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KERR MCGEE CORP /DE
Form 8-K/A
August 29, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K/A

CURRENT REPORT

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

August 1, 2001

(Date of Report - Date of earliest event reported)

KERR-McGEE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-16619	73-1612389
-----	-----	-----
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Kerr-McGee Center	
Oklahoma City, Oklahoma	73125
-----	-----
(Address of principal executive offices)	(Zip Code)

(405) 270-1313

(Registrant's telephone number)

Item 7. Financial Statements and Exhibits

(a) Financial statements and business acquired

On May 14, 2001, Kerr-McGee Corporation entered into a definitive

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agreement to acquire HS Resources, Inc. ("HSR") for \$1.7 billion in cash and stock. The merger was approved at a special meeting of the HSR shareholders on August 1, 2001 and HSR common stock ceased trading on the New York Stock Exchange at close of market on that day. As a result of the merger, HSR is a wholly-owned subsidiary of Kerr-McGee Corporation. On August 23, 2001, HSR was renamed Kerr-McGee Rocky Mountain Corporation. The following financial information presents HSR's financial position as of June 30, 2001 and December 31, 2000 and results of operations for the first six months and second quarter 2001 compared with the same periods in 2000.

HS RESOURCES, INC. CONSOLIDATED BALANCE SHEETS (Unaudited)

(Thousands of dollars)	June 30, 2001 -----	December 31, 2000 -----
Assets		

Current Assets		
Cash and cash equivalents	\$ 2,718	\$ 1,790
Margin deposits	1,601	1,889
Accounts receivable		
Oil and gas sales	16,233	20,328
Trading and transportation	32,389	63,760
Trade	16,317	12,714
Ad valorem and production taxes	2,608	2,562
Other	2,443	2,097
Lease and well equipment inventory, at cost	1,509	904
Fair value of derivative asset from hedging activities	8,623	-
Fair value of derivative asset from non hedging activities	28,369	23,189
Deferred taxes	9,876	-
Prepaid expenses and other	3,501	1,260
Imbalance receivable	-	942
	-----	-----
Total current assets	126,187	131,435
	-----	-----
Oil and Gas Properties, at cost, using the successful efforts method		
Undeveloped acreage	99,910	90,231
Costs subject to depreciation, depletion and amortization	1,074,698	997,466
Less accumulated depreciation, depletion and amortization	(316,648)	(284,737)
	-----	-----
Net oil and gas properties	857,960	802,960
	-----	-----
Gas gathering and transportation facilities, at cost, net of accumulated depreciation		

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of \$6,489 and \$4,897 at June 30, 2001 and December 31, 2000, respectively	69,046	57,929
	-----	-----
Other Assets		
Deferred charges and other, net	6,096	7,697
Fair value of derivative asset from hedging activities	3,560	-
Fair value of derivative asset from non hedging activities	13,498	2,763
Office and transportation equipment and other property, net of accumulated depreciation of \$6,513 and \$6,396 at June 30, 2001 and December 31, 2000, respectively	4,202	2,873
Goodwill, net of accumulated amortization of \$1,800 and \$1,620 at June 30, 2001 and December 31, 2000, respectively	1,800	1,980
	-----	-----
Total other assets	29,156	15,313
	-----	-----
Total Assets	\$1,082,349	\$1,007,637
	=====	=====
Liabilities and Stockholders' Equity		

Current Liabilities		
Accounts payable		
Trade	\$ 46,920	\$ 39,681
Revenue	32,638	32,277
Gas purchases	14,119	35,035
Accrued expenses		
Ad valorem and production taxes	18,064	12,119
Interest	4,500	4,802
Other	8,660	8,945
Imbalance payable	1,093	-
Income taxes payable	6,238	-
Fair value of derivative liability from hedging activities	33,726	-
Fair value of derivative liability from non hedging activities	22,901	16,307
Payable to KMI	13,151	24,419
	-----	-----
Total current liabilities	202,010	173,585
	-----	-----
Accrued Ad Valorem Taxes and Other	24,546	27,056
Fair value of derivative liability from hedging activities	13,356	-
Fair value of derivative liability from non hedging activities	8,313	338
Long-Term Bank Debt	236,000	189,000
9-7/8% Senior Subordinated Notes, due 2003, net of unamortized discount of \$171 at December 31, 2000	-	74,829
9-1/4% Series A Subordinated Notes, due 2006, net of unamortized discount of \$418 and \$456 at June 30, 2001 and December 31, 2000, respectively	149,582	149,544
9-1/4% Series B Subordinated Notes, due 2006, net of unamortized discount of \$2,855 and \$3,121 at		

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June 30, 2001 and December 31, 2000, respectively	82,145	81,879
Deferred Income Taxes	107,013	89,824
Stockholders' Equity		
Preferred stock	-	-
Common stock, \$.001 per share par value, 50,000 shares authorized; 20,133 and 19,920 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	20	20
Additional paid-in capital	208,726	201,850
Other comprehensive loss (Note 3)	(23,520)	-
Retained earnings	102,328	46,323
Notes receivable from officers for exercise of stock options (Note 5)	(1,393)	(2,476)
Deferred compensation	(5,205)	(3,459)
Treasury stock, at cost, 1,839 and 1,841 shares at June 30, 2001 and December 31, 2000, respectively	(21,572)	(20,676)
	-----	-----
Total stockholders' equity	259,384	221,582
	-----	-----
Total Liabilities and Stockholders' Equity	\$1,082,349	\$1,007,637
	=====	=====

The accompanying notes are an integral part of this statement.

