

ONEOK INC /NEW/
Form 10-Q
November 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2011
OR
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 001-13643

ONEOK, Inc.
(Exact name of registrant as specified in its charter)

Oklahoma
(State or other jurisdiction of
incorporation or organization)

73-1520922
(I.R.S. Employer Identification No.)

100 West Fifth Street, Tulsa, OK
(Address of principal executive offices)

74103
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

On October 27, 2011, the Company had 102,989,141 shares of common stock outstanding.

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ONEOK, Inc.
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As used in this Quarterly Report, references to "we," "our" or "us" refer to ONEOK, Inc., an Oklahoma corporation, and its predecessors and subsidiaries, unless the context indicates otherwise.

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

INFORMATION AVAILABLE ON OUR WEBSITE

We make available on our website copies of our Annual Report, Quarterly Reports, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Our website and any contents thereof are not incorporated by reference into this report.

We also make available on our website the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T. In accordance with Rule 402 of Regulation S-T, the Interactive Data Files shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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GLOSSARY

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

AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2010
ASU	Accounting Standards Update
Bbl	Barrels, 1 barrel is equivalent to 42 United States gallons
Bbl/d	Barrels per day
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Btu(s)	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit
Bushton Plant	Bushton Gas Processing Plant
CFTC	Commodities Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Act Amendments of 1972, as amended
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
LDCs	Local distribution companies
LIBOR	London Interbank Offered Rate
MBbl	Thousand barrels
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
MDth/d	Thousand dekatherms per day
Midwestern Gas Transmission	Midwestern Gas Transmission Company
MMBbl	Million barrels
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
Natural Gas Policy Act	Natural Gas Policy Act of 1978, as amended
NGL products	Marketable natural gas liquid purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline
NGL(s)	Natural gas liquid(s)
Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
OBPI	ONEOK Bushton Processing, L.L.C., formerly ONEOK Bushton Processing, Inc.
OCC	Oklahoma Corporation Commission

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ONEOK

ONEOK, Inc.

ONEOK 2011 Credit Agreement ONEOK's five-year, \$1.2 billion revolving credit agreement dated April 5, 2011

ONEOK Credit Agreement ONEOK's amended and restated \$1.2 billion revolving credit agreement dated
July 14, 2006

ONEOK Partners

ONEOK Partners, L.P.

ONEOK Partners 2011 Credit Agreement ONEOK Partners' five-year, \$1.2 billion revolving credit agreement dated
August 1, 2011

ONEOK Partners Credit Agreement ONEOK Partners' \$1.0 billion amended and restated revolving credit agreement
dated March 30, 2007

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ONEOK Partners GP	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the sole general partner of ONEOK Partners
OPIS	Oil Price Information Service
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
RRC	Railroad Commission of Texas
S&P	Standard & Poor's Financial Services LLC
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
XBRL	eXtensible Business Reporting Language

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PART I - FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 ONEOK, Inc. and Subsidiaries
 CONSOLIDATED STATEMENTS OF
 INCOME

(Unaudited)	2011	Three Months Ended September 30,		Nine Months Ended September 30,	
		2010	2011	2010	2011
(Thousands of dollars, except per share amounts)					
Revenues	\$	3,595,191	\$ 2,942,703	\$ 10,976,555	\$ 9,673,802
Cost of sales and fuel		3,061,198	2,491,333	9,287,365	8,145,035
Net margin		533,993	451,370	1,689,190	1,528,767
Operating expenses					
Operations and maintenance		186,935	183,893	581,338	542,643
Depreciation and amortization		75,986	77,234	234,201	230,600
General taxes		22,122	19,465	77,026	67,643
Total operating expenses		285,043	280,592	892,565	840,886
Gain (loss) on sale of assets		(69)	16,126	(791)	15,068
Operating income		248,881	186,904	795,834	702,949
Equity earnings from investments (Note J)		32,029	29,390	93,665	71,182
Allowance for equity funds used during construction		759	266	1,625	748
Other income		124	6,710	1,027	4,966
Other expense		(13,318)	(2,097)	(13,571)	(5,338)
Interest expense		(73,841)	(70,907)	(228,688)	(222,788)
Income before income taxes		194,634	150,266	649,892	551,719
Income taxes		(33,754)	(29,965)	(154,900)	(158,324)
Net income		160,880	120,301	494,992	393,395
Less: Net income attributable to noncontrolling interests		100,559	65,006	249,399	141,837
Net income attributable to ONEOK	\$	60,321	\$ 55,295	\$ 245,593	\$ 251,558
Earnings per share of common stock (Note H)					
Net earnings per share, basic	\$	0.58	\$ 0.52	\$ 2.33	\$ 2.37
Net earnings per share, diluted	\$	0.57	\$ 0.51	\$ 2.28	\$ 2.34
Average shares of common stock (thousands)					
Basic		103,303	106,443	105,220	106,310
Diluted		105,970	107,651	107,727	107,415
Dividends declared per share of common stock					
	\$	0.56	\$ 0.46	\$ 1.60	\$ 1.34

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Unaudited)	September 30, 2011	December 31, 2010
Assets	(Thousands of dollars)	
Current assets		
Cash and cash equivalents	\$ 148,407	\$ 31,034
Accounts receivable, net	1,141,132	1,332,726
Gas and natural gas liquids in storage	658,059	708,933
Commodity imbalances	105,884	94,854
Energy marketing and risk management assets (Notes B and C)	56,301	61,940
Other current assets	202,260	149,558
Total current assets	2,312,043	2,379,045
Property, plant and equipment		
Property, plant and equipment	10,709,417	9,854,485
Accumulated depreciation and amortization	2,690,104	2,541,302
Net property, plant and equipment	8,019,313	7,313,183
Investments and other assets		
Goodwill and intangible assets	1,016,044	1,022,894
Energy marketing and risk management assets (Notes B and C)	24,232	1,921
Investments in unconsolidated affiliates (Note J)	1,224,397	1,188,124
Other assets	575,095	594,008
Total investments and other assets	2,839,768	2,806,947
Total assets	\$ 13,171,124	\$ 12,499,175

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

(Unaudited)	September 30, 2011	December 31, 2010
	(Thousands of dollars)	
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 365,253	\$ 643,236
Notes payable (Note D)	650,000	556,855
Accounts payable	1,241,633	1,215,468
Commodity imbalances	236,365	288,494
Energy marketing and risk management liabilities (Notes B and C)	130,993	22,800
Other current liabilities	352,520	424,259
Total current liabilities	2,976,764	3,151,112
Long-term debt, excluding current maturities (Note E)	4,532,053	3,686,542
Deferred credits and other liabilities		
Deferred income taxes	1,386,959	1,171,997
Energy marketing and risk management liabilities (Notes B and C)	1,135	2,221
Other deferred credits	592,153	566,462
Total deferred credits and other liabilities	1,980,247	1,740,680
Commitments and contingencies (Note L)		
Equity (Note F)		
ONEOK shareholders' equity:		
Common stock, \$0.01 par value:		
authorized 300,000,000 shares; issued 122,895,643 shares and outstanding 102,982,759 shares at September 30, 2011; issued 122,815,636 shares and outstanding 106,815,582 shares at December 31, 2010	1,229	1,228
Paid-in capital	1,404,087	1,392,671
Accumulated other comprehensive loss (Note G)	(174,573)	(108,802)
Retained earnings	1,903,056	1,826,800
Treasury stock, at cost: 19,912,884 shares at September 30, 2011 and 16,000,054 shares at December 31, 2010	(947,839)	(663,274)
Total ONEOK shareholders' equity	2,185,960	2,448,623
Noncontrolling interests in consolidated subsidiaries	1,496,100	1,472,218
Total equity	3,682,060	3,920,841
Total liabilities and equity	\$ 13,171,124	\$ 12,499,175

