

KERR MCGEE CORP /DE
Form 424B5
June 23, 2004

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-81720
333-68136

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 23, 2004

PRELIMINARY PROSPECTUS SUPPLEMENT (To Prospectus Dated February 12, 2002)

\$,000,000

KERR-McGEE CORPORATION

% Notes Due 20

This is an offering by Kerr-McGee Corporation of \$,000,000 of Notes due 20 . Interest is payable on and of each year beginning , 2004. The notes will mature on , 20 .

We may redeem some or all of the notes, at any time, at the "make-whole" redemption prices described beginning on page S-36. There is no sinking fund for the notes.

The notes will be guaranteed by our indirect wholly-owned subsidiaries, Kerr-McGee Rocky Mountain Corporation and Kerr-McGee Chemical Worldwide LLC, as more fully described in this prospectus supplement.

**Investing in the notes involves risks.
See "Risk Factors" beginning on page S-9 of this prospectus supplement.**

	Per Note	Total
Public Offering Price	%	\$
Underwriting Discount	%	\$
Proceeds, before expenses, to Kerr-McGee Corporation	%	\$

Interest on the notes will accrue from _____, 2004 to the date of delivery.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the notes in book-entry form only will be made through the facilities of The Depository Trust Company and its participants, including Clearstream and the Euroclear System, on or about _____, 2004.

Joint Book-Running Managers

LEHMAN BROTHERS

JPMORGAN

Senior Co-Managers

ABN AMRO INCORPORATED

BANC OF AMERICA SECURITIES LLC

CITIGROUP

RBS GREENWICH CAPITAL

Co-Managers

BARCLAYS CAPITAL

BNY CAPITAL MARKETS, INC.

SCOTIA CAPITAL

WACHOVIA SECURITIES

_____, 2004

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement which describes the specific terms of this offering and certain other matters relating to us and our financial condition. The second part is the prospectus which gives more general information about securities we may offer from time to time. Some of the information in the prospectus does not apply to this offering. You should read the entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference which are described under "Where You Can Find More Information" on page S-46.

You should rely only on the information contained in the prospectus supplement and the prospectus, including the information contained in the documents incorporated by reference. To the extent the information in the prospectus supplement differs from the information in the prospectus, you should rely on the information in the prospectus supplement. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the underwriters are making an offer of these securities in any jurisdiction where the offer is not permitted. The information in this prospectus supplement, the prospectus and the documents incorporated by reference is only accurate as of the date of the respective documents in which the information appears. Our business, financial condition, results of operations and prospects may have changed since those dates.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made certain forward-looking statements in this prospectus supplement, the accompanying prospectus, and in the documents incorporated by reference, which are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management and on the information currently available to our management at the time of such statements. Forward-looking statements include information concerning our possible or assumed future results or otherwise speak to future events and may be preceded by, followed by, or otherwise include the words "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results or performance may differ materially from those expressed or implied in these forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Potential investors are cautioned not to put undue reliance on any forward-looking statements. Except for our ongoing obligations to disclose material information as required by the Federal securities laws, we do not have any intention or obligation to update forward-looking statements after we distribute this document, even if new information, future events or other circumstances have made them incorrect or misleading. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

You should understand that various factors, in addition to those discussed elsewhere in this document and in the documents referred to in this document, could affect our future results and could cause results to differ materially from those expressed in such forward-looking statements, including:

the possibility that we will be unable to fully realize the benefits we anticipate from our merger with Westport Resources Corporation, referred to in this prospectus supplement as Westport;

adverse changes in general economic conditions or in the markets served by the combined company, including changes in the prices of oil, gas, titanium dioxide pigments and other chemicals;

the success of the combined company's oil and gas exploration, development and production programs;

drilling risks;

demand for consumer products for which our businesses supply raw materials;

uncertainties about estimates of reserves or in interpreting engineering data;

our ability to retain certain employees key to the ongoing success of the company;

the financial resources of competitors;

changes in laws and regulations, including environmental laws, or changes in the administration of such laws and regulations;

the quality of future opportunities that may be presented to or pursued by us;

the ability to generate cash flows or obtain financing to fund growth and the cost of such financing;

the ability to obtain regulatory approvals;

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the ability to complete and integrate appropriate acquisitions, strategic alliances and joint ventures;

the effect of various litigation that arise from time to time in the ordinary course of business;

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the impact of weather and the occurrence of natural disasters such as fires, floods and other catastrophic events and natural disasters;

actions or inactions of third-party operators of the combined company's properties;

acts of war or terrorist activities; and

the ability to respond to challenges in international markets, including changes in currency exchange rates, political or economic conditions, and trade and regulatory matters.

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SUMMARY

The following summary contains basic information about us and the notes. It does not contain all the information that is important to you. The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus supplement and in the accompanying prospectus, including the documents incorporated by reference. You should read the following summary together with the more detailed information and financial statements and notes to the financial statements appearing elsewhere in this prospectus supplement or incorporated by reference into the attached prospectus. References to "\$" in this prospectus supplement and in the accompanying prospectus are to U.S. dollars. Except as the context may otherwise require, the terms "Kerr-McGee," the "Company," "we," "our" and "us" as used in this prospectus supplement and the attached prospectus refer to Kerr-McGee Corporation and its subsidiaries.

Kerr-McGee Corporation

We are a global energy and chemical company. Our core businesses are oil and gas exploration and production and manufacturing and marketing of titanium dioxide pigment.

Oil and Gas Business. We own oil and gas operations worldwide. We acquire leases and concessions and explore for, develop, produce and market crude oil and gas onshore in the United States and in the Gulf of Mexico, the United Kingdom sector of the North Sea, China and other areas around the world.

At December 31, 2003, our net proved reserves were approximately 1.0 billion barrels of oil equivalent, with a present value, discounted at 10% per annum, of cash flows before income taxes of \$13.2 billion. Our core operating areas in the United States and the North Sea represented 96% of our total net proved oil and gas reserves.

Our average daily oil production from continuing operations for 2003 was approximately 150,000 barrels, and our average oil price was \$26.04 per barrel for 2003, including the impact of our hedging program. During 2003, gas production averaged approximately 726 million cubic feet per day. The 2003 average gas price was \$4.37 per thousand cubic feet, including the impact of our hedging program. For the three months ended March 31, 2004, our average daily oil production from continuing operations was approximately 143,000 barrels at an average price of \$27.30 per barrel, including the impact of our hedging program. Gas production averaged approximately 763 million cubic feet per day during the three months ended March 31, 2004, at an average price of \$5.35 per thousand cubic feet, including the impact of our hedging program.

Chemicals Business. Our chemical operations primarily produce and market titanium dioxide pigment. Our pigment operations use proprietary technology developed by Kerr-McGee. We also produce certain other specialty chemicals and heavy minerals.