HS RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Thousands of dollars, except per share data)	Three Months Ended June 30,		Six Months End June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues				
Oil and gas sales	\$86,839	\$67,566	\$191,141	\$129,000
Trading and transportation, net	5,888	501	9,089	2,000
Gathering and transmission system revenues	3,329	3,256	4,795	6,000
Other gas revenues	121	2,396	2,093	4,000
Income (loss) from interest in gathering plant	(135)	358	(244)	0
Interest income and other	254	992	646	1,000
	-----	-----	-----	-----
Total revenues	96,296	75,069	207,520	144,000
	-----	-----	-----	-----
Expenses				
Production taxes	6,601	5,775	14,207	11,000

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Lease operating	8,465	8,039	16,574	15,
Gas transportation costs	5,579	3,977	10,107	7,
Gathering and transmission system operating expenses	1,588	1,364	3,232	2,
Depreciation, depletion and amortization	17,074	15,166	33,490	30,
Exploratory and abandonment	3,549	3,860	6,689	6,
Geological and geophysical	3,310	3,661	6,930	7,
Loss (gain) on sale of oil and gas properties	(12)	61	(12)	
General and administrative	2,850	2,030	4,343	4,
Interest, net of amounts capitalized	10,226	12,692	21,341	24,
	-----	-----	-----	-----
Total expenses	59,230	56,625	116,901	109,
	-----	-----	-----	-----
Income before provision for income taxes	37,066	18,444	90,619	34,
Provision for income taxes - current	4,562	-	11,791	
Provision for income taxes - deferred	8,382	7,027	21,771	13,
	-----	-----	-----	-----
Net income before extraordinary item	24,122	11,417	57,057	21,
Loss on early extinguishment of debt, net of tax (Note 7)	(1,052)	-	(1,052)	
	-----	-----	-----	-----
Net income	\$23,070	\$11,417	\$ 56,005	\$ 21,
	=====	=====	=====	=====
Net income per share before extraordinary item - basic	\$ 1.32	\$.62	\$ 3.13	\$ 1
Extraordinary item	(.06)	-	(.06)	
	-----	-----	-----	-----
Net income per share - basic	\$ 1.26	\$.62	\$ 3.07	\$ 1
	=====	=====	=====	=====
Net income per share before extraordinary item - diluted	\$ 1.25	\$.60	\$ 2.98	\$ 1
Extraordinary item	(.05)	-	(.05)	
	-----	-----	-----	-----
Net income per share - diluted	\$ 1.20	\$.60	\$ 2.93	\$ 1
	=====	=====	=====	=====
Weighted average number of common shares outstanding	18,279	18,471	18,238	18,
	=====	=====	=====	=====
Weighted average number of common shares outstanding assuming dilution	19,231	19,186	19,126	19,
	=====	=====	=====	=====

The accompanying notes are an integral part of this statement.

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HS RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(Thousands)	Common Stock		Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Notes Receivable from Officers
	Shares	Amount				
Balance, December 31, 1999	19,528	\$20	\$191,406	\$ -	\$(14,302)	\$(2,386)
Purchase of treasury stock	-	-	746	-	-	-
Transfer of treasury stock to 401(k) Plan	-	-	385	-	-	-
Issuance of restricted stock	26	-	524	-	-	-
Amortization of deferred compensation	-	-	-	-	-	-
Issuance of performance shares	100	-	2,519	-	-	-
Restricted stock and performance shares forfeited	(9)	-	(58)	-	-	-
Exercise of warrants and options	275	-	6,328	-	-	(1,601)
Interest on notes receivable	-	-	-	-	-	(113)
Payment of officer notes and interest	-	-	-	-	-	1,624
Net income	-	-	-	-	60,625	-
Balance, December 31, 2000	19,920	20	201,850	-	46,323	(2,476)
Cumulative effect of change in accounting principle	-	-	-	(86,700)	-	-
Other comprehensive income	-	-	-	63,180	-	-
Purchase of treasury stock	-	-	-	-	-	-
Transfer of treasury stock to 401(k) Plan	-	-	950	-	-	-
Issuance of restricted stock	9	-	354	-	-	-
Amortization of deferred compensation	-	-	-	-	-	-
Issuance of performance shares	60	-	2,527	-	-	-
Exercise of options	144	-	3,045	-	-	-
Interest on notes receivable	-	-	-	-	-	(83)
Payment of officer notes and interest	-	-	-	-	-	1,166
Net income	-	-	-	-	56,005	-
Balance, June 30, 2001	20,133	\$20	\$208,726	\$(23,520)	\$102,328	\$(1,393)