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH
FLOWS

(Unaudited)	2011	Nine Months Ended September 30, 2010
		(Thousands of dollars)
Operating Activities		
Net income	\$ 494,992	\$ 393,395
Depreciation and amortization	234,201	230,600
Allowance for equity funds used during construction	(1,625)	(748)
Loss (gain) on sale of assets	791	(15,068)
Equity earnings from investments	(93,665)	(71,182)
Distributions received from unconsolidated affiliates	87,151	69,889
Deferred income taxes	200,961	94,997
Share-based compensation expense	39,297	15,949
Other	(1,260)	3,853
Changes in assets and liabilities:		
Accounts receivable	194,631	567,141
Gas and natural gas liquids in storage	26,975	(158,873)
Accounts payable	(401)	(363,285)
Commodity imbalances, net	(63,159)	(71,840)
Unrecovered purchased gas costs	(28,676)	72,431
Energy marketing and risk management assets and liabilities	(12,705)	118,319
Fair value of firm commitments	(18,204)	(91,575)
Other assets and liabilities	(29,685)	(33,972)
Cash provided by operating activities	1,029,619	760,031
Investing Activities		
Capital expenditures (less allowance for equity funds used during construction)	(862,310)	(356,289)
Distributions received from unconsolidated affiliates	16,158	9,342
Contributions to unconsolidated affiliates	(51,686)	(1,313)
Proceeds from sale of assets	951	424,740
Other	-	2,968
Cash provided by (used in) investing activities	(896,887)	79,448
Financing Activities		
Borrowing (repayment) of notes payable, net	93,145	(555,485)
Issuance of debt, net of discounts	1,295,450	-
Long-term debt financing costs	(10,986)	-
Payment of debt	(724,405)	(259,648)
Repurchase of common stock	(300,108)	(5)
Issuance of common stock	7,142	9,357
Issuance of common units, net of discounts	-	322,701
Dividends paid	(169,337)	(142,426)
Distributions to noncontrolling interests	(206,260)	(192,889)
Cash used in financing activities	(15,359)	(818,395)
Change in cash and cash equivalents	117,373	21,084
Cash and cash equivalents at beginning of period	31,034	29,399
Cash and cash equivalents at end of period	\$ 148,407	\$ 50,483

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	ONEOK Shareholders' Equity			
	Common Stock Issued (Shares)	Common Stock	Paid-in Capital (Thousands of dollars)	Accumulated Other Comprehensive Loss
December 31, 2010	122,815,636	\$ 1,228	\$ 1,392,671	\$ (108,802)
Net income	-	-	-	-
Other comprehensive loss	-	-	-	(65,771)
Repurchase of common stock	-	-	-	-
Common stock issued	80,007	1	11,416	-
Common stock dividends - \$1.60 per share	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-
September 30, 2011	122,895,643	\$ 1,229	\$ 1,404,087	\$ (174,573)

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY
(Continued)

(Unaudited)	ONEOK Shareholders' Equity			Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	Retained Earnings	Treasury Stock			
			(Thousands of dollars)		
December 31, 2010	\$ 1,826,800	\$ (663,274)		\$ 1,472,218	\$ 3,920,841
Net income	245,593	-		249,399	494,992
Other comprehensive loss	-	-		(19,257)	(85,028)
Repurchase of common stock	-	(300,108)		-	(300,108)
Common stock issued	-	15,543		-	26,960
Common stock dividends - \$1.60 per share	(169,337)	-		-	(169,337)
Distributions to noncontrolling interests	-	-		(206,260)	(206,260)
September 30, 2011	\$ 1,903,056	\$ (947,839)		\$ 1,496,100	\$ 3,682,060

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CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands of dollars)			
Net income	\$ 160,880	\$ 120,301	\$ 494,992	\$ 393,395
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on energy marketing and risk management assets/liabilities, net of tax of \$14,194, \$(24,044), \$10,487 and \$(47,571), respectively	(37,842)	39,808	(38,004)	97,334
Realized gains in net income, net of tax of \$10,193, \$13,119, \$22,127 and \$21,889, respectively	(15,814)	(23,091)	(32,522)	(34,866)
Unrealized holding losses on available-for-sale securities, net of tax of \$31, \$65, \$234 and \$234, respectively	(331)	(104)	(370)	(370)
Change in pension and postretirement benefit plan liability, net of tax of \$2,947, \$2,533, \$8,842 and \$7,599, respectively	(4,672)	(4,016)	(14,017)	(12,048)
Other, net of tax of \$11, \$(11), \$73 and \$(34), respectively	(18)	18	(115)	53
Total other comprehensive income (loss), net of tax	(58,677)	12,615	(85,028)	50,103
Comprehensive income	102,203	132,916	409,964	443,498
Less: Comprehensive income attributable to noncontrolling interests	85,189	64,403	230,142	163,595
Comprehensive income attributable to ONEOK	\$ 17,014	\$ 68,513	\$ 179,822	\$ 279,903
See accompanying Notes to Consolidated Financial Statements.				

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ONEOK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. These statements have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The 2010 year-end consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements in our Annual Report. Due to the seasonal nature of our business, the results of operations for the three and nine months ended September 30, 2011, are not necessarily indicative of the results that may be expected for a 12-month period.

Our significant accounting policies are consistent with those disclosed in Note A of the Notes to Consolidated Financial Statements in our Annual Report.

Goodwill and Indefinite-lived Intangible Assets Impairment Tests - We assess our goodwill and indefinite-lived intangible assets for impairment at least annually on July 1. Our July 1, 2011, estimates of the fair value of each of our reporting units and indefinite-lived assets significantly exceeded their carrying values. Accordingly, no impairment charges were necessary.

Recently Issued Accounting Standards Updates - In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements," which requires separate disclosure of purchases, sales, issuances and settlements in the reconciliation of our Level 3 fair value measurements. We adopted this guidance with our March 31, 2011, Quarterly Report, and the impact was not material. Other provisions of ASU 2010-06 were adopted in 2010.

In May 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)," which provides a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS. This new guidance changes some fair value measurement principles and disclosure requirements. We are evaluating the impact of this guidance, which will be adopted beginning with our March 31, 2012, Quarterly Report.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income," which provides two options for presenting items of net income, comprehensive income and total comprehensive income, by either creating one continuous statement of comprehensive income or two separate consecutive statements and requires certain other disclosures. We are evaluating the impact of this guidance, which will be adopted beginning with our March 31, 2012, Quarterly Report.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment," which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under the amendments in this update, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. An entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may also resume performing the qualitative assessment in any subsequent period. We are evaluating the impact of this guidance, which will be

adopted beginning with our July 1, 2012, goodwill impairment test.

B. FAIR VALUE MEASUREMENTS

Determining Fair Value - We define fair value as the price that would be received from the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. We use the market and income approaches to determine the fair value of our assets and liabilities and consider the markets in which the transactions are executed. While many of the contracts in our portfolio are executed in liquid markets where price transparency exists, some contracts are executed in markets for which market prices may exist, but the market may be relatively inactive. This results in limited price transparency that requires management's judgment and assumptions to estimate fair values. Inputs into our fair value estimates include commodity exchange prices, over-the-counter quotes, volatility, historical correlations of pricing data and LIBOR, and other liquid money market instrument rates. We also utilize internally developed basis curves that incorporate observable and unobservable market data. We validate our valuation inputs with third-party information and

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settlement prices from other sources, where available. In addition, as prescribed by the income approach, we compute the fair value of our derivative portfolio by discounting the projected future cash flows from our derivative assets and liabilities to present value using interest-rate yields to calculate present-value discount factors derived from LIBOR, Eurodollar futures and interest-rate swaps. We also take into consideration the potential impact on market prices of liquidating positions in an orderly manner over a reasonable period of time under current market conditions. We consider current market data in evaluating counterparties', as well as our own, nonperformance risk, net of collateral, by using specific and sector bond yields and also monitoring the credit default swap markets. Although we use our best estimates to determine the fair value of the derivative contracts we have executed, the ultimate market prices realized could differ from our estimates, and the differences could be material.

