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JANA PARTNERS LLC
Form SC 13D
March 03, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13D*
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
RULE 13d-2(a)

Kerr-McGee Corporation

(Name of Issuer)

Common Stock, par value \$1.00 per share

(Title of Class of Securities)

492386107

(CUSIP Number)

Marc Weingarten, Esq.
Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
(212) 756-2000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

February 28, 2005

(Date of Event which Requires
Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. []

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

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* The remainder of this cover page shall be filled out for a reporting

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person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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 1 NAME OF REPORTING PERSON
 I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

 JANA PARTNERS LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) []
 (b) [X]

3 SEC USE ONLY

4 SOURCE OF FUNDS*

 AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT
 TO ITEM 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

 Delaware

7 SOLE VOTING POWER

 4,501,300 (including options to purchase up to
 1,700,200 Shares) (see Item 5)

8 SHARED VOTING POWER

 -0-

9 SOLE DISPOSITIVE POWER

 4,501,300 (including options to purchase up to
 1,700,200 Shares) (see Item 5)

10 SHARED DISPOSITIVE POWER

 -0-

NUMBER OF
 SHARES
 BENEFICIALLY
 OWNED BY
 EACH
 REPORTING
 PERSON WITH

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(c) The principal business of the Reporting Person and the Principals is investing for accounts under their management.

(d) Neither the Reporting Person nor the Principals has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) Neither the Reporting Person nor the Principals has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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(f) The Reporting Person is a limited liability company organized in Delaware. The Principals are citizens of the United States of America.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Of the 4,501,300 Shares reported herein by the Reporting Person, 2,801,100 Shares were acquired at an aggregate purchase price of approximately \$174,730,022.67, and the remaining 1,700,200 Shares represent options to acquire Shares, which options were acquired at an aggregate purchase price of approximately \$4,370,809.54. The Shares beneficially owned by the Reporting Person were acquired with investment funds in accounts under management.

ITEM 4. PURPOSE OF TRANSACTION.

The Reporting Person originally acquired Shares for investment in the ordinary course of business. The Reporting Person believes that the Shares at current market prices are undervalued and represent an attractive investment opportunity. On or about February 23, 2004, representatives of the Reporting Person and the Icahn Group spoke with Luke R. Corbett, Chairman and Chief Executive Officer of the Issuer, and suggested various actions to be taken by the Issuer that they believe would enhance stockholder value. These suggestions were then memorialized in a letter to the Issuer on March 3, 2005, a copy of which is attached hereto as Exhibit A and incorporated herein by reference. Pursuant to discussions among the Reporting Person and the Icahn Group, on March 2, 2005 the Icahn Group notified the Issuer that it proposed to nominate Barry Rosenstein and Carl Icahn for election to the Issuer's board of directors at the 2005 annual meeting of stockholders. Based on the March 2, 2005 deadline for stockholders to submit proposals, as set forth in the Issuer's bylaws, the Reporting Person and the Icahn Group believed it necessary to preserve their right to nominate Messrs. Rosenstein and Icahn as candidates, and to solicit proxies in favor of these nominees, should the Issuer not take satisfactory measures in pursuit of stockholder value.

Neither the Reporting Person nor the Principals has any present plan or proposal that would relate to or result in any of the matters set forth in subparagraphs (a)-(j) of Item 4 of Schedule 13D except as set forth herein or such as would occur upon completion of any of the actions discussed above. The Reporting Person intends to review its investment in the Issuer on a continuing basis. Depending on various factors including, without limitation, the Issuer's financial position and strategic direction, the Issuer's response to the actions

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suggested by the Reporting Person and the Icahn Group, price levels of the Shares, conditions in the securities market and general economic and industry conditions, the Reporting Person may in the future take such actions with respect to its investment in the Issuer as it deems appropriate including, without limitation, purchasing additional Shares or selling some or all of its Shares, and, alone or with others, pursuing further discussions with the Issuer, other stockholders and third parties, soliciting proxies in favor of Messrs. Rosenstein and Icahn and/or otherwise changing its intention with respect to any and all matters referred to in Item 4.

SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO SOLICITATION OF PROXIES BY JANA PARTNERS LLC AND ITS AFFILIATES FROM THE STOCKHOLDERS OF KERR-MCGEE CORPORATION FOR USE AT ITS ANNUAL MEETING WHEN AND IF THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS IN ANY SUCH PROXY SOLICITATION. WHEN AND IF COMPLETED, THE PROXY STATEMENT AND SUCH OTHER DOCUMENTS WILL BE AVAILABLE AT NO CHARGE AT THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov), AND A DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY WILL BE MAILED TO STOCKHOLDERS OF KERR-MCGEE CORPORATION.

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ITEM 5. INTEREST IN SECURITIES OF THE COMPANY.

(a) The aggregate percentage of Shares reported to be beneficially owned by the Reporting Person is based upon 151,692,157 Shares outstanding, which is the total number of Shares outstanding as reported in the Issuer's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

As of the close of business on March 2, 2005, the Reporting Person may be deemed to beneficially own 4,501,300 Shares (including options to purchase up to 1,700,200 Shares), constituting approximately 2.6% of the Shares outstanding. Upon information and belief, the Icahn Group, as of the close of business on March 2, 2005, may be deemed to beneficially own 7,106,000 Shares. Accordingly, the 11,607,300 Shares that may be deemed to be beneficially owned in the aggregate by the Reporting Person and the Icahn Group, as of the close of business on March 2, 2005, constitutes approximately 7.65% of the Shares outstanding.

(b) The Reporting Person has sole voting and dispositive powers over the 4,501,300 Shares reported herein (including, if such options are exercised, the 1,700,200 Shares underlying the options reported herein), which powers are exercised by the Principals.

(c) Information concerning transactions in the Shares effected by the Reporting Persons during the past sixty days is set forth in Exhibit B hereto and is incorporated herein by reference. Except for 250,000 Shares sold in a private transaction pursuant to an option that had been issued to and exercised by the Icahn Group, all of the transactions in Shares listed on Exhibit B hereto were effected in open market purchases on the New York Stock Exchange through various brokerage entities. All of the options held, as reported herein, were acquired in open market purchases as set forth in Item 6.

(d) No person (other than the Reporting Person) is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Shares.

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(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE COMPANY.

As set forth below, the Reporting Person holds, as of March 2, 2005, options to acquire 1,700,200 Shares, each of which was acquired on the open market:

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Date of Purchase	Shares Underlying Options	Exercise Price per Share (\$)	Expiration Date	Purchase Price per Option (\$)
02/07/05	49,000	65.00	03/18/05	1.1859
02/08/05	100,000	65.00	03/18/05	1.3357
02/22/05	1,000	75.00	03/18/05	2.2555
02/25/05	100,000	80.00	03/18/05	1.1942
02/28/05	73,300	80.00	04/15/05	2.0558
02/28/05	70,700	80.00	03/18/05	0.9558
03/01/05	250,000	80.00	03/18/05	1.5000
03/01/05	211,000	80.00	03/18/05	1.0294
03/01/05	226,900	75.00	03/18/05	3.8279
03/01/05	100,000	80.00	04/15/05	2.7108
03/02/05	272,100	75.00	03/18/05	5.2532
03/02/05	126,900	80.00	04/15/05	3.1693
03/02/05	118,300	80.00	03/18/05	2.2168
03/02/05	1,000	65.00	03/18/05	13.5285

As more fully described in Item 4, pursuant to discussions among the Reporting Person and the Icahn Group, on March 2, 2005 the Icahn Group notified the Issuer that it proposed to nominate Barry Rosenstein and Carl Icahn for election to the Issuer's board of directors at the 2005 annual meeting of stockholders. Representatives of the Reporting Person and the Icahn Group have suggested various actions to the Issuer that they believe would enhance stockholder value. The Reporting Person currently intends to solicit proxies in favor of Messrs. Rosenstein and Icahn should the Issuer not take satisfactory measures in pursuit of stockholder value.

Except as otherwise set forth herein, the Reporting Person does not have any contract, arrangement, understanding or relationship with any person with respect to securities of the Company.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

1. Exhibit A - Letter to the Issuer dated March 3, 2005.
2. Exhibit B - Transactions in the Shares by the Reporting Person during the past 60 days.

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SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 3, 2005

JANA PARTNERS LLC

By: /s/ Barry S. Rosenstein

Name: Barry S. Rosenstein
Title: Managing Director

By: /s/ Gary Claar

Name: Gary Claar
Title: Managing Director

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EXHIBIT INDEX

1. Exhibit A - Letter to the Issuer dated March 3, 2005.
2. Exhibit B - Transactions in the Shares by the Reporting Person during the past 60 days.