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HS RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands of dollars)	June 30,	
	2001	2000
	-----	-----
Cash Flows from Operating Activities		

Net income	\$56,005	\$21,533
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization	33,490	30,021
Depreciation expense offset against income	819	635
Write off of deferred charges and prepayment premiums	1,710	-
Impairment and (gain) loss on sales of oil and gas properties	(12)	161
Amortization of deferred charges, debt issue costs and deferred compensation	2,525	2,117
Surrendered and expired acreage	2,675	3,087
Transfer of treasury stock to 401(k) Plan	1,321	1,057
Deferred income tax provision	21,343	12,925
Decrease (increase) in accounts and notes receivable	28,998	(30,763)
(Decrease) increase in accounts payable and accrued expenses	(611)	28,506
Other	(693)	(717)
	-----	-----
Net cash provided by operating activities	147,570	68,562
	-----	-----
Cash Flows from Investing Activities		

Exploration, development and leasehold costs	(73,692)	(52,908)
Purchase of proved and unproved properties	(15,945)	(7,455)
Gas gathering and transmission facilities additions	(12,708)	(1,812)
Other property additions	(1,943)	(231)
Net proceeds from the sale of oil and gas properties	50	102
Increase in property related payables	(3,618)	(3,148)
	-----	-----
Net cash used in		

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investing activities	(107,856)	(65,452)
	-----	-----
Cash Flows from Financing Activities		
	-----	-----
Proceeds from bank debt	210,000	102,000
Repayments of bank debt	(163,000)	(85,000)
Repayment of senior subordinated notes plus premium	(75,938)	-
Repayment of KMI debt	(11,269)	(9,495)
Exercise of options and warrants	1,521	3,394
Purchase of treasury stock	(1,266)	(8,048)
Payment of officer notes and interest	1,166	-
	-----	-----
Net cash (used in) provided by financing activities	(38,786)	2,851
	-----	-----
Net Increase in Cash and Cash Equivalents	928	5,961
Cash and cash equivalents, beginning of year	1,790	518
	-----	-----
Cash and cash equivalents, end of period	\$ 2,718	\$ 6,479
	=====	=====
Supplemental Cash Flow Disclosure		
Interest paid, net of capitalized interest	\$ 20,281	\$ 23,342
Cash paid for income taxes, net of reimbursements	\$ 3,026	\$ 206
Schedule of noncash investing and financing activities		
Issuance of performance shares and restricted stock	\$ 2,882	\$ 2,977
Tax benefit on stock option exercises	\$ 1,525	\$ -

The accompanying notes are an integral part of this statement.

HS RESOURCES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL

On May 14, 2001, HS Resources, Inc. ("HSR") entered into a definitive agreement to be acquired by Kerr-McGee Corporation for \$1.7 billion in cash and stock. The merger was approved at a special meeting of the HSR shareholders on August 1, 2001. HSR shareholders have the opportunity to elect to receive either cash or stock, subject to proration so that 70% of the total HSR shares are acquired for \$66 in cash and 30% are acquired in exchange for .9404 shares of Kerr-McGee Corporation stock. As a result of this merger, HSR became a wholly-owned subsidiary of Kerr-McGee Corporation.

HSR is a Delaware corporation and was originally organized in January 1987. HSE,

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directly or through subsidiaries, acquires, develops, exploits, explores for and produces oil and gas properties. The primary properties are located in the Denver-Julesburg ("D-J") Basin, the onshore area of the Texas-Louisiana Gulf Coast, and to a lesser extent, the Mid-Continent and Northern Rocky Mountains. Through wholly-owned subsidiaries, HS Gathering L.L.C. and Resource Gathering Systems, Inc., HSE and third party gas is gathered and transported. Through the wholly-owned subsidiary, HS Energy Services, Inc. ("HSES"), HSR gas production and gas owned by third parties is marketed. Additionally, HSES actively trades both physical and financial positions in the gas commodities market.