We are a corporation organized and existing under the laws of the State of Delaware. Our principal executive office is located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102.

Recent Developments

On April 7, 2004, we announced that we would acquire Westport, an independent energy company engaged in oil and gas production, exploitation, acquisition and exploration activities, primarily in the United States, by merging it into our wholly owned subsidiary Kerr-McGee (Nevada) LLC. In the merger, each outstanding share of Westport common stock will be cancelled and converted into the right to receive .71 shares of our common stock. The merger is valued at approximately \$4.6 billion based on the weighted average price of Kerr-McGee's common stock for a period of two days before and after announcement of the merger, plus the estimated value of assumed liabilities as of March 31, 2004.

The addition of Westport's reserves will increase our proved reserves by nearly 30%, mainly from North American gas. As of December 31, 2003, Westport had approximately 300 million barrels of oil equivalent of proved reserves which were 76% natural gas and primarily located in the Rocky Mountain and Texas Gulf Coast areas. Third-party reserve consultants determined 87% of Westport's proved reserves.

The combined entity will have a substantial base of low-risk exploitation opportunities located onshore in the U.S. Potential reserve additions from these lower risk properties will supplement our high-potential deepwater exploration program. In addition, the broader base of assets is expected to provide a more predictable stream of production volumes.

Our total daily production volume is expected to increase approximately 34% following completion of the transaction. Approximately 54% of total daily volumes will be natural gas. Prior to entering into the merger agreement, Kerr-McGee entered into additional financial derivative transactions relating to specified amounts of projected 2004, 2005 and 2006 hydrocarbon production volumes. Together with Kerr-McGee's and Westport's existing derivative transactions, these derivative transactions equate to approximately 80% of the combined company's projected oil and gas production for the last six months of 2004, 24% for 2005 and 22% for 2006.

Westport. Westport's reserves and operations are concentrated in the following divisions: Northern, comprised primarily of properties in North Dakota and Wyoming; Western, comprised of properties in Utah; Southern, comprised primarily of properties in Oklahoma, Texas and Louisiana; and Gulf of Mexico, which includes Westport's offshore properties.

Westport focuses on maintaining a balanced portfolio of lower-risk, long-lived primarily onshore reserves and higher-margin, shorter-lived Gulf Coast and Gulf of Mexico reserves to provide a diversified cash flow foundation for its exploitation, acquisition and exploration activities.

Westport's average daily oil production from continuing operations for 2003 was approximately 22,000 barrels, at an average price of \$25.92 per barrel, including the impact of Westport's hedging program. Gas production averaged approximately 321 million cubic feet per day for 2003, at an average price of \$4.27 per thousand cubic feet, including the impact of Westport's hedging program.

For the three months ended March 31, 2004, Westport's average daily oil production from continuing operations was approximately 27,000 barrels, at an average price of \$28.95 per barrel, including the impact of Westport's hedging program. Gas production averaged approximately 389 million cubic feet per day during the three months ended March 31, 2004, at an average price of \$4.68 per thousand cubic feet, including the impact of Westport's hedging program.

The Offering

Issuer	Kerr-McGee Corporation
Securities Offered	\$ million aggregate principal amount of % Notes due 20 .
Maturity Date	, 20 .
Interest Rate	% per annum.
Interest Payment Dates	Each and , commencing , 2004.
Optional Redemption	We may redeem all or any portion of the notes at any time at the "make-whole" redemption prices described under "Description of the Notes Redemption", plus accrued and unpaid interest.
Ranking	The notes will be our unsecured obligations and will rank equally with all of our other unsecured, unsubordinated indebtedness, including all other unsubordinated debt securities issued under the indenture governing the notes.
Certain Covenants	The indenture governing the notes contains covenants that, among other things, limit our ability to:
	incur, or permit any of our restricted subsidiaries to incur, liens on our or their property or assets to secure debt, and
	merge or consolidate with another company or sell, lease or convey all or substantially all of our assets.
Guarantees	Kerr-McGee Rocky Mountain Corporation and Kerr-McGee Chemical Worldwide LLC will jointly and severally guarantee our obligations under the notes. Kerr-McGee Rocky Mountain Corporation and Kerr-McGee Chemical Worldwide LLC are indirect wholly owned subsidiaries of Kerr-McGee. Kerr-McGee Chemical Worldwide LLC is the successor to Kerr-McGee Operating Corporation.
Sinking Fund	None.
Use of Proceeds	The net proceeds of this offering, together with approximately \$ of cash on hand and \$ drawn from our revolving credit facilities, are expected to be used to redeem all of the issued and outstanding 8 ¹ / ₄ % Senior Subordinated Notes due 2011 of Westport in accordance with the terms of such notes.

RISK FACTORS

You should carefully consider all the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether to make an investment. In particular, you should carefully consider the risks and uncertainties referred to below or listed under "Cautionary Statement Concerning Forward-Looking Statements" on page S-4 of this prospectus supplement. However, these risks and uncertainties are not the only risks which we face.

Risks Relating to the Merger with Westport

Merger-related charges will be incurred.

We estimate that, as a result of the merger, the combined company will incur certain severance expenses and make certain retention incentive payments in an aggregate amount of approximately \$30 million. In addition, we expect to incur other merger-related expenses of approximately \$30 million, consisting of investment banking, legal and accounting fees and financial printing and other related charges. The foregoing amounts are preliminary estimates and the actual amounts may be higher or lower. Moreover, the combined company is likely to incur additional expenses in future periods in connection with the integration of Kerr-McGee's and Westport's businesses.

The integration of Kerr-McGee and Westport following the merger will present significant challenges.

Upon consummation of the merger, the integration of the operations of Westport and of Kerr-McGee and the consolidation of such operations in Kerr-McGee will require the dedication of management resources, which will temporarily detract attention from the day-to-day businesses of the combined company. The difficulties of assimilation may be increased by the necessity of coordinating geographically separated organizations, integrating operations and systems and personnel with disparate business backgrounds and combining different corporate cultures. The process of combining the organizations may cause an interruption of, or a loss of momentum in, the activities of any or all of the companies' businesses, which could have an adverse effect on the revenues and operating results of the combined company, at least in the near term. The failure to successfully integrate Kerr-McGee and Westport, to retain key personnel and to successfully manage the challenges presented by the integration process may result in Kerr-McGee and Westport not achieving the anticipated potential benefits of the merger.

Failure to retain key employees could adversely affect Kerr-McGee after the merger.

The performance of Westport's business after the merger could be adversely affected if the combined company cannot retain selected key employees. As part of its retention and severance plan, Westport has implemented an employee retention program designed to help the combined company retain selected key employees for a transition period after the merger, but no assurance can be given as to whether this program will cause key employees to remain with the combined company after the transition period.

Risks Relating to Kerr-McGee's Operations After the Consummation of the Merger with Westport

Volatile product prices and markets could adversely affect results of the combined company.