Recurring Fair Value Measurements - The following tables set forth our recurring fair value measurements for the periods indicated:

	Level 1	Level 2	September 30, 2011 Level 3	Netting	Total
	(Thousands of dollars)				
Assets					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$ 217,739	\$ 32,689	\$ 56,505	\$ -	\$ 306,933
Physical contracts	-	10,225	16,220	-	26,445
Netting	-	-	-	(252,845)	(252,845)
Total derivatives	217,739	42,914	72,725	(252,845)	80,533
Trading securities (b)	5,814	-	-	-	5,814
Available-for-sale investment securities (c)	1,971	-	-	-	1,971
Total assets	\$ 225,524	\$ 42,914	\$ 72,725	\$ (252,845)	\$ 88,318
Liabilities					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$ (192,313)	\$ (1,985)	\$ (44,058)	\$ -	\$ (238,356)
Physical contracts	-	(1,001)	(2,934)	-	(3,935)
Netting	-	-	-	222,416	222,416
Interest-rate contracts	-	(112,253)	-	-	(112,253)
Total derivatives	(192,313)	(115,239)	(46,992)	222,416	(132,128)
Fair value of firm commitments (d)	-	-	(11,331)	-	(11,331)
Total liabilities	\$ (192,313)	\$ (115,239)	\$ (58,323)	\$ 222,416	\$ (143,459)

(a) - Included in our Consolidated Balance Sheets as energy marketing and risk management assets and liabilities on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and us. At September 30, 2011, we held \$30.4 million of cash collateral from various counterparties.

(b) - Included in our Consolidated Balance Sheets as other current assets.

(c) - Included in our Consolidated Balance Sheets as other assets.

(d) - Included in our Consolidated Balance Sheets as other current liabilities and other deferred credits.

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	December 31, 2010				
	Level 1	Level 2	Level 3	Netting	Total
	(Thousands of dollars)				
Assets					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$ 127,789	\$ 1,755	\$ 152,639	\$ -	\$ 282,183
Physical contracts	-	13,185	20,391	-	33,576
Netting	-	-	-	(251,898)	(251,898)
Total derivatives	127,789	14,940	173,030	(251,898)	63,861
Trading securities (b)	7,591	-	-	-	7,591
Available-for-sale investment securities (c)	2,574	-	-	-	2,574
Total assets	\$ 137,954	\$ 14,940	\$ 173,030	\$ (251,898)	\$ 74,026
Liabilities					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$ (64,768)	\$ (3,241)	\$ (119,430)	\$ -	\$ (187,439)
Physical contracts	-	(3,763)	(4,334)	-	(8,097)
Netting	-	-	-	170,515	170,515
Total derivatives	(64,768)	(7,004)	(123,764)	170,515	(25,021)
Fair value of firm commitments (d)	-	-	(29,536)	-	(29,536)
Total liabilities	\$ (64,768)	\$ (7,004)	\$ (153,300)	\$ 170,515	\$ (54,557)

(a) - Included in our Consolidated Balance Sheets as energy marketing and risk management assets and liabilities on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and us. At December 31, 2010, we held \$82.5 million of cash collateral and posted \$1.1 million of cash collateral with various counterparties.

(b) - Included in our Consolidated Balance Sheets as other current assets.

(c) - Included in our Consolidated Balance Sheets as other assets.

(d) - Included in our Consolidated Balance Sheets as other current liabilities and other deferred credits.

Our Level 1 fair value measurements are based on NYMEX-settled prices and actively quoted prices for equity securities. These balances are comprised predominantly of exchange-traded derivative contracts, including futures and certain options for natural gas and crude oil, which are valued based on unadjusted quoted prices in active markets. Also included in Level 1 are equity securities.

Our Level 2 fair value inputs are based on NYMEX-settled prices for natural gas and crude oil that are utilized to determine the fair value of certain non-exchange-traded financial instruments, including natural gas and crude oil swaps, as well as physical forwards. Also, included in Level 2 are interest-rate swaps that are valued using financial models that incorporate the implied forward LIBOR yield curve for the same period as the future interest swap settlements.

Our Level 3 inputs include internally developed basis curves incorporating observable and unobservable market data, NGL price curves from a pricing service, historical correlations of NGL product prices to published NYMEX crude oil prices, market volatilities derived from the most recent NYMEX close spot prices and forward LIBOR curves, and adjustments for the credit risk of our counterparties. We corroborate the data on which our fair value estimates are based using our market knowledge of recent transactions, analysis of historical correlations and validation with independent broker quotes or a pricing service. The derivatives categorized as Level 3 include natural gas basis

swaps, swing swaps, options, other commodity swaps and physical forward contracts. Also included in Level 3 are the fair values of firm commitments. We do not believe that our Level 3 fair value estimates have a material impact on our results of operations, as the majority of our derivatives are accounted for as hedges for which ineffectiveness is not material.

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The following tables set forth the reconciliation of our Level 3 fair value measurements for the periods indicated:

	Derivative Assets (Liabilities)	Fair Value of Firm Commitments	Total
	(Thousands of dollars)		
July 1, 2011	\$23,858	\$ (21,212)	\$2,646
Total realized/unrealized gains (losses):			
Included in earnings (a)	(5,444)	9,881	4,437
Included in other comprehensive income (loss)	9,717	-	9,717
Transfers into Level 3	1,284	-	1,284
Transfers out of Level 3	(3,682)	-	(3,682)
September 30, 2011	\$25,733	\$ (11,331)	\$14,402

Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2011 (a)	\$14,115	\$ (3,229)	\$10,886
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(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

	Derivative Assets (Liabilities)	Fair Value of Firm Commitments	Total
	(Thousands of dollars)		
July 1, 2010	\$89,112	\$ (65,653)	\$23,459
Total realized/unrealized gains (losses):			
Included in earnings (a)	(12,885)	22,608	9,723
Included in other comprehensive income (loss)	(8,161)	-	(8,161)
Transfers into Level 3	-	-	-
Transfers out of Level 3	(3,483)	-	(3,483)
September 30, 2010	\$64,583	\$ (43,045)	\$21,538

Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2010 (a)	\$15,542	\$ (8,655)	\$6,887
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(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

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	Derivative Assets (Liabilities)	Fair Value of Firm Commitments (Thousands of dollars)	Total
January 1, 2011	\$ 49,266	\$ (29,536)	\$ 19,730
Total realized/unrealized gains (losses):			
Included in earnings (a)	(28,352)	18,205	(10,147)
Included in other comprehensive income (loss)	1,160	-	1,160
Transfers into Level 3	4,739	-	4,739
Transfers out of Level 3	(1,080)	-	(1,080)
September 30, 2011	\$ 25,733	\$ (11,331)	\$ 14,402
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2011 (a)	\$ 20,620	\$ (6,978)	\$ 13,642

(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

	Derivative Assets (Liabilities)	Fair Value of Firm Commitments (Thousands of dollars)	Total
January 1, 2010	\$ 136,694	\$ (134,620)	\$ 2,074
Total realized/unrealized gains (losses):			
Included in earnings (a)	(69,241)	91,575	22,334
Included in other comprehensive income (loss)	13,544	-	13,544
Transfers into Level 3	1,342	-	1,342
Transfers out of Level 3	(17,756)	-	(17,756)
September 30, 2010	\$ 64,583	\$ (43,045)	\$ 21,538
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2010 (a)	\$ 15,513	\$ 208	\$ 15,721

(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

Realized/unrealized gains (losses) include the realization of our derivative contracts through maturity and changes in fair value of our hedged firm commitments. We recognize transfers into and out of Level 3 as of the end of each reporting period. Transfers into Level 3 represent existing assets or liabilities that were previously categorized at a higher level for which the unobservable inputs became a more significant portion of the fair value estimates. Transfers out of Level 3 represent existing assets and liabilities that were classified previously as Level 3 for which the observable inputs became a more significant portion of the fair value estimates.