The interim financial data presented here is unaudited; however, all adjustments, which are of a normal and recurring nature, have been made which are, in the opinion of management, necessary for a fair and consistent statement of financial position at June 30, 2001, and results of operations and cash flows for the interim periods presented. Because of various factors, including the merger with Kerr-McGee Corporation, the results of operations for these periods are not necessarily indicative of results to be expected for the full year. For a more complete understanding of HSR operations and financial position, these statements should be read in conjunction with the HSR audited financial statements and notes thereto included in the December 31, 2000 Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2001. Certain prior year amounts have been reclassified to conform with the current presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Successful Efforts. HSR utilizes the successful efforts method of accounting for oil and gas properties. Consequently, leasehold costs are capitalized when incurred. Unproved properties are assessed periodically within specific geographic areas, and impairments in value are charged to expense. Exploratory costs, geological and geophysical expenses and delay rentals are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but charged to expense if and when the well is determined to be unsuccessful. Costs of developmental dry holes and proved leaseholds are amortized on the unit-of-production method based on proved reserves and calculated on a field-by-field basis. The depreciation of capitalized drilling costs is also based on the unit-of-production method using proved developed reserves on a field-by-field basis.

Financial Instruments. HSR engages in price and location risk management activities for both hedging and trading purposes. HSR enters into derivative instruments for hedging purposes in order to manage exposure to price and location risks in the marketing of oil and gas production and, in the case of HSES marketing activities, third party gas. All derivatives are recorded as an asset or liability and are marked-to-market each reporting period. Gains and losses on the effective portion of hedging positions designated as cash flow hedges are deferred in other comprehensive loss and recognized in operations in the period the underlying physical transactions occur in "oil and gas sales" (for company-owned production) and "trading and transportation revenues" (for third party gas). Activities for trading purposes are accounted for using the marked-to-market method. Under this method, changes in the market value of outstanding financial instruments are recognized as a gain or loss in the period of change on a net basis in "trading and transportation revenues." The market prices used to value these derivatives reflect management's best estimate considering various factors including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments. The values of trading derivatives are adjusted to reflect the potential impact of liquidating the position in an orderly manner over a reasonable period of time under present market conditions.

NOTE 3. NEW ACCOUNTING STANDARDS

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On January 1, 2001, HSR adopted SFAS 133, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Prior to January 1, 2001, company personnel completed the process of identifying all derivative instruments, determining fair market values of derivatives, designating and documenting hedge relationships, and evaluating the effectiveness of those hedge relationships.

SFAS 133 requires that as of the date of initial adoption, the difference between the fair market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported as a transition adjustment in net income or other comprehensive loss, as appropriate, as the cumulative effect of a change in accounting principle in accordance with APB 20, "Accounting Changes."

HSR uses financial derivative instruments to mitigate commodity price risk related to the purchase or sale of natural gas. Many of these instruments are designated as hedges of the anticipated purchases or sales of the commodity. HSR also uses interest rate swaps, which are designated as hedges of the interest rate on company borrowings. As of June 30, 2001, \$80 million of company borrowings were hedged at a fixed LIBOR rate of 5.86% through December 15, 2006 and \$50 million of borrowings were hedged at a fixed LIBOR rate of 5.66% through March 31, 2004. On January 1, 2001, the fair market values of these derivative instruments and interest rate swaps were recorded as assets and liabilities on the balance sheet and in accumulated other comprehensive loss in accordance with the transition provisions of SFAS 133. Future changes in the fair market values of these instruments and interest rate swaps, to the extent that the hedges are effective at mitigating the underlying commodity risk, will be recorded in other comprehensive loss. At the date the underlying transaction occurs, the amounts accumulated in other comprehensive loss will be reported in the Consolidated Statements of Operations. To the extent that the hedges are not effective, the ineffective portion of the changes in fair market value will be recorded directly in operations. On August 3, 2001, both interest rate swaps were terminated for \$4.0 million. This amount will be recorded in the third quarter.

For the three months ended June 30, 2001 and 2000, hedging contracts for company production reduced oil and gas sales by \$20.3 million and \$13.8 million, respectively. Hedging contracts for third party gas decreased trading and transportation revenues by \$2.8 million and \$0.4 million, for the three months ended June 30, 2001 and 2000, respectively. For the six months ended June 30, 2001 and 2000, hedging contracts for company production reduced oil and gas sales by \$69.2 million and by \$18.5 million, respectively. Hedging contracts for third party gas increased trading and transportation revenues by \$4.4 million for the six months ended June 30, 2001 and decreased trading and transportation revenues by \$0.3 million for the six months ended June 30, 2000. Based on current futures market prices, which fluctuate daily, and assuming no further changes in the contracts, losses would be recorded over the next twelve months of \$10.0 million in oil and gas sales and \$14.5 million in trading and transportation revenues relating to hedging contracts. Changes to these contracts may occur as a result of the merger with Kerr-McGee Corporation (see Note 1).

In September 2000, the Emerging Issues Task Force reached consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs" ("EITF Issue 00-10"). EITF Issue 00-10 requires retroactive restatement of transportation costs as an expense rather than as a reduction to revenue. HSR implemented EITF Issue 00-10 in the fourth quarter of 2000 and all prior periods were restated with offsetting increases in oil and gas sales revenue and gas transportation costs resulting in no impact to net earnings.