The combined company's results of operations will be highly dependent upon the prices of and demand for oil and gas and Kerr-McGee's chemical products. Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future. Accordingly, the prices received by Kerr-McGee for its oil and gas production are dependent upon numerous factors that are beyond its control. These factors include, but are not limited to:

the level of ultimate consumer product demand;

governmental regulations and taxes;

commodity processing, gathering and transportation availability;

the price and availability of alternative fuels;

the level of imports and exports of oil and gas;

actions of the Organization of Petroleum Exporting Countries;

the political and economic uncertainty of foreign governments;

international conflicts and civil disturbances; and

the overall economic environment.

Although both Kerr-McGee and Westport have entered into financial derivative transactions to hedge a portion of their future production volumes, a significant decline in prices for oil and gas could have a material adverse effect on the combined company's financial condition, results of operations and quantities of reserves recoverable on an economic basis. In addition, any such hedging activities may prevent the combined company from realizing the benefits of price increases above the levels reflected in such hedges.

Demand for titanium dioxide is dependent on the demand for ultimate products utilizing titanium dioxide pigment. This demand is generally dependent on the condition of the economy. The profitability of Kerr-McGee's products depends on the price realized for them, the efficiency of manufacturing, and the ability to acquire feedstock at a competitive price.

Commodity price and basis differential risk management arrangements may limit the combined company's potential gains.

Although both Kerr-McGee and Westport have hedged a portion of their future production volumes, commodity prices and basis differentials may nevertheless significantly affect the combined company's financial condition, results of operations, cash flows, and ability to borrow funds following the merger. Oil and gas prices, as well as basis differentials, are affected by several factors that the combined company will not be able to control. Prior to the merger, both Westport and Kerr-McGee attempted to manage exposure to oil and gas price volatility by entering into commodity price risk management arrangements for a portion of expected production, and attempted to manage exposure to basis differentials between delivery points by entering into basis swaps. Westport entered into hedging arrangements relating to production from its Uinta Basin properties acquired in December 2002 and its acquisition of South Texas properties in the fourth quarter of 2003. Prior to entering into the merger agreement, Kerr-McGee entered into additional financial derivative transactions relating to specified amounts of 2004, 2005 and 2006 hydrocarbon production volumes.

Commodity price and basis differential risk management transactions may limit potential gains if oil and gas prices were to rise substantially, or basis differentials were to fall substantially, versus the price or basis differential established by the arrangements. These transactions also expose the combined company to credit risk of non-performance by the counter-parties to the transaction. In addition, commodity price and basis differential risk management transactions may limit the combined company's ability to borrow under their respective credit facilities and may expose the combined company to the risk of financial loss in certain circumstances, including instances in which:

production is less than expected;

there is a widening of price differentials between delivery points for our production and the delivery point assumed in non-basis hedge arrangements;

basis differentials tighten substantially from the prices established by these arrangements; or

the counter-parties to commodity price and basis differential risk management contracts fail to perform under terms of the contracts.

Westport recorded a realized loss of \$102.4 million related to hedge settlements in 2003 and a realized loss of \$34.7 million related to hedge settlements for the three months ended March 31, 2004. Kerr-McGee recorded a realized loss of \$279.2 million related to hedge settlements in 2003 and a realized loss of \$61.4 million related to hedge settlements for the three months ended March 31, 2004. No estimate of future settlements or mark-to-market gains or losses is determinable as such amounts are contingent upon commodity prices at the time of settlement. The combined company may experience additional gains or losses from these activities in 2004 and thereafter. If commodity prices increase, cash settlement costs will also increase. In addition, certain of the combined company's commodity price risk management arrangements will require it to deliver cash collateral or other assurances of performance to the counter-parties in the event that payment obligations with respect to commodity price risk management transactions exceed certain levels. As of March 31, 2004, Westport had \$89.2 million of letters of credit and Kerr-McGee had no letters of credit outstanding for this purpose.

The combined company's debt may limit its financial flexibility.

On a pro forma basis, the combined company had total long-term debt of approximately \$4.0 billion as of March 31, 2004. The combined company may incur debt from time to time in connection with the financing of operations, acquisitions, recapitalizations and refinancings. The level of the combined company's debt could have several important effects on future operations, including, among others:

a portion of the combined company's cash flow from operations will be applied to the payment of principal and interest on the debt and will not be available for other purposes;

credit-rating agencies have changed their ratings of Kerr-McGee's and Westport's debt in the past and may do so again in the future with respect to the combined company, which can either negatively or positively affect the costs, terms, conditions and availability of future financing;

covenants contained in the combined company's existing and future debt arrangements will require the combined company to meet financial tests that may affect its flexibility in planning for and reacting to changes in its business, including possible acquisition opportunities;

the combined company's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited or burdened by increased costs or more restrictive covenants;

the combined company may be at a competitive disadvantage to similar companies that have less debt; and

the combined company's vulnerability to adverse economic and industry conditions may increase.

Failure to fund continued capital expenditures could adversely affect results of the combined company.

The combined company will be required to expend capital necessary to replace its reserves and to maintain or increase production levels. Kerr-McGee expects that the combined company will continue to make capital expenditures for the acquisition, exploration and development of oil and gas reserves, as well as capital expenditures necessary for maintaining and growing its chemicals production capacity. Historically, Kerr-McGee has financed these expenditures primarily with cash flow from operations and proceeds from debt and equity financings, asset sales and sales of interests in foreign concessions. Kerr-McGee believes that, after considering the amount of the combined company's debt (see "Unaudited Pro Forma Condensed Combined Financial Statements" beginning on page S-22 of this

prospectus supplement), the combined company will have sufficient cash flow from operations, available drawings under its credit facilities and other debt financings to fund capital expenditures. However, if the combined company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing or other sources of capital will be available to meet these requirements. Should the industries in which the combined company operates experience price declines or other adverse market conditions, the combined company may not be able to generate sufficient cash flow from operations to meet its obligations and fund planned capital expenditures. If the combined company is not able to fund its capital expenditures, its interests in some of its properties may be reduced or forfeited and its future cash generation may be materially adversely affected as a result of the failure to find and develop reserves.

The combined company's business will involve many operating risks that may result in substantial losses. Insurance may be unavailable or inadequate to protect the combined company against these risks.

The combined company's operations will be subject to hazards and risks inherent in drilling for, producing and transporting oil and gas, as well as in producing chemicals, such as:

fires;

natural disasters;

explosions;

formations with abnormal pressures;

marine risks such as currents, capsizing, collisions and hurricanes;

adverse weather conditions;

casing collapses, separations or other failures, including cement failure;

embedded oilfield drilling and service tools;

uncontrollable flows of underground gas, oil and formation water;

surface cratering;

pipeline ruptures;

failure of chemical plant equipment; and

environmental hazards such as gas leaks, chemical leaks, oil spills and discharges of toxic gases.