Other Financial Instruments - The approximate fair value of cash and cash equivalents, accounts receivable, accounts payable and notes payable is equal to book value, due to the short-term nature of these items.

The estimated fair value of our consolidated long-term debt, including current maturities, was \$5.4 billion at September 30, 2011, and \$4.7 billion at December 31, 2010. The book value of long-term debt, including current maturities, was \$4.9 billion and \$4.3 billion at September 30, 2011, and December 31, 2010, respectively. The

estimated fair value of long-term debt has been determined using quoted market prices of ONEOK's and ONEOK Partners' senior notes or similar issues with similar terms and maturities.

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C. RISK MANAGEMENT AND HEDGING ACTIVITIES USING DERIVATIVES

Our Energy Services and ONEOK Partners segments are exposed to various risks that we manage by periodically entering into derivative instruments. These risks include the following:

- Commodity price risk - We are exposed to the risk of loss in cash flows and future earnings arising from adverse changes in the price of natural gas, NGLs and crude oil. We use commodity derivative instruments such as futures, physical forward contracts, swaps and options to reduce the commodity price risk associated with a portion of the forecasted purchases and sales of commodities and natural gas and natural gas liquids in storage. Commodity price volatility may have a significant impact on the fair value of our derivative instruments as of a given date;
- Basis risk - We are exposed to the risk of loss in cash flows and future earnings arising from adverse changes in the price differentials between pipeline receipt and delivery locations. Our firm transportation capacity allows us to purchase natural gas at a pipeline receipt point and sell natural gas at a pipeline delivery point. As market conditions permit, our Energy Services segment periodically enters into basis swaps between the transportation receipt and delivery points in order to protect the fair value of these location price differentials related to our firm commitments;
- Currency exchange rate risk - As a result of our Energy Services segment's activities in Canada, we are exposed to the risk of loss in cash flows and future earnings from adverse changes in currency exchange rates on our commodity purchases and sales, primarily related to our firm transportation and storage contracts that are transacted in a currency other than our functional currency, the United States dollar. To reduce our exposure to exchange-rate fluctuations, we use physical forward transactions, which result in an actual two-way flow of currency on the settlement date in which we exchange United States dollars for Canadian dollars with another party; and
- Interest-rate risk - We are also subject to fluctuations in interest rates. We manage interest-rate risk through the use of fixed-rate debt, floating-rate debt and, at times, interest-rate swaps.

The following derivative instruments are used to manage our exposure to these risks:

- Futures contracts - Standardized exchange-traded contracts to purchase or sell natural gas and crude oil at a specified price, requiring delivery on or settlement through the sale or purchase of an offsetting contract by a specified future date under the provisions of exchange regulations;
- Forward contracts - Commitments to purchase or sell natural gas, crude oil or NGLs for physical delivery at some specified time in the future. We also use currency forward contracts to manage our currency exchange rate risk. Forward contracts are different from futures in that forwards are customized and nonexchange traded;
- Swaps - Financial trades involving the exchange of payments based on two different pricing structures for a commodity or other instrument. In a typical commodity swap, parties exchange payments based on changes in the price of a commodity or a market index, while fixing the price they effectively pay or receive for the physical commodity. As a result, one party assumes the risks and benefits of movements in market prices, while the other party assumes the risks and benefits of a fixed price for the commodity. Interest-rate swaps are agreements to exchange interest payments at some future point based on specified notional amounts; and
- Options - Contractual agreements that give the holder the right, but not the obligation, to buy or sell a fixed quantity of a commodity, at a fixed price, within a specified period of time. Options may either be standardized and exchange traded or customized and nonexchange traded.

Our objectives for entering into such contracts include but are not limited to:

- reducing the variability of cash flows by locking in the price for all or a portion of anticipated index-based physical purchases and sales, transportation fuel requirements, asset management transactions and customer-related business activities;
-

locking in a price differential to protect the fair value between transportation receipt and delivery points and to protect the fair value of natural gas or NGLs that are purchased in one month and sold in a later month;

- reducing our exposure to fluctuations in interest and foreign currency exchange rates; and
- reducing variability in cash flows from changes in interest rates associated with forecasted debt issuances.

Our Energy Services segment also enters into derivative contracts for financial trading purposes primarily to capitalize on opportunities created by market volatility, weather-related events, supply-demand imbalances and market liquidity inefficiencies, which allow us to capture additional margin. Financial trading activities are executed generally using financially settled derivatives and are normally short term in nature.

With respect to the net open positions that exist within our marketing and financial trading operations, fluctuating commodity prices can impact our financial position and results of operations. The net open positions are actively managed, and the impact of the changing prices on our financial condition at a point in time is not necessarily indicative of the impact of price movements throughout the year.

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Our Distribution segment also uses derivative instruments to hedge the cost of anticipated natural gas purchases during the winter heating months to protect our customers from upward volatility in the market price of natural gas. The use of these derivative instruments and the associated recovery of these costs have been approved by the OCC, KCC and regulatory authorities in certain of our Texas jurisdictions.

At September 30, 2011, we and ONEOK Partners had forward-starting interest-rate swaps that have been designated as cash flow hedges of the variability of interest payments on a portion of forecasted debt issuances that may result from changes in the benchmark interest rate before the debt is issued. At December 30, 2010, we and ONEOK Partners did not have any interest-rate swap agreements.

Accounting Treatment

We record all derivative instruments at fair value, with the exception of normal purchases and normal sales that are expected to result in physical delivery. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it.

If certain conditions are met, we may elect to designate a derivative instrument as a hedge of exposure to changes in fair values, cash flows or foreign currency. Certain nontrading derivative transactions, which are economic hedges of our accrual transactions such as our storage and transportation contracts, do not qualify for hedge accounting treatment.

The table below summarizes the various ways in which we account for our derivative instruments and the impact on our consolidated financial statements:

Accounting Treatment	Recognition and Measurement		
	Balance Sheet	Income Statement	
Normal purchases and normal sales	- Fair value not recorded	-	Change in fair value not recognized in earnings
Mark-to-market	- Recorded at fair value	-	Change in fair value recognized in earnings
Cash flow hedge	- Recorded at fair value	-	Ineffective portion of the gain or loss on the derivative instrument is recognized in earnings
	- Effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (loss)	-	Effective portion of the gain or loss on the derivative instrument is reclassified out of accumulated other comprehensive income (loss) into earnings when the forecasted transaction affects earnings
Fair value hedge	- Recorded at fair value	-	The gain or loss on the derivative instrument is recognized in earnings
	- Change in fair value of the hedged item is recorded as an adjustment to book value	-	Change in fair value of the hedged item is recognized in earnings

Gains or losses associated with the fair value of derivative instruments entered into by our Distribution segment are included in, and recoverable through, the monthly purchased-gas cost mechanism.

We formally document all relationships between hedging instruments and hedged items, as well as risk-management objectives, strategies for undertaking various hedge transactions and methods for assessing and testing correlation and hedge ineffectiveness. We specifically identify the asset, liability, firm commitment or forecasted transaction that has been designated as the hedged item. We assess the effectiveness of hedging relationships quarterly by performing an effectiveness analysis on our cash flow and fair value hedging relationships to determine whether the hedge relationships are highly effective on a retrospective and prospective basis. We also document our normal purchases and normal sales transactions that we expect to result in physical delivery and that we elect to exempt from derivative accounting treatment.

The presentation of settled derivative instruments on either a gross or net basis in our Consolidated Statements of Income is dependent on the relevant facts and circumstances of our different types of activities rather than based solely on the terms of the individual contracts. All financially settled derivative instruments, as well as derivative instruments considered held for trading purposes that result in physical delivery, are reported on a net basis in revenues in our Consolidated Statements of Income. The realized revenues and purchase costs of derivative instruments that are not considered held for trading purposes and nonderivative contracts are reported on a gross basis. Derivatives that qualify as normal purchases or normal sales that are expected to result in physical delivery are also reported on a gross basis.