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In June 2001, SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets" were issued, which require all business combinations to be accounted for using the purchase method and changes the treatment of goodwill created in a business combination. The adoption of these two statements is not expected to have an impact on HSR.

Additionally, SFAS No. 143 "Accounting for Asset Retirement Obligations" was issued. This standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. The asset is then depreciated over its estimated useful life. The present value of the inherent obligation is adjusted each reporting period. The impact of adopting this statement on January 1, 2003 has not yet been determined by HSR.

NOTE 4. ISSUANCE OF PERFORMANCE SHARES

The 2000 Performance and Equity Incentive Plan (the "Plan") allows for the issuance of performance shares to employees, officers and directors. Accelerated vesting of such shares is dependent on our attainment of defined performance goals. These shares have a base vesting schedule over nine years with accelerated vesting of up to one-fourth of the shares in each of the first four years if the performance goals are achieved, and accelerated vesting upon a change of control. In the first quarter of 2001, HSR issued 60,000 performance shares under the Plan and recorded deferred compensation of approximately \$2.5 million. On August 1, 2001 as a result of the merger with Kerr-McGee Corporation, the vesting of all performance shares was accelerated (see Note 1).

NOTE 5. RELATED PARTY TRANSACTIONS

In December 2000, full recourse notes in the amount of \$1.6 million were issued to HSR by certain of HSR officers in connection with the exercise of stock options. The notes and accrued interest are due and payable on or before December 31, 2001. The interest rate on these notes is at a fixed rate of 9.5%. In the first quarter of 2001 one of the notes and associated accrued interest was repaid. The remaining notes and accrued interest were repaid on August 2, 2001 in connection with the merger with Kerr-McGee Corporation.

NOTE 6. TERMINATION OF SECTION 29 TAX CREDIT AGREEMENTS

Effective April 1, 2001, HSR terminated its Section 29 tax credit agreements with two unaffiliated third parties. Under the agreements, the company exercised its option to repurchase all of the oil and gas interests previously assigned to the third parties for \$15.9 million at closing plus quarterly payments through December 31, 2002 in the amount of \$0.8385 of each dollar of tax credits available under Section 29 of the Internal Revenue Code. HSR currently anticipates being able to utilize these tax credits against current income tax obligations, and therefore, anticipate retaining a cash flow benefit of approximately \$0.16 for each dollar of tax credits available to us under Section 29.

NOTE 7. EXTRAORDINARY ITEM - LOSS ON EARLY EXTINGUISHMENT OF DEBT

On June 1, 2001, the company's \$75 million 9 7/8% senior subordinated notes due in 2003 were redeemed. The company recorded as an extraordinary item a premium of \$937,500 as well as \$772,954 of previously incurred issuance costs and discounts associated with the notes. These amounts have been reflected as an extraordinary loss (net of related tax benefits of \$658,525) on the consolidated statement of operations.

Note 8. BUSINESS SEGMENT INFORMATION

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HSE is an independent energy company engaged in the following activities:

- * acquisition, development, exploitation, exploration and production of oil and gas.
- * transportation, marketing and trading of oil and gas and oil and gas financial positions.

(Thousands of dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Operating Revenues:				
Oil and gas sales				
D-J Basin	\$ 74,857	\$ 55,568	\$162,292	\$110,5
Oil and gas sales				
Gulf Coast	11,718	14,313	29,875	23,2
Oil and gas sales				
Mid-Continent and other	385	81	1,067	1
Gas gathering and trans- portation facilities	3,194	3,614	4,551	7,0
Trading and transportation net	7,933	1,301	13,415	3,5
Intersegment eliminations, net	(2,045)	(800)	(4,326)	(1,4
	-----	-----	-----	-----
	\$ 96,042	\$ 74,077	\$206,874	\$143,1
	=====	=====	=====	=====
Operating Income (Loss):				
D-J Basin	\$ 42,767	\$ 25,807	\$ 97,894	\$ 52,3
Gulf Coast	2,928	5,490	11,149	8,0
Mid-Continent and other	(2,626)	(1,309)	(2,464)	(3,3
Gas gathering and trans- portation facilities	530	780	(1,046)	1,4
Trading and transportation	7,789	1,192	13,139	3,2
Intersegment eliminations	(2,045)	(800)	(4,326)	(1,4
	-----	-----	-----	-----
Operating Income	49,343	31,160	114,346	60,2
Other income and expense	(12,277)	(12,716)	(23,727)	(25,5
	-----	-----	-----	-----
Income before income taxes	\$ 37,066	\$ 18,444	\$ 90,619	\$ 34,7
	=====	=====	=====	=====
Identifiable Assets (net)				
(at June 30):				
Oil and gas properties				
D-J Basin	\$789,310	\$745,841	\$789,310	\$745,8
Oil and gas properties				
Gulf Coast	55,814	39,779	55,814	39,7
Oil and gas properties				
Mid-Continent and other	13,942	8,211	13,942	8,2
Gas gathering and trans- portation facilities	69,046	53,086	69,046	53,0
Trading and transportation	2,679	2,256	2,679	2,2
Corporate	2,217	1,861	2,217	1,8
	-----	-----	-----	-----
	\$933,008	\$851,034	\$933,008	\$851,0