Any of these risks can cause substantial losses resulting from:

injury or loss of life;

damage to and destruction of property, natural resources and equipment;

pollution and other environmental damage;

regulatory investigations and penalties;

suspension of operations; and

repair and remediation costs.

As protection against operating hazards, the combined company will maintain insurance coverage against some, but not all, potential losses. However, losses could occur for uninsurable or uninsured risks, or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could harm the combined company's financial condition and results of operations.

Oil and gas exploration, development and production operations involve substantial capital costs and are subject to various economic risks.

Kerr-McGee's and Westport's oil and gas operations are, and the combined company's operations will be, subject to the economic risks typically associated with exploration, development and production activities. In conducting exploration activities, unanticipated pressure or irregularities in formations, miscalculations or accidents may cause exploration activities to be unsuccessful, and even where oil and gas are discovered it may not be possible to produce or market the hydrocarbons on an economically viable basis. Drilling operations may be curtailed, delayed or canceled as a result of numerous factors, many of which may be beyond the combined company's control, including unexpected drilling conditions, title problems, weather conditions, compliance with environmental and other governmental requirements and shortages or delays in the delivery of equipment and services. The occurrence of any of these or similar events could result in a total loss of investment in a particular property. If exploration efforts in a field are unsuccessful in establishing proved reserves and exploration activities cease, the amounts accumulated as unproved costs would be charged against earnings as impairments.

The combined company will rely to a significant extent on seismic data and other advanced technologies in conducting its exploration activities. Even when used and properly interpreted, seismic data and visualization techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators. However, such data is not conclusive in determining whether hydrocarbons are present or economically producible. The use of seismic data and other technologies also requires greater pre-drilling expenditures than traditional drilling strategies, and the combined company could incur losses as a result of these expenditures.

There are special risks associated with offshore exploration, development and production, particularly deepwater drilling, as well as exploration and production in the Gulf of Mexico.

While all drilling, whether developmental or exploratory, involves the risks described above under " Oil and gas exploration, development and production operations involve substantial capital costs and are subject to various economic risks," exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. As a part of its strategy, the combined company will explore for oil and gas offshore, often in deep water or at deep drilling depths, where operations are more difficult and costly than on land or than at shallower depths and in shallower waters. Deepwater operations (water depths greater than 1,000 feet) generally require a significant amount of time between a discovery and the time that the combined company will be able to produce and market the oil or gas, increasing both the operational and financial risks associated with these activities. In addition, because a significant percentage of the combined company's capital budget will be devoted to higher-risk exploratory projects, it is likely that the combined company will continue to experience significant exploration and dry hole expenses.

The combined company will explore extensively in the Gulf of Mexico. Production of reserves from reservoirs in the Gulf of Mexico generally declines more rapidly than from reservoirs in many other producing regions of the world. As a result, in the first few years of production from properties in the Gulf of Mexico a relatively higher percentage of reserves is recovered. Because of this, the combined company's reserve replacement needs from new prospects may be greater in the Gulf of Mexico than for its operations elsewhere. Also, the combined company's revenues and return on capital will depend significantly on prices prevailing during these relatively short production periods.

Kerr-McGee operates in foreign countries and the combined company will be subject to political, economic and other uncertainties.

The combined company will conduct significant operations in foreign countries and may expand its foreign operations in the future. Operations in foreign countries are subject to political, economic and other uncertainties, including:

the risk of war, acts of terrorism, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation regulations and tariffs;

taxation policies, including royalty and tax increases and retroactive tax claims;

exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over the combined company's international operations;

exposure to movements in foreign currency exchange rates because the U.S. dollar will be the functional currency for the combined company's international operations, except for the combined company's European chemical operations, for which the euro will be the functional currency;

laws and policies of the United States affecting foreign trade, taxation and investment; and

the possibility of being subject to the exclusive jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States.

Foreign countries have occasionally asserted rights to land, including oil and gas properties, through border disputes. If a country claims superior rights to oil and gas leases or concessions granted to Kerr-McGee by another country, the combined company's interests could be lost or could decrease in value. Various regions of the world have a history of political and economic instability. This instability could result in new governments or the adoption of new policies that might assume a substantially more hostile attitude toward foreign investment. In an extreme case, such a change could result in termination of contract rights and expropriation of foreign-owned assets. This could harm the combined company's interests. Kerr-McGee seeks to manage these risks by, among other things, concentrating its international exploration efforts in areas where Kerr-McGee believes that the existing government is stable and favorably disposed towards United States exploration and production companies.

The combined company cannot control activities on properties it does not operate and may have limited ability to influence operations on such properties to control associated costs.

Other companies operate about 20% of the combined company's proved reserves as of December 31, 2003 and the combined company has limited ability to exercise influence over operations for these properties or their associated costs. The combined company's dependence on the operator and other working interest owners for these projects and the combined company's limited ability to influence operations and associated costs could prevent the realization of the combined company's targeted returns on capital in drilling or acquisition activities. The success and timing of drilling and exploitation activities on properties operated by others, therefore, depend upon a number of factors that will be outside the combined company's control, including:

timing and amount of capital expenditures;

the operator's expertise and financial resources;

approval of other participants in drilling wells; and

selection of technology.

Failure to replace reserves may negatively affect the combined company's business.

The future success of the combined company's oil and gas business depends upon its ability to find, develop or acquire additional oil and gas reserves that are economically recoverable. Proved reserves decline when reserves are produced, unless successful exploration or development activities are conducted or properties containing proved reserves are acquired, or both. The combined company may not be able to find, develop or acquire additional reserves on an economic basis.

Reported oil and gas reserve data and future net revenue estimates are inherently uncertain, and any material inaccuracies in the reserve estimates or assumptions underlying reserve estimates could cause the quantities and net present value of Kerr-McGee's or Westport's reserves to be overstated.

Kerr-McGee's estimates of proved oil and gas reserves and projected future net revenue are based on internal reserve data prepared by Kerr-McGee and have not been audited by independent consulting petroleum engineers. Westport's estimates of proved oil and gas reserves and projected future net revenue are based on reserve reports prepared by Westport and on the reports of or audits performed by independent consulting petroleum engineers that Westport hires for that purpose.

Estimates of oil and gas reserves are projections based on engineering data, projected future rates of production and the timing of future expenditures. There are numerous uncertainties inherent in making these estimations, including many factors beyond the control of Kerr-McGee and Westport that could cause the quantities and net present value of their respective reserves (and those of the combined company) to be overstated. Reserve engineering is not an exact science and requires substantial judgment, resulting in imprecise determinations, particularly for new discoveries. Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, any of which may cause these estimates to vary considerably from actual results, such as:

historical production from a particular area compared with production from other producing areas;

assumed effects of regulation by governmental agencies;

assumptions concerning future oil and gas prices, future operating and abandonment costs and capital expenditures; and

estimates of future severance and excise taxes and workover and remedial costs.

