate subaccount balances within such Account. Credited Interest shall be credited to Accounts on a quarterly basis as of February 1, May 1, August 1 and November 1 of each Plan Year. Credited Interest shall be adjusted each Plan Year. The Credited Interest rate for each

quarterly date during a Plan Year shall be the highest of the twelve month certificate of deposit rates quoted by Chase Manhattan Bank, Citibank, or Morgan Guaranty Bank on December 1 immediately preceding the Plan Year for which Credited Interest is to be computed. The Committee shall make all determinations with respect to the applicable Credited Interest rate in effect from time to time and the crediting of such Credited Interest to Accounts. Such determinations shall be final and binding on all interested parties.

On February 1, 1994, 50% of the cumulative earnings in the Plan through January 31, 1994, that exceed the cumulative Credited Interest stipulated above shall be allocated to Participant Accounts on a prorata basis. Beginning February 1, 1995, and on each February 1st thereafter, 50% of any earnings in the Plan for the prior twelve months that exceed the Credited Interest stipulated above for the prior twelve months shall be allocated to Participant Accounts on a prorata basis.

6.4 Vesting. Subject to the conditions and limitations on payment of benefits under the Plan, a Participant shall have a fully vested and nonforfeitable beneficial interest in the balance standing to the credit of his Account as of any relevant date.

6.5 Account Statements. The Committee shall provide each Participant with a statement of the status of his Account under the Plan. The Committee shall provide such statement annually or at such other times as the Committee may determine. Such statement shall be in the format prescribed by the Committee.

Article VII

Administration of the Plan

7.1 Administration. The Plan shall be administered by the Committee. A majority of the members of the Committee shall constitute a quorum. The acts of a majority of a quorum of the Committee at a meeting or acts approved in writing by a majority of the Committee without a meeting shall be the acts of the Committee. The Committee shall have the authority to make such rules as it deems necessary to administer the Plan, to interpret the Plan, to decide questions arising under the Plan, and to take such other action as may be appropriate to carry out the purposes of the Plan. The Committee is authorized to employ attorneys, accountants or any other agents or delegate specified duties to employees of the Company as it shall deem proper in the discharge of its duties. The Committee shall be the "plan administrator", and the Company shall be the "named fiduciary" as such terms are defined in ERISA.

7.2 Compensation and Expenses. A member of the Committee may receive compensation from the Company for services as

a member of the Committee. Any member of the Committee may receive reimbursement by the Company for expenses properly and actually incurred. All expenses of the Committee shall be paid by the Company. Such expenses shall include any expenses incident to the functioning of the Committee or the Plan, including, but not limited to, fees of actuaries, accountants, legal counsel and other specialists, and other costs of administering the Plan.

7.3 Claims Review Procedures.

(a) Denial of Claim. If a claim for benefits is wholly or partially denied, the claimant shall be given notice in writing of the denial within a reasonable time after the receipt of the claim, but not later than 90 days after the receipt of the claim. However, if special circumstances require an extension, written notice of the extension shall be furnished to the claimant before the termination of the 90-day period. In no event shall the extension exceed a period of 90 days after the expiration of the initial 90-day period. The notice of the denial shall contain the following information written in a manner that may be understood by a claimant:

(1) the specific reasons for the denial;

(2) specific reference to pertinent Plan provisions on which the denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect his claim and an explanation of why such material or information is necessary;

(4) an explanation that a full and fair review by the Committee of the denial may be requested by the claimant or his authorized representative by filing a written request for a review with the Committee within 60 days after the notice of the denial is received; and

(5) if a request for a review is filed, the claimant or his authorized representative may review pertinent documents and submit issues and comments in writing within the 60-day period described in Section 7.3(a) (4).

(b) Decision After Review. The decision of the Committee with respect to the review of the denial shall be made promptly, but not later than 60 days after the Committee receives the request for the review. However, if special circumstances require an extension of time, a decision shall be rendered not later than 120 days after the receipt of the request for review. A written notice of the extension shall

be furnished to the claimant prior to the expiration of the initial 60-day period. The claimant shall be given a copy of the decision, which shall state, in a manner calculated to be understood by the claimant, the specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based.

7.4 Finality of Determinations. All determinations of the Committee as to any matter arising under the Plan, including questions of construction and interpretation shall be final, binding and conclusive upon all interested parties.