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	=====	=====	=====	=====
Depreciation, Depletion and Amortization Expense:				
Oil and gas properties				
D-J Basin	\$ 12,914	\$ 12,938	\$ 25,625	\$ 25,8
Oil and gas properties				
Gulf Coast	3,415	1,640	6,396	3,0
Oil and gas properties				
Mid-Continent and other	72	23	140	
Gas gathering and transportation facilities	324	266	625	5
Trading and transportation	144	109	276	2
Corporate	205	190	428	3
	-----	-----	-----	-----
	\$ 17,074	\$ 15,166	\$ 33,490	\$ 30,0
	=====	=====	=====	=====
Capital Expenditures and Acquisitions:				
Oil and gas properties				
D-J Basin	\$ 43,644	\$ 23,308	\$ 65,543	\$ 43,0
Oil and gas properties				
Gulf Coast	11,094	6,240	22,703	15,1
Oil and gas properties				
Mid-Continent and other	2,079	820	1,749	2,2
Gas gathering and transportation facilities	9,276	1,561	12,708	1,8
Trading and transportation	101	9	894	
Corporate	36	114	691	1
	-----	-----	-----	-----
	\$ 66,230	\$ 32,052	\$104,288	\$ 62,4
	=====	=====	=====	=====

Item 7. Financial Statements and Exhibits

(b) Pro forma financial information

The following unaudited pro forma financial statements give effect to the merger between Kerr-McGee Corporation and HS Resources, Inc. and present the combined company's financial position as of June 30, 2001 and results of operations for the first six months of 2001 and twelve months ended December 31, 2000. These pro forma statements update those presented in Kerr-McGee's Registration Statement on Form S-4 filed on June 28, 2001 (File No. 333-61898).

Documents incorporated by reference:

- * Kerr-McGee Corporation's Form 10-K for the year ended December 31, 2000
- * Kerr-McGee Corporation's Form 10-Q for the quarter ended June 30, 2001
- * HS Resources' Form 10-K for the year ended December 31, 2000

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

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The following unaudited pro forma financial statements give effect to the merger based on the factors set forth below and after giving effect to the pro forma adjustments described in the accompanying notes. The unaudited pro forma financial statements have been prepared from, and should be read in conjunction with, the historical consolidated financial statements and notes thereto of Kerr-McGee and HS Resources, which are incorporated by reference into this document and the HS Resources June 30, 2001 statements included herein.

The unaudited pro forma financial statements and related notes are presented for illustrative purposes only. If the shares of Kerr-McGee common stock issuable in the merger had been issued in the past, Kerr-McGee's financial position or results of operations might have been different from those presented in the unaudited pro forma financial statements. The unaudited pro forma financial statements should not be relied upon as an indication of the financial position or results of operations that Kerr-McGee would have achieved if this issuance and the merger had occurred at the dates indicated. You also should not rely on the unaudited pro forma financial statements as an indication of the future operating results or financial position that the merged companies will achieve after the merger.

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

- * Kerr-McGee purchased all the outstanding shares of common stock of HS Resources and assumed its debt. Kerr-McGee paid an aggregate of \$833 million in cash (at \$66 per share) and issued an aggregate of 5,090,230 shares of Kerr-McGee common stock (at a fixed exchange ratio of .9404 shares of Kerr-McGee common stock for each share of HS Resources common stock). The cash was financed under existing Kerr-McGee debt facilities.
- * The unaudited pro forma balance sheet has been prepared as if the merger occurred on June 30, 2001. The unaudited pro forma statement of income has been prepared as if the merger occurred on January 1, 2000.
- * The merger was accounted for as a purchase of HS Resources by Kerr-McGee.
- * Kerr-McGee and HS Resources utilize the successful efforts method of accounting for oil and gas activities.
- * In June 2001, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," which provided that goodwill acquired in a business combination occurring after June 30, 2001, should not be amortized. Instead, the FASB required impairment tests for goodwill balances (comparison of the fair value of a reporting unit to its carrying amount). Since the merger of HS Resources occurred after June 30, 2001, no amortization of goodwill has been reflected in the pro forma statements.
- * Targeted annual selling and general expense savings of \$5 to \$10 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 and the elimination of duplicate corporate staff and expenses.

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No pro forma adjustments have been made with respect to the following unusual items. These items are reflected in the historical results of Kerr-McGee and HS Resources, as applicable, and should be considered when making period-to-period comparisons.