Estimates of reserves based on risk of recovery and estimates of expected future net cash flows prepared or audited by different engineers using the same data, or by the same engineers at different times, may vary substantially. Actual production, revenues and expenditures with respect to each company's reserves will likely vary from estimates, and the variance may be material. The net present values referred to in this prospectus should not be construed as the current market value of the estimated oil and gas reserves attributable to either company's properties. In accordance with requirements of the Securities and Exchange Commission (the "SEC"), the estimated discounted future net cash flows from proved reserves are generally based on prices and costs as of the date of the estimate, whereas actual future prices and costs may be materially higher or lower. A number of companies in the oil and gas industry have recently written down their reserve estimates following internal reviews or review by the SEC. Write-downs of reserve estimates included in either company's reserve reports, or future performance that deviates significantly from those reports, could have a material adverse effect on the combined company's financial position and results of operations.

The combined company will be subject to complex laws and regulations, including environmental and safety regulations, that can adversely affect the cost, manner or feasibility of doing business.

The combined company's operations and facilities will be subject to certain federal, state, tribal and local laws and regulations relating to the exploration for, and the development, production and transportation of, oil and gas, and the production of chemicals, as well as environmental and safety matters. Future laws or regulations, any adverse change in the interpretation of existing laws and regulations, inability to obtain necessary regulatory approvals, or a failure to comply with existing legal requirements may harm the combined company's business, results of operations and financial condition. The combined company may be required to make large and unanticipated capital expenditures to comply with environmental and other governmental regulations, such as:

land use restrictions;

drilling bonds, performance bonds and other financial responsibility requirements;

spacing of wells;

unitization and pooling of properties;

habitat and endangered species protection, reclamation and remediation, and other environmental protection;

protection and preservation of historic, archaeological and cultural resources;

safety precautions;

regulations governing the operation of chemical manufacturing facilities;

regulation of discharges, emissions, disposal and waste-related permits;

operational reporting; and

taxation.

Under these laws and regulations, the combined company could be liable for:

personal injuries;

property and natural resource damages;

oil spills and releases or discharges of hazardous materials;

well reclamation costs;

remediation and clean-up costs and other governmental sanctions, such as fines and penalties; and

other environmental damages.

In addition, the combined company's operations and activities on tribal lands may be subject to tribal jurisdiction. Indian tribes have previously challenged the validity of some of the Uinta Basin property interests covered by certain of Westport's oil and gas leases. Although these issues were settled as a result of litigation, claims of this nature may be asserted in the future. If such claims are successful, the combined company might not be able to continue to produce hydrocarbons from or develop and exploit assets subject to such claims, which could adversely affect the combined company's business and profitability.

The combined company's operations could be significantly delayed or curtailed and its costs of operations could significantly increase beyond those anticipated as a result of regulatory requirements

or restrictions. Neither Kerr-McGee nor Westport is able to predict the ultimate cost of compliance with these requirements or their effect on the combined company's operations.

Costs of environmental liabilities and regulation could exceed estimates.

Kerr-McGee and/or its subsidiaries are and the combined company and/or its subsidiaries may become parties to a number of legal and administrative proceedings involving environmental and/or other matters pending in various courts or agencies. These currently include proceedings associated with facilities currently or previously owned, operated or used by Kerr-McGee, its subsidiaries and/or its predecessors, and include claims for personal injuries, property damages, injury to the environment, including natural resource damages, and non-compliance with permits. The combined company's current and former operations will also involve management of regulated materials that are subject to various environmental laws and regulations. These laws and regulations will obligate the combined company and/or its subsidiaries to clean up various sites at which petroleum and other hydrocarbons, chemicals, low-level radioactive substances and/or other materials have been disposed of or released. Some of these sites have been designated Superfund sites by the Environmental Protection Agency pursuant to the Comprehensive Environmental Response, Compensation and Liability Act.

It is not possible for us to estimate reliably the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because:

some sites are in the early stages of investigation, and other sites may be identified in the future;

cleanup requirements are difficult to predict at sites where remedial investigations have not been completed or final decisions have not been made regarding cleanup requirements, technologies or other factors that bear on cleanup costs;

environmental laws frequently impose joint and several liability on all potentially responsible parties, and it can be difficult to determine the number and financial condition of other potentially responsible parties and their share of responsibility for cleanup costs; and

environmental laws and regulations and enforcement policies are continually changing, and court proceedings are inherently uncertain.

Although management of Kerr-McGee believes that it has established appropriate reserves for cleanup costs, due to these uncertainties costs may be higher than anticipated and the combined company could be required to make additional reserves in the future.

The combined company's oil and gas marketing activities may expose it to claims from royalty owners.

In addition to marketing its oil and gas production, the combined company's marketing activities generally include marketing oil and gas production for royalty owners. Over the past several years, royalty owners have commenced litigation against a number of companies in the oil and gas production business claiming that amounts paid for production attributable to the royalty owners' interest violated the terms of the applicable leases and laws in various respects, including the value of production sold, permissibility of deductions taken and accuracy of quantities measured. The combined company could be required to make payments as a result of such litigation, and the combined company's costs relating to the marketing of oil and gas may increase as new cases are decided and the law in this area continues to develop.

The combined company will be subject to lawsuits and claims.

A number of lawsuits and claims are pending separately against Kerr-McGee and Westport, some of which seek large amounts of damages. Although management of each company believes that none of the lawsuits or claims pending against their respective companies will have a material adverse effect on

the combined company's financial condition or liquidity, litigation is inherently uncertain, and the lawsuits and claims could have a material adverse effect on the combined company's results of operations for the accounting period or periods in which one or more of them might be resolved adversely.

Competition is intense, and competitors with greater financial, technological and other resources than the combined company may make it difficult for the combined company to effectively compete in the exploration and production of oil and gas and titanium dioxide pigment businesses.

The oil and gas exploration and production business and the titanium dioxide pigment business are each highly competitive. The merger is expected to make the combined company the fifth largest independent oil and gas exploration and production company in the United States, based on combined proved reserves of approximately 1.3 billion barrels of oil equivalent as of December 31, 2003. In addition to competing with other independent oil and gas producers (i.e., companies not engaged in petroleum refining and marketing operations), the combined company will compete with large, integrated, multinational oil and gas companies. Many of the combined company's competitors, especially such large multinational oil and gas companies, have substantially larger financial and technical resources, staffs and facilities than Kerr-McGee and Westport, which will test the combined company's ability to compete with them.

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. The combined company's exploration and production business will face intense competition from major and independent oil and gas companies in each of the following areas:

seeking to acquire desirable producing properties or new leases for future exploration;

marketing its oil and gas production;

integrating new technologies; and

acquiring the personnel, equipment and expertise necessary to develop and operate its properties.