Revenues in our Consolidated Statements of Income include financial trading margins, as well as certain physical natural gas transactions with our trading counterparties. Revenues and cost of sales and fuel from such physical transactions are reported on a net basis.

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Cash flows from futures, forwards, options and swaps that are accounted for as hedges are included in the same category as the cash flows from the related hedged items in our Consolidated Statements of Cash Flows.

Fair Values of Derivative Instruments - The following table sets forth the fair values of our derivative instruments for the periods indicated:

	September 30, 2011		December 31, 2010	
	Fair Values of Derivatives (a)		Fair Values of Derivatives (a)	
	Assets	(Liabilities)	Assets	(Liabilities)
Derivatives designated as hedging instruments	(Thousands of dollars)			
Commodity contracts				
Financial contracts	\$ 117,892	(b) \$ (37,965)	\$ 136,040 (c)	\$ (23,843)
Physical contracts	68	(370)	-	(883)
Interest-rate contracts	-	(112,253)	-	-
Total derivatives designated as hedging instruments	117,960	(150,588)	136,040	(24,726)
Derivatives not designated as hedging instruments				
Commodity contracts				
Nontrading instruments				
Financial contracts	150,068	(163,150)	125,503	(144,940)
Physical contracts	26,377	(3,565)	33,576	(7,214)
Trading instruments				
Financial contracts	38,973	(37,241)	20,640	(18,656)
Total derivatives not designated as hedging instruments	215,418	(203,956)	179,719	(170,810)
Total derivatives	\$ 333,378	\$ (354,544)	\$ 315,759	\$ (195,536)

(a) - Included on a net basis in energy marketing and risk management assets and liabilities on our Consolidated Balance Sheets.

(b) - Includes \$23.9 million of derivative assets associated with cash flow hedges of inventory that were adjusted to reflect the lower of cost or market. The deferred gains associated with these assets have been reclassified from accumulated other comprehensive loss.

(c) - Includes \$44.9 million of derivative assets associated with cash flow hedges of inventory that were adjusted to reflect the lower of cost or market value. The deferred gains associated with these assets have been reclassified from accumulated other comprehensive loss.

Notional Quantities for Derivative Instruments - The following table sets forth the notional quantities for derivative instruments held for the periods indicated:

	Contract Type	September 30, 2011		December 31, 2010	
		Purchased/ Payor	Sold/ Receiver	Purchased/ Payor	Sold/ Receiver
Derivatives designated as hedging instruments:					
Cash flow hedges					
Fixed price					
- Natural gas (Bcf)	Exchange futures	21.2	(28.2)	0.4	(7.6)
	Swaps	16.5	(66.4)	3.0	(69.9)

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- Crude oil and NGLs (MMBbl)	Swaps	-	(3.6)	-	(1.5)
Basis					
- Natural gas (Bcf)	Forwards and swaps	2.3	(55.1)	2.8	(64.9)
Interest-rate contracts (Millions of dollars)	Forward-starting swaps	\$ 1,250.0	-	-	-
Fair value hedges					
Basis					
- Natural gas (Bcf)	Forwards and swaps	79.3	(79.3)	141.1	(141.1)
Derivatives not designated as hedging instruments:					
Fixed price					
- Natural gas (Bcf)	Exchange futures	77.3	(57.6)	34.6	(20.6)
	Forwards and swaps	235.7	(255.7)	73.6	(100.3)
	Options	86.5	(77.3)	81.0	(74.3)
- Crude and NGLs (MMBbl)	Forwards and swaps	0.1	(0.1)	0.6	(0.6)
Basis					
- Natural gas (Bcf)	Forwards and swaps	268.6	(273.6)	411.5	(419.7)
Index					
- Natural gas (Bcf)	Forwards and swaps	33.5	(23.2)	33.6	(6.1)

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These notional amounts are used to summarize the volume of financial instruments; however, they do not reflect the extent to which the positions offset one another and consequently do not reflect our actual exposure to market or credit risk.

Cash Flow Hedges - Our Energy Services and ONEOK Partners segments use derivative instruments to hedge the cash flows associated with anticipated purchases and sales of natural gas, NGLs and condensate and cost of fuel used in the transportation of natural gas. Accumulated other comprehensive income (loss) at September 30, 2011, includes gains of approximately \$11.6 million, net of tax, related to these hedges that will be recognized within the next 27 months as the forecasted transactions affect earnings. If prices remain at current levels, we will recognize \$6.3 million in net gains over the next 12 months, and we will recognize net gains of \$5.3 million thereafter. The amounts deferred in accumulated comprehensive income (loss) attributable to our interest-rate swaps will be amortized to interest expense over the life of long-term, fixed-rate debt upon issuance of the debt.

For the three and nine months ended September 30, 2011, cost of sales and fuel in our Consolidated Statements of Income includes \$23.9 million, reflecting an adjustment to natural gas inventory at the lower of cost or market value. We reclassified this amount of deferred gains, before income taxes, on associated cash flow hedges from accumulated other comprehensive income (loss) into earnings in 2011.

For the three and nine months ended September 30, 2010, cost of sales and fuel in our Consolidated Statements of Income includes \$47.4 million and \$58.7 million, respectively, reflecting adjustments to natural gas inventory at the lower of cost or market value. We reclassified these amounts of deferred gains, before income taxes, on associated cash flow hedges from accumulated other comprehensive income (loss) into earnings in 2010.

The following table sets forth the effect of cash flow hedges recognized in other comprehensive income (loss) for periods indicated:

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands of dollars)			
Commodity contracts	\$ 60,217	\$ 63,852	\$ 63,762	\$ 144,905
Interest-rate contracts	(112,253)	-	(112,253)	-
Total gain (loss) recognized in other comprehensive income (loss) on derivatives (effective portion)	\$ (52,036)	\$ 63,852	\$ (48,491)	\$ 144,905

The following tables set forth the effect of cash flow hedges on our Consolidated Statements of Income for the periods indicated:

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Net Income (Effective Portion)	Three Months Ended	
		September 30, 2011	2010
		(Thousands of dollars)	
Commodity contracts	Revenues	\$ 2,416	\$ 9,830
Commodity contracts	Cost of sales and fuel	23,681	26,587
Interest-rate contracts	Interest expense	(90)	(207)

Total gain (loss) reclassified from accumulated other comprehensive income (loss) into net income on derivatives (effective portion) \$ 26,007 \$ 36,210

Location of Gain (Loss) Reclassified from Accumulated		Nine Months Ended	
Derivatives in Cash Flow Other Comprehensive Income (Loss) into Net Income		September 30,	
Hedging Relationships (Effective Portion)		2011	2010
		(Thousands of dollars)	
Commodity contracts	Revenues	\$ 32,292	\$ 11,243
Commodity contracts	Cost of sales and fuel	22,745	45,276
Interest-rate contracts	Interest expense	(388)	236
Total gain (loss) reclassified from accumulated other comprehensive income (loss) into net income on derivatives (effective portion)		\$ 54,649	\$ 56,755

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Ineffectiveness related to our cash flow hedges was not material for the three and nine months ended September 30, 2011 and 2010. In the event that it becomes probable that a forecasted transaction will not occur, we will discontinue cash flow hedge treatment, which will affect earnings. For the three and nine months ended September 30, 2011 and 2010, there were no gains or losses due to the discontinuance of cash flow hedge treatment because the underlying transactions were no longer probable.