- * On January 1, 2001, both Kerr-McGee and HS Resources adopted Financial Accounting Standard No. 133, as amended (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivative instruments to be recorded as assets or liabilities, measured at fair value, and changes in the derivative's fair value to be recognized currently in earnings unless specific hedge accounting criteria are met.

Kerr-McGee hedges certain foreign currency risks (future cash flows for certain non-U.S. capital expenditures and operating expenses). Kerr-McGee also has derivative instruments that are not hedges (options associated with Kerr-McGee debt exchangeable for the Devon Energy Corporation (Devon) common stock owned by Kerr-McGee and foreign currency forward sales contracts associated with certain foreign currency denominated chemical accounts receivable). In adopting FAS 133, Kerr-McGee recognized an expense of \$20 million in the first quarter of 2001 as a cumulative effect of the accounting change. This amount is not reflected in the pro forma income statement. Also in adopting FAS 133, Kerr-McGee chose to reclassify 85% of the Devon shares owned from the "available for sale" category of investments to "trading" and recognized other income of \$181 million (\$118 million after tax) on January 1, 2001, for the unrealized appreciation on the Devon shares reclassified to "trading". After adoption of FAS 133, the "trading" securities are marked to market through income each month. A more complete description of Kerr-McGee's derivatives is contained in Kerr-McGee's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, which is incorporated herein by reference.

HS Resources uses derivative instruments to mitigate commodity price risks related to the purchase or sale of oil and natural gas and interest rate swaps to hedge the interest rates on certain borrowings. For the six months of 2001 and the year 2000, sales were reduced by \$65 million and \$72 million, respectively, for the commodity price hedges. The change in the fair value of the interest rate swaps has been reflected in the fair value of the derivatives in the historical HS Resources balance sheet, but will not affect income until the swaps are settled. Additional information concerning these derivatives is contained in this Form 8-K/A under Item 7.(a), which contains the HS Resources June 30, 2001, financial statements, and in the HS Resources Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated herein by reference.

- * During the six months ended June 30, 2001, Kerr-McGee recognized a pre-tax special item of \$25 million for the termination of manganese metal production at the Hamilton, Mississippi electrolytic chemical facility. This charge primarily related to plant and equipment write-offs and other closings costs, including severance.

UNAUDITED PRO FORMA BALANCE SHEET
June 30, 2001

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	Kerr-McGee Historical -----	HSR Historical -----	Pro Forma Adjustments -----	
				(Millions of dollars)
ASSETS				
Current assets				
Cash	\$ 197	\$ 3	\$ -	
Notes and accounts receivable	613	72	-	
Inventories	434	1	-	
Deposits, prepaids, and other	114	50	-	
	-----	-----	-----	
Total current assets	1,358	126	-	
	-----	-----	-----	
Property, Plant and Equipment	13,553	1,261	872	(a)
Less reserves for depreciation, depletion and amortization	7,710	330	(330)	(a)
	-----	-----	-----	
	5,843	931	1,202	
	-----	-----	-----	
Goodwill	-	2	300	(a)
Investments and other assets	940	23	(6)	(a)
	-----	-----	-----	
Total assets	\$ 8,141	\$1,082	\$1,496	
	=====	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term borrowings	\$ 7	\$ -	\$ -	
Accounts payable	803	94	-	
Long-term debt due within on year	198	13	-	
Other current liabilities	486	95	-	
	-----	-----	-----	
Total current liabilities	1,494	202	-	
	-----	-----	-----	
Long-term debt	2,195	468	969	(a)
	-----	-----	-----	
Deferred credits and reserves	1,535	153	428	(a)
	-----	-----	-----	
Stockholders' equity				
Common stock	102	-	5	(a)
Restricted stock	11	-	-	
Capital in excess of par value	1,682	209	(209)	(b)
			353	(a)
Preferred stock rights	1	-	-	
Retained earnings	1,659	102	(102)	(b)
Accumulated other comprehensive income (loss)	(68)	(23)	23	(b)
Common stock in treasury, at cost	(378)	(22)	22	(b)
Deferred compensation	(92)	(7)	7	(b)
	-----	-----	-----	
	2,917	259	99	
	-----	-----	-----	
Total liabilities and stockholders' equity	\$ 8,141	\$1,082	\$1,496	
	=====	=====	=====	

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See accompanying notes to Unaudited Pro Forma Financial Statements.