Companies with financial, technological and other resources substantially greater than those of the combined company may be able to pay more for exploratory prospects and productive oil and gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than the combined company's financial or human resources will support. Competitors may also enjoy technological advantages over the combined company and may be able to implement new technologies more rapidly. The combined company's ability to explore for oil and gas and to acquire additional properties in the future will depend upon its ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

In the chemicals business, Kerr-McGee competes, and the combined company will compete, with other chemical companies, some of which have greater financial resources, staffs and facilities than Kerr-McGee or, following the merger, those of the combined company. These resources may give Kerr-McGee's competitors and, following the merger, the combined company's competitors, an advantage when responding to market conditions and capitalizing on operating efficiencies.

USE OF PROCEEDS

We estimate that the net proceeds from the offering of the notes will be approximately \$ _____ million after deducting the underwriters' discount and our estimated offering expenses. We intend to use the net proceeds of this offering, together with approximately \$ _____ of cash on hand and \$ _____ drawn from our revolving credit facilities, to redeem all of the issued and outstanding 8¹/₄% Senior Subordinated Notes due 2011 of Westport in accordance with the terms of such notes.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Twelve Months Ended December 31,					Three Months Ended March 31, 2004
	2003	2002	2001	2000	1999	
Ratio of Earnings to Fixed Charges	2.5x	(1)	4.0x	6.6x	2.1x	4.6x

(1) Earnings were inadequate to cover fixed charges by \$665 million for the year ended December 31, 2002.

For purposes of computing the ratios, the earnings calculation is: income from continuing operations + income taxes + fixed charges - capitalized interest. The fixed charges calculation is: all interest + interest factor of rental expense.

CAPITALIZATION

The following table sets forth our capitalization, which includes our consolidated subsidiaries, as of March 31, 2004 on an actual basis, on a pro forma basis giving effect to the Westport merger as if such merger had occurred on March 31, 2004, and as adjusted to give effect to the sale of the notes and the application of the estimated net proceeds from this sale as described in "Use of Proceeds."

	As of March 31, 2004		
	Historical	Pro Forma for Westport	As Adjusted for this Offering
	(Dollars in Millions)		
Short-term borrowings	\$ 476	\$ 476	\$
Long-term debt:			
Debentures:			
5 ¹ / ₄ % Convertible subordinated debentures due 2010	\$ 600	\$ 600	\$
7.125% Debentures due 2027	150	150	
7% Debentures due 2011, net of unamortized debt discount of \$82	168	168	
Notes payable:			
6 ⁷ / ₈ % Notes due 2011, net of unamortized debt discount of \$1	674	674	
7 ⁷ / ₈ % Notes due 2031, net of unamortized debt discount of \$2	498	498	
5 ⁷ / ₈ % Notes due 2006(2)	307	307	
5 ¹ / ₂ % Exchangeable notes due 2004, net of unamortized debt discount of \$2	328	328	
6.625% Notes due 2007(2)	150	150	
8.375% Notes due 2004	145	145	
8.125% Notes due 2005(2)	109	109	
% Notes due 20 offered hereby			
5.375% Notes due 2005(1)	350	350	
Westport 8 ¹ / ₄ % Senior Subordinated Notes due 2011		770	
Variable interest rate revolving credit agreements with banks		237	
Guaranteed debt of Employee Stock Ownership Plan 9.61% notes due in installments through 2005	3	3	
Total	3,482	4,489	
Long-term debt due within one year	476	476	
Total long-term debt	3,006	4,013	
Minority interest in subsidiary companies	4	4	
Stockholders' equity:			
Common stock, par value \$1 300,000,000 shares authorized, 101,458,368 shares issued, 149,643,180 pro forma shares	101	149	
Capital in excess of par value	1,735	4,119	
Preferred stock rights	1	1	
Accumulated other comprehensive loss	(148)	(148)	
Retained earnings	1,034	1,034	
Common stock in treasury, at cost 60,056 shares	(3)	(3)	
Deferred compensation	(70)	(70)	
Total stockholders' equity	\$ 2,650	\$ 5,082	\$

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As of March 31, 2004

Total capitalization	\$	5,660	\$	9,099	\$
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- (1) Simultaneously with issuance of these notes, we entered into an interest rate swap which resulted in an effective rate of interest on the notes for us equivalent to LIBOR plus 0.875%.
- (2) During February 2004, we entered into additional interest rate swaps converting:
- a) \$150 million, 6.625% notes due October 2007 to a variable rate of LIBOR plus 3.35%
 - b) \$109 million, 8.125% notes due October 2005 to a variable rate of LIBOR plus 5.86%
 - c) \$307 million of 5⁷/₈% notes due September 2006 to a variable rate of LIBOR plus 3.1%

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SELECTED HISTORICAL FINANCIAL DATA OF KERR-MCGEE

Set forth below is selected consolidated financial data of Kerr-McGee as of and for each of the three-month periods ended March 31, 2003 and March 31, 2004 and as of and for each of the years in the five-year period ended December 31, 2003. The quarterly information is derived from the unaudited financial statements of Kerr-McGee for the three months ended March 31, 2003 and March 31, 2004 and the annual information is derived from audited financial statements of Kerr-McGee for the years 1999 through 2003. This information should be read together with Kerr-McGee's consolidated financial statements, the accompanying notes and management's discussion and analysis of financial condition and results of operations contained in Kerr-McGee's reports on file with the Securities and Exchange Commission and incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" on page S-46.

	Three Months Ended March 31,		Years Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
(Millions of Dollars, except per-share amounts)							
Statement of Operations Data							
Revenues	\$ 1,116	\$ 1,099	\$ 4,185	\$ 3,646	\$ 3,555	\$ 4,063	\$ 2,712
Costs and operating expenses	816	866	3,432	3,993	2,832	2,651	2,314
Interest and debt expense	57	65	251	275	195	208	191
Total costs and expenses	873	931	3,683	4,268	3,027	2,859	2,505
Other income (expense)	243	168	502	(622)	528	1,204	207
Benefit (provision) for income taxes	(91)	(66)	(189)	46	(276)	(437)	(105)
Income (loss) from continuing operations	152	104	254	(611)	476	817	138
Income from discontinued operations		1		126	30	25	8
Cumulative effect of change in accounting principle		(35)	(35)		(20)		(4)
Net income (loss)	\$ 152	\$ 70	\$ 219	\$ (485)	\$ 486	\$ 842	\$ 142
Effective income tax rate	37.4%	38.7%	42.7%	(7.0)%	36.7%	34.8%	43.2%
Common stock information, per share:							
Diluted income (loss)							
Continuing operations	\$ 1.41	\$.99	\$ 2.48	\$ (6.09)	\$ 4.65	\$ 8.13	\$ 1.60
Discontinued operations				1.25	.28	.24	.09
Cumulative effect of accounting change		(.31)	(.31)		(.19)		(.05)
Net income (loss)	\$ 1.41	\$.68	\$ 2.17	\$ (4.84)	\$ 4.74	\$ 8.37	\$ 1.64
Dividends declared	\$.45	\$.45	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80
Shares outstanding at period end (thousands)	101,398	100,852	100,860	100,384	100,185	94,485	86,483
Balance Sheet Data							
Working capital (deficit)	\$ (371)	\$ (236)	\$ (475)	\$ (320)	\$ 193	\$ (34)	\$ 321
Property, plant and equipment net	7,327	7,144	7,467	7,036	7,378	5,240	3,972
Total assets	9,941	9,892	10,174	9,909	11,076	7,666	5,899
Long-term debt	3,006	3,650	3,081	3,798	4,540	2,244	2,496
Total debt	3,482	3,755	3,655	3,904	4,574	2,425	2,525
Total debt less cash	3,338	3,674	3,513	3,814	4,483	2,281	2,258
Stockholders' equity	2,650	2,564	2,636	2,536	3,174	2,633	1,492