7.5 Indemnification. To the extent permitted by law and the Company's bylaws, the members of the Committee, its agents, and the officers, directors and employees of the Company shall be indemnified and held harmless by the Company from and against any and all loss, cost, liability or expense that may be imposed upon or may be reasonably incurred by them in connection with or resulting from any claim, action, suit or proceeding to which they may be a party or in which they may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by them in settlement with the Company's written approval or paid by them in satisfaction of a judgment in any such action, suit or proceeding. The foregoing provision shall not be applicable to any person if the loss, cost, liability or expense is due to such person's gross negligence or willful misconduct.

Article VIII

Provision For Benefits

8.1 Provision For Benefits. Benefits provided by this Plan shall constitute general obligations of the Company. No amount of any benefit under this Plan shall be set aside or held in trust, and no recipient shall have a right to be paid from any particular asset of the Company; provided, this Section shall not be construed to prevent the Committee from directing a transfer of funds to a grantor trust as defined at Sections 671 through 679 of the Internal Revenue Code of 1986, as amended, for the purpose of paying all or any part of a Plan benefit.

Article IX

Amendment, Termination, or Merger

9.1 Amendment and Termination. The Board of Directors of the Company may amend, modify or terminate the Plan at any time and in any manner. In the event of a termination of the Plan, no

further Deferral Amount elections shall be made under the Plan. Amounts which are then payable or which become payable under the terms of the Plan shall be paid as scheduled under the provisions of the Plan.

9.2 Merger, Consolidation or Acquisition. In the event of a merger, consolidation or acquisition where the Company is not the surviving corporation and unless the successor or acquiring corporation elects to continue and carry on the Plan, the Plan shall terminate at the time of such event. Any successor or acquiring corporation may elect to accelerate payments under the Plan.

Article X

General Provisions

10.1 Effect on Other Plans. Deferred Amounts shall not be considered as part of a Participant's compensation for the purpose of any qualified employee pension plans maintained by the Company. However, such amounts may be taken into account under all other employee benefit plans maintained by the Company in the year in which such amounts would have been payable absent the deferral election; provided, such amounts shall not be taken into account if their inclusion would jeopardize the tax-qualified status of the plan to which they relate.

10.2 Nonalienation. Except as provided in Section 206(d) of ERISA, no benefit payable at any time under the Plan shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge, or otherwise encumber any such benefit, whether presently or hereafter payable, shall be void. No benefit payable under the Plan shall in any manner be liable for or subject to the debts or liabilities of any Participant or Beneficiary entitled to any benefit, except as may be provided in a qualified domestic relations order under Section 206(d) of ERISA. The Committee shall establish procedures to determine whether an order is a qualified domestic relations order and to administer distributions under such qualified domestic relations orders.

10.3 Incompetency. Any person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent until the date on which the Committee receives a written notice, in an acceptable form and manner, that such person is incompetent and a guardian or other person legally vested with the care of his estate has been appointed. If the Committee finds that any person to whom a benefit is payable under the Plan is unable to care for his affairs because of any disability or infirmity and no legal guardian of such person's estate has been

appointed, any payment due may be paid to the spouse, a child, a parent, a sibling, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment. Any such payment so made shall be a complete discharge of any liability therefor under the Plan. If a guardian of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, benefit payments shall be made to such guardian, provided proper proof of appointment and continuing qualification is furnished in the form and manner acceptable to the Committee. Any such payment so made shall be a complete discharge of any liability therefor under the Plan.

10.4 Effect of Mistake. If, in the sole opinion of the Committee, a material mistake or misstatement as to the eligibility of a Participant or the amount of benefit payments made or to be made to or with respect to a Participant occurs, the Committee shall, if possible, cause an adjustment to be made so as to correct such mistake and provide the correct amount of benefit payments with respect to such Participant.

10.5 Plan Not an Employment Contract. This Plan is not an employment contract and does not confer on any person the right to be continued in employment. All Employees remain subject to change of salary, transfer, change of job, discipline, layoff, discharge or any other change of employment status.

10.6 Tax Withholding. The Company or other payor may withhold from a benefit payment or Deferral Amount any federal, state or local taxes required by law to be withheld with respect to such payment or Deferral Amount.

10.7 Severability. If any provision of the Plan is held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been contained therein. The Company shall have the privilege and opportunity to correct and remedy such questions of illegality or invalidity by amendment.

10.8 Applicable Law. The Plan shall be governed and construed in accordance with the laws of the State of Oklahoma, except to the extent such laws are preempted by any applicable federal law. No reference to ERISA in the Plan shall be construed to mean that the Plan is subject to any particular provisions of ERISA.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officers, effective as of February 1, 1994.

KERR-McGEE CORPORATION

By: (JOHN C. LINEHAN)
John C. Linehan
Senior Vice President and
Chief Financial Officer