UNAUDITED CONSOLIDATED PRO FORMA STATEMENT OF INCOME

	Six Months Ended June 30, 2001				Twelve
	Historical Kerr-McGee	Historical HSR	Pro Forma Adjustments	Pro Forma Income	Historical Kerr-McGee
	(Millions of dollars, except per-share)				
Sales	\$1,997	\$207	\$ -	\$2,204	\$4,121
Costs and Expenses					
Costs and operating expenses	605	20	-	625	1,269
Selling, general and administrative expenses	114	4	-	118	298
Shipping and handling expenses	57	10	-	67	97
Depreciation and depletion	341	34	28 (c)	403	684
Exploration, including dry holes and amortization of undeveloped leases	94	14	-	108	170
Taxes, other than income taxes	63	14	-	77	122
Purchased in-process research and development	-	-	-	-	32
Interest and debt expense	80	21	35 (d)	136	208
Total Costs and Expenses	1,354	117	63	1,534	2,880
	643	90	(63)	670	1,241
Other Income	201	-	-	201	58
Income from Operations before Income Taxes	844	90	(63)	871	1,299
Taxes on Income	(314)	(33)	23 (e)	(324)	(457)
Income from Continuing Operations	\$ 530	\$ 57	\$ (40)	\$ 547	\$ 842
Income from Continuing Operations per Share					
Basic	\$ 5.58	\$ 3.13		\$ 5.47	\$ 9.01
Diluted	\$ 5.11	\$ 2.98		\$ 4.90	\$ 8.37
HS Resources Pro Forma Equivalent Earnings per Share				\$ 4.61	
Average Common Shares Outstanding (thousands)	94,843	18,238		99,933	93,406

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Diluted Shares (thousands)	106,623	19,126	111,713	103,987
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See accompanying notes to Unaudited Pro Forma Financial Statements.

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Method of Accounting for the Merger

Kerr-McGee accounted for the merger using the purchase method of accounting for business combinations. Accordingly, HS Resources' assets acquired and liabilities assumed by Kerr-McGee were revalued and recorded at their estimated fair values. In the merger, Kerr-McGee assumed the outstanding debt of HS Resources and converted each share of HS Resources common stock outstanding to Kerr-McGee common stock or cash, as provided in the merger agreement. The conversion consisted of an election to receive cash at \$66 per share or an election to receive Kerr-McGee common stock at a fixed exchange ratio of .9404 of a share of Kerr-McGee common stock for each share of HS Resources common stock. The cash consideration is limited to a maximum of \$833 million, and this resulted in Kerr-McGee issuing 5,090,230 shares of its common stock to HS Resources stockholders.

2. Pro Forma Adjustments Related to the Merger

The unaudited pro forma balance sheet includes the following adjustments:

(a) This entry adjusts the historical book values of HS Resources' assets and liabilities to their estimated fair values as of June 30, 2001. The calculation of the total purchase price and preliminary allocation to assets and liabilities are shown below:

(Dollars in millions
except share price)

Calculation and preliminary allocation of purchase price:	
Number of shares of common stock to be issued	5,090,230
Average of Kerr-McGee common stock price two days before and after merger announcement	\$70.33 -----
Fair value of common stock to be issued	358
Add: Portion of the purchase price paid in cash. This amount is added to long-term debt in the pro forma balance sheet	833
Add: Fair value of HS Resources options, unvested performance shares and restricted stock to be settled in cash, net of exercise proceeds of approximately \$25 million. This amount is added to long-term debt in the pro forma balance sheet	86 -----
Add: Estimated merger costs, which	1,277

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includes \$15 million of legal, accounting, and registration costs and \$28 million of severance costs. This amount is added to long-term debt in the pro forma balance sheet

	43

Total purchase price	\$1,320
	=====

Allocation of purchase price:

Current assets	\$ 126
Properties, plant and equipment	2,133
Other assets	17
Goodwill	302
Current liabilities	(202)
Long-term debt	(475)
Deferred credits	(581)

	\$1,320
	=====

The purchase price allocation is subject to change in:

- * The fair value of HS Resources working capital and other assets and liabilities on the effective date, and
- * The actual merger costs incurred.

These items will not be known until after the effective date of the merger. Management does not believe the final purchase price allocation will differ materially from the estimated purchase price allocation.

(b) These adjustments eliminate HS Resources' historical book values.

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

(c) These adjustments increase the depreciation and depletion expense using the successful efforts method of accounting and is based on the preliminary allocation of the purchase price.

(d) These adjustments increase interest expense due to the \$958 million of additional long-term debt, which results from financing the cash consideration (\$833 million), the fair value of the HS Resources options and unvested performance shares to be settled in cash net of the exercise prices of the HS Resources options (\$82 million), and the estimated merger costs (\$43 million). These are assumed to be funded with borrowings from existing credit facilities.

(e) These adjustments record the net tax effect of all pro forma adjustments at an effective income tax rate of 36.5%.

(f) Amounts represent reclassification of \$3 million for interest income to "Other Income" to be consistent with the Kerr-McGee classification and \$133 million for the cost of trading and transportation to offset trading and transportation income to be consistent with the second quarter 2001 historical reclassification by HS Resources.

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SIGNATURES

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 hereunto duly authorized.

KERR-MCGEE CORPORATION

By: (Deborah A. Kitchens)

Deborah A. Kitchens
Vice President and Controller

Dated: August 29, 2001