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Three Months Ended
March 31,

Years Ended December 31,

Other Financial Data

Net cash provided by operating activities	\$	275	\$	322	\$	1,518	\$	1,448	\$	1,143	\$	1,840	\$	708
Capital expenditures(1)		162		201		981		1,159		1,792		842		528

(1) Excludes dry hole costs.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

We are providing the following unaudited pro forma condensed combined financial statements to present a summary of the results of operations and financial position of the combined company after giving effect to our merger with Westport, absent any operational or other changes, had Kerr-McGee's and Westport's businesses been combined for the periods and at the dates indicated.

The pro forma adjustments are based upon available information and assumptions that management believes are reasonable. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are based on the estimates and assumptions set forth in the notes accompanying those statements. The companies might have performed differently had they always been combined. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the merger. The unaudited pro forma condensed combined financial statements should be read in conjunction with the consolidated financial statements of Kerr-McGee and Westport incorporated by reference in this document. See "Where You Can Find More Information" beginning on page S-46.

The unaudited pro forma condensed combined financial statements were prepared based on the following assumptions:

Kerr-McGee issued an aggregate of approximately 48 million shares of Kerr-McGee common stock (at a fixed exchange ratio of .71 shares of Kerr-McGee common stock for each share of Westport common stock) for all the outstanding shares of common stock of Westport (other than shares of Westport restricted stock), and assumed Westport's debt.

The unaudited pro forma balance sheet has been prepared as if the merger occurred on March 31, 2004. The unaudited pro forma statements of operations have been prepared as if the merger occurred on January 1, 2003.

The merger was accounted for as a purchase of Westport by Kerr-McGee.

Westport redeemed all of its outstanding 6¹/₂% convertible preferred stock at a redemption price of \$25.65 per share as of the acquisition date, using cash on hand.

Targeted annual expense savings of \$40 million have not been reflected as an adjustment to the historical data. These cost savings are expected to result from the consolidation of certain offices, the elimination of duplicate corporate and field-level staff and expenses, improved operating costs and lower interest expenses.

Unaudited Pro Forma Condensed Combined Balance Sheet

March 31, 2004

	Kerr-McGee	Westport	Pro Forma Adjustments (Note 3)	Combined Pro Forma
	(Millions of Dollars)			
Assets				
Current assets	\$ 1,691	\$ 222	\$ (75)(a)	\$ 1,838
Property, plant and equipment net	7,327	2,171	1,353 (a)	10,851
Other assets	566	39	(18)(a)	587
Goodwill	357	245	563 (a)	1,165
Total Assets	\$ 9,941	\$ 2,677	\$ 1,823	\$ 14,441
Liabilities				
Current liabilities	\$ 2,062	\$ 308	\$ 60 (a)	\$ 2,430
Long-term debt	3,006	964	43 (a)	4,013
Deferred income taxes	1,277	119	470 (a)	1,866
Asset retirement obligations	388	64		452
Other liabilities	558	40		598
Total Liabilities	\$ 7,291	\$ 1,495	\$ 573	\$ 9,359
Stockholders' Equity				
Preferred stock	\$	\$	\$	\$
Common stock	101	1	48 (a) (1)(b)	149
Additional paid-in capital	1,735	1,174	2,384 (a) (1,174)(b)	4,119
Retained earnings	1,034	109	(109)(b)	1,034
Accumulated other comprehensive loss	(148)	(101)	101 (b)	(148)
Other	(72)	(1)	1 (b)	(72)
Total Stockholders' Equity	2,650	1,182	1,250	5,082
Total Liabilities and Stockholders' Equity	\$ 9,941	\$ 2,677	\$ 1,823	\$ 14,441

See notes to unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2003

	Kerr-McGee	Westport (Note 6)	Pro Forma Adjustments (Note 3)	Combined Pro Forma
	(Millions of Dollars)			
Revenues	\$ 4,185	\$ 715	\$	\$ 4,900
Costs and Expenses				
Costs and operating expenses	1,668	104		1,772
Selling, general and administrative expenses	371	33		404
Shipping and handling expenses	140	13		153
Depreciation and depletion	745	257	57 (c)	1,059
Accretion expense	25	4		29
Impairments on assets held for use	14	18		32
Gain associated with assets held for sale, net	(45)	(6)		(51)
Exploration, including dry holes and amortization of undeveloped leases	354	89		443
Taxes, other than income taxes	98	48		146
Provision for environmental remediation and restoration, net of reimbursements	62			62
Interest and debt expense	251	57	(11)(d)	297
Total Costs and Expenses	3,683	617	46	4,346
Other Income (Expense)	502	98	(46)	554
	(59)	14		(45)
Income before Income Taxes	443	112	(46)	509
Provision for Income Taxes	(189)	(40)	17 (e)	(212)
Income from Continuing Operations	254	72	(29)	297
Preferred Stock Dividends		(5)	5 (f)	
Income from Continuing Operations Attributable to Common Stockholders	\$ 254	\$ 67	\$ (24)	\$ 297
Income from Continuing Operations per Share:				
<i>Basic</i>	\$ 2.52	\$ 1.01		\$ 2.01
<i>Diluted</i>	\$ 2.48	\$.99		\$ 1.99

See notes to unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Three Months Ended March 31, 2004