Other Derivative Instruments - The following table sets forth the effect of our derivative instruments that are not part of a hedging relationship on our Consolidated Statements of Income for the periods indicated:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
(Thousands of dollars)					
Commodity contracts - trading	Revenues	\$ 1,357	\$ 2,053	\$ 1,474	\$ 5,438
Commodity contracts - nontrading (a)	Cost of sales and fuel	4,991	2,559	15,498	4,931
Foreign exchange contracts	Revenues	-	27	-	17
Total gain recognized in income on derivatives		\$ 6,348	\$ 4,639	\$ 16,972	\$ 10,386

(a) - Amounts are presented net of deferred losses associated with derivatives entered into by our Distribution segment.

Our Distribution segment held natural gas call options with premiums totaling \$12.8 million and \$16.7 million at September 30, 2011, and December 31, 2010, respectively. The premiums are recorded in other current assets as these contracts are included in, and recoverable through, the monthly purchased-gas cost mechanism. For the three and nine months ended September 30, 2011, we recognized losses of \$8.4 million and \$11.5 million, respectively, associated with the decline in value and expiration of option contracts, which were deferred as part of the unrecognized purchased gas costs. For the three and nine months ended September 30, 2010, we recognized losses of \$16.6 million and \$22.0 million, respectively, associated with the decline in value and expiration of option contracts, which were deferred as part of our unrecognized purchased gas costs.

Fair Value Hedges - In prior years, we terminated various interest-rate swap agreements. The net savings from the termination of these swaps is being recognized in interest expense over the terms of the debt instruments originally hedged. Interest expense savings from the amortization of terminated swaps for the three months ended September 30, 2011 and 2010, were \$0.6 million and \$2.5 million, respectively, and for the nine months ended September 30, 2011 and 2010, were \$3.9 million and \$7.6 million, respectively.

Our Energy Services segment uses basis swaps to hedge the fair value of price location differentials related to certain firm transportation commitments. Cost of sales and fuel in our Consolidated Statements of Income includes gains of \$3.3 million and \$12.9 million for the three and nine months ended September 30, 2011, respectively, related to the change in fair value of derivatives designated as fair value hedges. The ineffectiveness related to these hedges was not material for the three and nine months ended September 30, 2011. Revenues include losses of \$3.1 million and \$12.5 million for the three and nine months ended September 30, 2011, respectively, to recognize the change in fair value of the related hedged firm commitments.

Cost of sales and fuel in our Consolidated Statements of Income includes gains of \$4.6 million and \$0.7 million for the three and nine months ended September 30, 2010, respectively, related to the change in fair value of derivatives designated as fair value hedges. The ineffectiveness related to these hedges was not material for the three and nine months ended September 30, 2010. Revenues include losses of \$5.3 million and \$1.2 million for the three and nine months ended September 30, 2010, respectively, to recognize the change in fair value of the related hedged firm commitments.

Credit Risk - We monitor the creditworthiness of our counterparties and compliance with policies and limits established by our Risk Oversight and Strategy Committee. We maintain credit policies with regard to our counterparties that we believe minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit ratings, bond yields and credit default swap rates), collateral requirements under certain circumstances and the use of standardized master-netting agreements that allow us to net the positive and negative exposures associated with a single counterparty. We have counterparties whose credit is not rated, and for those customers we use internally developed credit ratings.

Some of our derivative instruments contain provisions that require us to maintain an investment-grade credit rating from S&P and/or Moody's. If our credit ratings on senior unsecured long-term debt were to decline below investment grade, we would be in violation of these provisions, and the counterparties to the derivative instruments could request collateralization on derivative instruments in net liability positions. The aggregate fair value of all financial derivative instruments with contingent features related to credit risk that were in a net liability position as of September 30, 2011, was \$3.1 million. If

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the contingent features underlying these agreements were triggered on September 30, 2011, we would have been required to post the entire \$3.1 million of collateral to our counterparties.

The counterparties to our derivative contracts consist primarily of major energy companies, LDCs, electric utilities, financial institutions and commercial and industrial end-users. This concentration of counterparties may impact our overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. Based on our policies, exposures, credit and other reserves, we do not anticipate a material adverse effect on our financial position or results of operations as a result of counterparty nonperformance.

The following tables set forth the net credit exposure from our derivative assets for the periods indicated:

Counterparty sector	September 30, 2011			Total
	Investment Grade	Non-investment Grade	Not Rated	
	(Thousands of dollars)			
Gas and electric utilities	\$ 15,735	\$ 266	\$ 274	\$ 16,275
Oil and gas	11,815	-	1,235	13,050
Industrial	-	-	7,770	7,770
Financial	43,436	-	-	43,436
Other	-	-	2	2
Total	\$ 70,986	\$ 266	\$ 9,281	\$ 80,533

Counterparty sector	December 31, 2010			Total
	Investment Grade	Non-investment Grade	Not Rated	
	(Thousands of dollars)			
Gas and electric utilities	\$ 33,847	\$ 1,240	\$ 678	\$ 35,765
Oil and gas	8,995	35	2,091	11,121
Industrial	18	-	7,682	7,700
Financial	9,254	-	-	9,254
Other	-	-	21	21
Total	\$ 52,114	\$ 1,275	\$ 10,472	\$ 63,861

D. CREDIT FACILITIES AND SHORT-TERM NOTES PAYABLE

ONEOK 2011 Credit Agreement - In April 2011, ONEOK entered into the ONEOK 2011 Credit Agreement, which replaced the ONEOK Credit Agreement. Under the ONEOK 2011 Credit Agreement, which is scheduled to expire in April 2016, ONEOK is required to comply with certain financial, operational and legal covenants. Among other things, these requirements include:

- a limitation on ONEOK's stand-alone debt-to-capital ratio, which may not exceed 67.5 percent at the end of any calendar quarter;
- limitations on the ratio of indebtedness secured by liens and indebtedness of subsidiaries to consolidated net tangible assets;
- a requirement that ONEOK maintains the power to control the management and policies of ONEOK Partners; and

- a limit on new investments in master limited partnerships.

The ONEOK 2011 Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, investments, fundamental changes in the nature of ONEOK's businesses, transactions with affiliates, the use of proceeds and a covenant that limits ONEOK's ability to restrict its subsidiaries' ability to pay dividends. Under the terms of the ONEOK 2011 Credit Agreement, ONEOK may request an increase in the size of the facility to an aggregate of \$1.7 billion by either commitments from new lenders or increased commitments from existing lenders.

The debt covenant calculations in the ONEOK 2011 Credit Agreement exclude the debt of ONEOK Partners. Upon breach of certain covenants by ONEOK, amounts outstanding under the ONEOK 2011 Credit Agreement may become due and payable immediately. At September 30, 2011, ONEOK's stand-alone debt-to-capital ratio, as defined by the ONEOK 2011 Credit Agreement, was 42.4 percent, and ONEOK was in compliance with all covenants under the ONEOK 2011 Credit Agreement. At September 30, 2011, ONEOK had \$650.0 million of commercial paper outstanding and \$2.0 million in letters of credit issued, leaving approximately \$548.0 million of credit available under the ONEOK 2011 Credit Agreement.

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The ONEOK 2011 Credit Agreement is available to repay our commercial paper notes, if necessary. Amounts outstanding under the commercial paper program reduce the borrowing capacity under the ONEOK 2011 Credit Agreement. The ONEOK 2011 Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in our credit rating. Borrowings, if any, will accrue at LIBOR plus 150 basis points, and the annual facility fee is 25 basis points based on our current credit rating.