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EXHIBIT A

LETTER TO THE ISSUER DATED MARCH 3, 2005

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ICAHN PARTNERS LP
ICAHN PARTNERS MASTER FUND LP
HIGH RIVER LIMITED PARTNERSHIP
JANA PARTNERS LLC

March 3, 2005

VIA FEDERAL EXPRESS AND FACSIMILE

Mr. Luke R. Corbett
Chairman and Chief Executive Officer
Kerr-McGee Corporation
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Dear Mr. Corbett:

As we have previously discussed with you, each of us is a large shareholder of Kerr-McGee Corporation ("KMG"), beneficially owning, in the aggregate, approximately 11.6 million shares or approximately 7.6% of the outstanding shares of KMG's common stock. Entities affiliated with Carl Icahn recently proposed Carl Icahn and Barry Rosenstein, managing partner of Jana Partners (a \$3 billion hedge fund), as nominees for KMG's board of directors at the upcoming annual meeting. This action was taken in order to help ensure that KMG is focused on maximizing shareholder value. While management's recent announcement of its intention to review strategic alternatives for its chemicals business is a positive first step, we feel this action does not go far enough toward maximizing the value of KMG's common stock.

A great opportunity exists today for shareholders of KMG. Never before has there been such a disconnect between the stock market valuation of publicly traded E&P companies such as KMG on a per barrel of oil equivalent ("boe") of proved reserves basis and the value at which oil and gas futures are trading in the commodity markets. We believe that this spread can be captured by KMG by selling today a portion of its production for delivery over the next five years and utilizing the proceeds from such a sale, today, to immediately repurchase stock. We believe that if KMG were to follow the plan outlined below (and detailed in the attached schedule), KMG's share price would increase significantly. The plan would require KMG to take the following steps:

1. Sell the chemical business;
2. Enter into a transaction to monetize forward production and capitalize on today's

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3. high price of oil and gas, low interest rate environment and increased commodity market liquidity; and
4. Utilize the proceeds from the chemical business sale and the forward sale of a portion of KMG's future oil and gas production to buy back shares.

At KMG's current market price of \$78.99 per share (as of the close of the market on March 2, 2005), and pro-forma for the sale of its chemicals

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[03.03.05 Letter to Kerr-McGee from Icahn and Rosenstein re VPP transaction]

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SCHEDULE A

THIS SHOULD BE READ ONLY IN CONJUNCTION WITH THE ATTACHED LETTER DATED MARCH 3, 2005

KMG VALUATION: PROFORMA FOR SALE OF CHEMICALS BUSINESS AND 250 MMBOE VPP TRANSACTION AND STOCK REPURCHASE

CHEMICAL BUSINESS SALES PROCEEDS (1)		\$ 1,700,000,000
Estimated Tax Basis		1,600,000,000
Assumed Tax Rate		35%

ESTIMATED AFTER-TAX PROCEEDS FROM THE CHEMICAL SALE		\$ 1,665,000,000
VPP BOE's Sold		250,000,000
Estimated VPP Sales Proceeds per BOE	\$	35.00

ESTIMATED VPP SALES PROCEEDS		\$ 8,750,000,000
ESTIMATED PROCEEDS AVAILABLE FOR STOCK PURCHASES		\$ 10,415,000,000
ASSUMED STOCK REPURCHASE PRICE PER SHARE	\$	90.00
Diluted Shares Outstanding at 12/31/04 (Per KMG 2004 Earnings Release)		161,706,000
Assumed Shares Repurchased		115,722,222
Pro Forma Shares Outstanding after Assumed Repurchases		45,983,778
Total Proved Reserves at 12/31/04 (Per KMG 2004 Earnings Release)		1,200,000,000
Proved Producing Reserves Sold in VPP Transaction		250,000,000

Total Proved Reserves after VPP Transaction		950,000,000
Calculated Current Value of KMG Per Proved Reserve (2)	\$	11.80
IMPLIED ENTERPRISE VALUE OF REMAINING KMG RESERVES @ \$11.80 PER BOE		\$11,210,000,000
Value Attributed to KMG Exploratory Acreage and Other Assets		-
Less Current KMG Net Debt (Per KMG 2004 Earnings Release)	\$	3,189,100,000
Present Value of Cost Associated with VPP Production (ASSUMED AT \$6.0 PER BOE GROWN AT 15% PER ANNUM, DISCOUNTED AT 8% COST OF CAPITAL)		1,581,000,000