	Kerr- McGee	Westport (Note 6)	Pro Forma Adjustments (Note 3)	Combined Pro Forma
	(Millions of Dollars)			
Revenues	\$ 1,116	\$ 236	\$	\$ 1,352
Costs and Expenses				
Costs and operating expenses	403	28		431
Selling, general and administrative expenses	84	11		95
Shipping and handling expenses	38	4		42
Depreciation and depletion	190	74	21 (c)	285
Accretion expense	7	1		8
Impairments on assets held for use	13			13
Loss associated with assets held for sale, net	3			3
Exploration, including dry holes and amortization of undeveloped leases	51	17		68
Taxes, other than income taxes	28	16		44
Provision for environmental remediation and restoration, net of reimbursements	(1)			(1)
Interest and debt expense	57	17	(2)(d)	72
Total Costs and Expenses	873	168	19	1,060
Other Income (Expense)	243	68	(19)	292
		4		4
Income before Income Taxes	243	72	(19)	296
Provision for Income Taxes	(91)	(26)	7 (e)	(110)
Income from Continuing Operations	152	46	(12)	186
Preferred Stock Dividends		(1)	1 (f)	
Income from Continuing Operations Attributable to Common Stockholders	\$ 152	\$ 45	\$ (11)	\$ 186
Income from Continuing Operations per Share:				
<i>Basic</i>	\$ 1.52	\$.66		\$ 1.25
<i>Diluted</i>	\$ 1.41	\$.65		\$ 1.19

See notes to unaudited pro forma condensed combined financial statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

1. Basis of Presentation

The accompanying unaudited pro forma balance sheet and statements of operations present the pro forma effects of the merger. The balance sheet is presented as though the merger occurred on March 31, 2004. The statements of operations are presented as though the merger occurred on January 1, 2003. Kerr-McGee and Westport both use the successful efforts method of accounting for their oil and gas producing activities.

2. Method of Accounting for the Merger

Kerr-McGee will account for the merger using the purchase method of accounting for business combinations. Under that method of accounting, one of the combining companies in this case, Kerr-McGee is deemed to be the acquirer for accounting purposes based on a number of factors determined in accordance with generally accepted accounting principles.

The purchase method of accounting requires that Westport's assets and liabilities assumed by Kerr-McGee be recorded at their estimated fair values. In the merger, Kerr-McGee will issue .71 shares of Kerr-McGee common stock for each outstanding share of Westport common stock. On a pro forma basis, assuming that the merger had occurred on December 31, 2003, this would have resulted in Kerr-McGee issuing approximately 48 million shares of its common stock to Westport stockholders, excluding shares of Kerr-McGee common stock that would have been issued (i) in exchange for outstanding shares of Westport restricted stock, and (ii) had all of the Westport stock options outstanding been exercised on that date.

The purchase price of Westport's net assets will be based on the total value of the Kerr-McGee common stock issued to the Westport stockholders. For accounting purposes, the value of the Kerr-McGee common stock issued is based on the weighted average price of Kerr-McGee's common stock for a period of two days before and after announcement of the merger. This average price equaled \$49.32 per share.

3. Pro Forma Adjustments Related to the Merger

The unaudited pro forma balance sheet includes the following adjustments:

- (a) This entry reflects the purchase price paid by Kerr-McGee and adjusts the historical book values of Westport's assets and liabilities as of March 31, 2004 to their estimated fair values, in accordance with purchase accounting. In addition, deferred income taxes are recognized for the difference between the revised carrying amounts of Westport's assets and liabilities and their

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associated tax bases, excluding goodwill. The calculation of the total purchase price and the preliminary allocation of this price to assets and liabilities are shown below.

	<u>(In Millions)</u>
Pro Forma calculation and allocation of purchase price:	
Shares of Kerr-McGee common stock to be issued to Westport stockholders	48.0
Average Kerr-McGee stock price	\$ 49.32
<hr/>	
Fair value of common stock to be issued	\$ 2,367
Plus: Estimated merger costs to be incurred	60
Plus: Westport convertible preferred stock to be redeemed	75
Plus: Estimated fair value of Westport employee stock options and restricted stock	65
<hr/>	
Total purchase price	2,567
Plus: Liabilities to be assumed by Kerr-McGee:	
Current liabilities	308
Fair value of long-term debt	1,007
Asset retirement obligations	64
Other non-current liabilities	40
Deferred income taxes	589
<hr/>	
Total purchase price plus liabilities assumed	\$ 4,575
<hr/>	
Fair value of Westport's Assets:	
Current assets	\$ 222
Proved oil and gas properties	2,247
Unproved oil and gas properties	1,227
Other property and equipment	50
Other non-current assets	21
Goodwill	808
<hr/>	
Total fair value of Westport's assets	\$ 4,575
<hr/>	

The total purchase price includes the value of the Kerr-McGee common stock to be issued to Westport stockholders in the merger. The total purchase price plus liabilities assumed also includes:

\$60 million of estimated merger costs. These costs include investment banking expenses, severance, legal and accounting fees, printing expenses and other merger-related costs. These costs have been added to current liabilities in the unaudited pro forma balance sheet.

\$75 million to be paid by Westport to redeem all its outstanding 6¹/₂% convertible preferred stock prior to the merger at a redemption price of \$25.65 per share. Such redemption results in a decrease to current assets (cash) in the unaudited pro forma balance sheet.

\$65 million of Kerr-McGee employee stock options and restricted stock to be issued in exchange for existing Westport employee stock options and restricted stock. The estimated values of these options and restricted stock have been added to additional paid-in capital in the unaudited pro forma balance sheet.

\$43 million increase in long-term debt to reflect the estimated fair value of Westport's 8¹/₄% Senior Subordinated notes due 2011. If Kerr-McGee ultimately decides to call these notes, the acquisition cost is currently estimated to exceed the estimated fair value reflected in the unaudited pro forma balance sheet by approximately \$35 million.

The purchase price allocation is preliminary and is subject to change due to several factors, including: (i) changes in the fair values of Westport's working capital, oil and gas properties, and other assets and liabilities up to the closing date of the merger; (ii) the actual merger costs incurred; (iii) the number of Westport shares, stock options and restricted stock outstanding at the closing date of the merger; and (iv) changes in Kerr-McGee's valuation estimates that may be made between now and the time the purchase price allocation is finalized. These changes will not be known until after the closing date of the merger.

(b) These adjustments eliminate the components of Westport's historical stockholders' equity accounts.

The unaudited pro forma statement of operations includes the following adjustments:

(c) This adjustment increases Westport's historical depreciation, depletion and amortization expense associated with oil and gas properties based on the pro forma allocation of purchase price.

(d) This adjustment reduces interest expense for the effect of amortizing the excess of the estimated fair value of Westport's long-term debt over its historical carrying value.

(e) This adjustment records the income tax impact of the depreciation, depletion and amortization expense and interest expense pro forma adjustments at an effective income tax rate of 36.5%.

(f) This adjustment eliminates preferred stock dividends for the effect of redeeming Westport's 6¹/₂% convertible preferred stock.

4. Common Shares Outstanding

Pro forma income from continuing operations per share for the three months ended March 31, 2004 and the year ended December 31, 2003 have been calculated based on the weighted average number of shares outstanding as follows (in millions):