ONEOK Partners 2011 Credit Agreement - On August 1, 2011, ONEOK Partners entered into the five-year, \$1.2 billion ONEOK Partners 2011 Credit Agreement, which replaced the \$1.0 billion ONEOK Partners Credit Agreement, that was due to expire March 2012. The ONEOK Partners 2011 Credit Agreement, which is scheduled to expire in August 2016, contains certain financial, operational and legal covenants. Among other things, these requirements include maintaining a ratio of indebtedness to adjusted EBITDA (EBITDA, as defined in the ONEOK Partners 2011 Credit Agreement, adjusted for all noncash charges and increased for projected EBITDA from certain lender-approved capital expansion projects) of no more than 5.0 to 1. If ONEOK Partners consummates one or more acquisitions in which the aggregate purchase price is \$25 million or more, the allowable ratio of indebtedness to adjusted EBITDA will increase to 5.5 to 1 for the three calendar quarters following the acquisitions. Upon breach of certain covenants by ONEOK Partners in the ONEOK Partners 2011 Credit Agreement, amounts outstanding under the ONEOK Partners 2011 Credit Agreement, if any, may become due and payable immediately.

The ONEOK Partners 2011 Credit Agreement includes a \$100-million sublimit for the issuance of standby letters of credit and also features an option to request an increase in the size of the facility to an aggregate of \$1.7 billion by either commitments from new lenders or increased commitments from existing lenders.

The ONEOK Partners 2011 Credit Agreement is available to repay ONEOK Partners' commercial paper notes, if necessary. Amounts outstanding under the commercial paper program reduce the borrowing capacity under the ONEOK Partners 2011 Credit Agreement. The ONEOK Partners 2011 Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in ONEOK Partners' credit rating. Borrowings, if any, will accrue at LIBOR plus 130 basis points, and the annual facility fee is 20 basis points based on ONEOK Partners' current credit rating. The ONEOK Partners 2011 Credit Agreement is guaranteed fully and unconditionally by its wholly owned subsidiary, ONEOK Partners Intermediate Limited Partnership. Borrowings under the ONEOK Partners 2011 Credit Agreement are nonrecourse to ONEOK.

At September 30, 2011, ONEOK Partners' ratio of indebtedness to adjusted EBITDA was 3.4 to 1, and ONEOK Partners was in compliance with all covenants under the ONEOK Partners Credit Agreement.

A portion of the proceeds from ONEOK Partners' January 2011 debt issuance, as discussed in Note E, was used to repay the outstanding balance of its commercial paper. At September 30, 2011, ONEOK Partners had no commercial paper outstanding, no letters of credit issued and no borrowings under the ONEOK Partners 2011 Credit Agreement. In October 2011, ONEOK Partners increased the size of its commercial paper program to \$1.2 billion.

Neither ONEOK nor ONEOK Partners guarantees the debt or other similar commitments to unaffiliated parties, and ONEOK does not guarantee the debt or other similar commitments of ONEOK Partners.

E. LONG-TERM DEBT

In January 2011, ONEOK Partners completed an underwritten public offering of \$1.3 billion of senior notes, consisting of \$650 million of 3.25-percent senior notes due 2016 and \$650 million of 6.125-percent senior notes due 2041. The net proceeds from the offering of approximately \$1.28 billion were used to repay amounts outstanding under ONEOK Partners' commercial paper program, to repay the \$225 million of ONEOK Partners' senior notes that matured in March 2011 and for general partnership purposes, including capital expenditures.

These notes are governed by an indenture, dated as of September 25, 2006, between ONEOK Partners and Wells Fargo Bank, N.A., the trustee, as supplemented. The indenture does not limit the aggregate principal amount of debt securities that may be issued and provides that debt securities may be issued from time to time in one or more additional series. The indenture contains covenants including, among other provisions, limitations on ONEOK Partners' ability to place liens on its property or assets and to sell and lease back its property. The indenture includes an event of default upon acceleration of other indebtedness of \$100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of any of ONEOK Partners' outstanding senior notes to declare those notes immediately due and payable in full.

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ONEOK Partners may redeem its 3.25-percent senior notes due 2016 and its 6.125-percent senior notes due 2041 at par starting one month and six months, respectively, before their maturity dates. Prior to these dates, ONEOK Partners may redeem these notes, in whole or in part, at any time prior to their maturity at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole premium. The redemption price will never be less than 100 percent of the principal amount of the respective note plus accrued and unpaid interest to the redemption date. The senior notes are senior unsecured obligations, ranking equally in right of payment with all of ONEOK Partners' existing and future unsecured senior indebtedness, and structurally subordinate to any of the existing and future debt and other liabilities of any nonguarantor subsidiaries.

In 2011, ONEOK repaid \$400 million of maturing senior notes and redeemed \$90.5 million of 6.4-percent senior notes with available cash and short-term borrowings.

ONEOK Partners intends to repay \$350 million of 5.9-percent senior notes that mature in April 2012 with a combination of cash on hand and short-term borrowings.

F. EQUITY

The following tables set forth the changes in equity attributable to us and our noncontrolling interests, including other comprehensive income, net of tax, for the periods indicated:

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	ONEOK Shareholders' Equity	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity	ONEOK Shareholders' Equity	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	(Thousands of dollars)					
Beginning balance	\$ 2,217,089	\$ 1,480,615	\$ 3,697,704	\$ 2,387,229	\$ 1,483,345	\$ 3,870,574
Net income	60,321	100,559	160,880	55,295	65,006	120,301
Other comprehensive income (loss)	(43,307)	(15,370)	(58,677)	13,218	(603)	12,615
Repurchase of common stock	(3)	-	(3)	-	-	-
Common stock issued	9,841	-	9,841	7,691	-	7,691
Common stock dividends	(57,981)	-	(57,981)	(48,954)	-	(48,954)
Issuance of common units of ONEOK Partners	-	-	-	-	(3)	(3)
Distributions to noncontrolling interests	-	(69,704)	(69,704)	-	(66,801)	(66,801)
Other	-	-	-	-	(28)	(28)
Ending balance	\$ 2,185,960	\$ 1,496,100	\$ 3,682,060	\$ 2,414,479	\$ 1,480,916	\$ 3,895,395

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	ONEOK Shareholders' Equity	Noncontrolling Interests in Consolidated	Total Equity	ONEOK Shareholders' Equity	Noncontrolling Interests in Consolidated	Total Equity

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	Subsidiaries			Subsidiaries		
	(Thousands of dollars)					
Beginning balance	\$ 2,448,623	\$ 1,472,218	\$ 3,920,841	\$ 2,207,194	\$ 1,238,268	\$ 3,445,462
Net income	245,593	249,399	494,992	251,558	141,837	393,395
Other comprehensive income (loss)	(65,771)	(19,257)	(85,028)	28,345	21,758	50,103
Repurchase of common stock	(300,108)	-	(300,108)	(5)	-	(5)
Common stock issued	26,960	-	26,960	19,082	-	19,082
Common stock dividends	(169,337)	-	(169,337)	(142,426)	-	(142,426)
Issuance of common units of ONEOK Partners	-	-	-	50,731	271,970	322,701
Distributions to noncontrolling interests	-	(206,260)	(206,260)	-	(192,889)	(192,889)
Other	-	-	-	-	(28)	(28)
Ending balance	\$ 2,185,960	\$ 1,496,100	\$ 3,682,060	\$ 2,414,479	\$ 1,480,916	\$ 3,895,395

Dividends - Fourth-quarter 2010 and first-quarter 2011 dividends paid on our common stock to shareholders of record at the close of business on January 31, 2011, and April 29, 2011, respectively, were \$0.52 per share for each period. A second-quarter 2011 dividend of \$0.56 per share was declared for shareholders of record on August 1, 2011, and paid on August 12, 2011. Additionally, a third-quarter 2011 dividend of \$0.56 per share was declared for shareholders of record at the close of business on November 7, 2011, payable on November 14, 2011.

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See Note K for a discussion of ONEOK Partners' distributions to noncontrolling interests.