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ESTIMATED PRESENT VALUE OF VPP TAX LIABILITY	1,330,000,000
REMAINDER EQUALS PRO FORMA KMG EQUITY VALUE	\$ 5,109,900,000
Divided by Pro Forma KMG Shares Outstanding	45,983,778
RESULTS IN PRO FORMA KMG VALUE PER SHARE @ \$11.80 PER BOE	\$ 111.12

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EFFECT ON KMG'S SHARE PRICE ASSUMING A \$12.80 PER BOE VALUATION OF PROVED RESERVES

Current Assumed E&P Comparable Company Value of Public Market Proved Reserves (3)	\$ 12.80
IMPLIED ENTERPRISE VALUE OF REMAINING KMG RESERVES @ \$12.80 PER BOE	\$12,160,000,000
Value Attributed to KMG Exploratory Acreage and Other Assets	-
Less Current KMG Net Debt (Per KMG 2004 Earnings Release)	\$ 3,189,100,000
Present Value of Cost Associated with VPP Production (ASSUMED AT \$6.0 PER BOE GROWN AT 15% PER ANNUM, DISCOUNTED AT 8% COST OF CAPITAL)	1,581,000,000
ESTIMATED PRESENT VALUE OF VPP TAX LIABILITY	1,330,000,000
REMAINDER EQUALS PRO FORMA KMG EQUITY VALUE	\$ 6,059,900,000
Divided by Pro Forma KMG Shares Outstanding	45,983,778
RESULTS IN PRO FORMA KMG VALUE PER SHARE AT \$12.80 PER BOE	\$ 131.78

Notes:

(1) Assumes Chemical business is sold for the mid-point of KMG management's estimated valuation range as of January 26, 2005.

(2) KMG currently is trading at approximately \$11.80 per boe of proved reserve after deducting the value of the Chemical business at the mid-point of KMG management's estimated valuation range as of January 26, 2005.

(3) Assumes KMG trades at \$12.80 per boe of proved reserves. \$12.95 represents the comparable company valuation on a per boe of proved reserves basis (Based on 2004 Earnings Releases for each company.) Comps. are comprised of Apache, Devon, Chesapeake and XTO Energy.

THIS SHOULD BE READ ONLY IN CONJUNCTION WITH THE ATTACHED LETTER DATED MARCH 3, 2005

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EXHIBIT B

TRANSACTIONS IN THE SHARES BY THE REPORTING PERSON DURING THE PAST 60 DAYS

Date of Purchase (Sale)	Shares of Common Stock Purchased (Sold)	Price per Share (\$)
12/16/04	100,000	59.0389
12/22/04	100,000	58.3149
12/30/04	35,000	58.1890
01/03/05	100,000	56.9715
01/04/05	65,000	55.8455
01/07/05	75,000	56.4429
01/13/05	27,400	58.5759
01/13/05	100,000	58.7622
01/14/05	500	58.6570
01/14/05	100,000	58.7027
01/18/05	50,000	59.7400
01/20/05	98,000	58.3727
01/21/05	25,000	59.6000
01/24/05	50,000	60.0846
01/25/05	75,000	60.3329
01/26/05	125,000	59.6540
01/27/05	100,000	60.7730
01/28/05	75,000	60.4541
01/31/05	200,000	61.6390
01/31/05	245,000	61.7078

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01/31/05	10,700	61.4280
01/31/05	22,800	60.4686
02/01/05	150,000	62.5734
02/04/05	200,000	62.9580
02/04/05	1,400	62.8050
02/07/05	80,300	63.6141
02/07/05	45,000	64.2684
02/08/05	100,000	64.3024
02/11/05	50,000	66.8984
02/14/05	100,000	67.3423
02/14/05	100,000	67.5628
02/14/05	50,000	67.6016
02/15/05	95,000	68.2814
02/15/05	100,000	68.6418
02/15/05	100,000	68.3215
02/15/05	100,000	68.4526
03/01/05	(250,000) *	60.0000

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*Sold pursuant to an option that had been issued to and exercised by the Icahn Group.