Stock Repurchase Plan - In May 2011, we entered into an accelerated share repurchase agreement (the ASR Agreement) with Barclays Capital (Barclays), pursuant to which we paid \$300 million to Barclays and received from Barclays approximately 3.7 million shares of our common stock, representing approximately 85 percent of the estimated total number of shares to be repurchased. In August 2011, Barclays delivered to us an additional 0.6 million shares based on the volume-weighted-average price per share of our common stock during the repurchase period and other adjustments pursuant to the terms and conditions of the ASR Agreement. The delivery of additional shares completed the ASR Agreement. We accounted for the repurchase as two separate transactions: (i) as shares of common stock acquired in a treasury stock transaction recorded on the acquisition date; and (ii) as a forward contract indexed to ONEOK common stock that is classified as equity.

The ASR Agreement was part of our three-year stock repurchase program to buy up to \$750 million of our common stock that was authorized by our Board of Directors in October 2010.

G. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table sets forth the balance of accumulated other comprehensive income (loss) for the periods indicated:

	Unrealized Gains (Losses) on Energy Marketing and Risk Management Assets/Liabilities	Unrealized Holding Gains (Losses) on Investment Securities	Pension and Postretirement Benefit Plan Obligations	Accumulated Other Comprehensive Income (Loss)
	(Thousands of dollars)			
December 31, 2010	\$ 15,731	\$ 1,371	\$ (125,904)	\$ (108,802)
Other comprehensive income (loss) attributable to ONEOK	(51,384)	(370)	(14,017)	(65,771)
September 30, 2011	\$ (35,653)	\$ 1,001	\$ (139,921)	\$ (174,573)

H. EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted EPS from continuing operations for the periods indicated:

	Three Months Ended September 30, 2011		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Net income attributable to ONEOK available for common stock	\$ 60,321	103,303	\$ 0.58
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	-	2,667	
Net income attributable to ONEOK available for common stock and common stock equivalents	\$ 60,321	105,970	\$ 0.57

	Three Months Ended September 30, 2010		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Net income attributable to ONEOK available for common stock	\$ 55,295	106,443	\$ 0.52
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	-	1,208	
Net income attributable to ONEOK available for common stock and common stock equivalents	\$ 55,295	107,651	\$ 0.51

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	Nine Months Ended September 30, 2011		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Net income attributable to ONEOK available for common stock	\$ 245,593	105,220	\$ 2.33
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	-	2,507	
Net income attributable to ONEOK available for common stock and common stock equivalents	\$ 245,593	107,727	\$ 2.28

	Nine Months Ended September 30, 2010		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Net income attributable to ONEOK available for common stock	\$ 251,558	106,310	\$ 2.37
Diluted EPS from continuing operations			
Effect of options and other dilutive securities	-	1,105	
Net income attributable to ONEOK available for common stock and common stock equivalents	\$ 251,558	107,415	\$ 2.34

There were no option shares excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2011 and 2010.

I. EMPLOYEE BENEFIT PLANS

The following tables set forth the components of net periodic benefit cost for our pension and postretirement benefit plans for the periods indicated:

	Pension Benefits		Pension Benefits	
	2011	2010	2011	2010
Components of net periodic benefit cost	(Thousands of dollars)			
Service cost	\$ 5,003	\$ 4,819	\$ 15,009	\$ 14,457
Interest cost	14,689	14,536	44,067	43,608
Expected return on assets	(18,875)	(18,413)	(56,625)	(55,239)
Amortization of unrecognized prior service cost	255	319	764	959
Amortization of net loss	8,927	6,889	26,782	20,666
Net periodic benefit cost	\$ 9,999	\$ 8,150	\$ 29,997	\$ 24,451
	Postretirement Benefits		Postretirement Benefits	

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	Three Months Ended		Nine Months Ended	
	2011	2010	2011	2010
Components of net periodic benefit cost	(Thousands of dollars)			
Service cost	\$ 1,257	\$ 1,231	\$ 3,772	\$ 3,694
Interest cost	3,958	3,911	11,874	11,733
Expected return on assets	(2,568)	(1,974)	(7,704)	(5,922)
Amortization of unrecognized net asset at adoption	797	797	2,391	2,392
Amortization of unrecognized prior service cost	(501)	(500)	(1,503)	(1,502)
Amortization of net loss	2,031	1,752	6,093	5,256
Net periodic benefit cost	\$ 4,974	\$ 5,217	\$ 14,923	\$ 15,651

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J. UNCONSOLIDATED AFFILIATES

Northern Border Pipeline - In July 2011, the partners of Northern Border Pipeline made equity contributions of approximately \$99.6 million, with ONEOK Partners' share totaling approximately \$49.8 million. ONEOK Partners does not anticipate additional significant equity contributions in 2011.

Overland Pass Pipeline Company - The members of Overland Pass Pipeline Company expect to make contributions primarily in 2012 totaling approximately \$70 million to \$80 million, with ONEOK Partners' share expected to be approximately \$35 million to \$40 million, to install additional pump stations and to expand existing pump stations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands of dollars)			
Northern Border Pipeline	\$ 19,723	\$ 21,183	\$ 56,970	\$ 48,401
Overland Pass Pipeline Company (a)	4,338	1,011	14,074	1,011
Fort Union Gas Gathering, L.L.C.	3,444	3,633	10,120	10,772
Bighorn Gas Gathering, L.L.C.	1,389	1,664	4,727	3,712
Other	3,135	1,899	7,774	7,286
Equity earnings from investments	\$ 32,029	\$ 29,390	\$ 93,665	\$ 71,182

(a) Beginning in September 2010, following the sale of a 49-percent interest, Overland Pass Pipeline Company was deconsolidated and prospectively accounted for under the equity method.

Unconsolidated Affiliates Financial Information - The following table sets forth summarized combined financial information of our unconsolidated affiliates for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands of dollars)			
Income Statement (a)				
Operating revenues	\$ 124,955	\$ 119,205	\$ 369,258	\$ 316,513
Operating expenses	\$ 55,899	\$ 48,566	\$ 162,123	\$ 138,177
Net income	\$ 65,368	\$ 63,588	\$ 187,777	\$ 156,454
Distributions paid to us (a)	\$ 32,257	\$ 29,587	\$ 103,309	\$ 79,231

(a) - Financial information for 2011 is not directly comparable with 2010 due to the deconsolidation of Overland Pass Pipeline Company in September 2010.

K. ONEOK PARTNERS

Unit Split - In June 2011, ONEOK Partners announced that the board of directors of its general partner approved a two-for-one split of its common and Class B units. The two-for-one unit split was completed on July 12, 2011, by a distribution of one unit for each unit outstanding and held by unitholders of record on June 30, 2011. As a result of this unit split, we have adjusted all unit and per-unit amounts contained herein to be presented on a post-split basis.

Ownership Interest in ONEOK Partners - Our ownership interest in ONEOK Partners is shown in the table below as of September 30, 2011, and December 31, 2010:

General partner interest	2.0	%
Limited partner interest		
(a)	40.8	%
Total ownership interest	42.8	%

(a) - Represents 11.8 million common units and approximately 73.0 million Class B units, which are convertible, at our option, into common units.

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Cash Distributions - We receive distributions from ONEOK Partners on our common and Class B units and our 2-percent general partner interest, which includes our incentive distribution rights. Under ONEOK Partners' partnership agreement, as amended, distributions are made to the partners with respect to each calendar quarter in an amount equal to 100 percent of available cash as defined in ONEOK Partners' partnership agreement, as amended. Available cash generally will be distributed 98 percent to limited partners and 2 percent to the general partner. The general partner's percentage interest in quarterly distributions is increased after certain specified target levels are met during the quarter. In July 2011, the partnership agreement was amended to adjust the formula for distributing available cash among the general partner and limited partners to reflect the two-for-one unit split. Under the incentive distribution provisions, as set forth in ONEOK Partners' partnership agreement, as amended, the general partner receives:

- 15 percent of amounts distributed in excess of \$0.3025 per unit;
- 25 percent of amounts distributed in excess of \$0.3575 per unit; and
- 50 percent of amounts distributed in excess of \$0.4675 per unit.

The following table shows ONEOK Partners' distributions paid in the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands, except per unit amounts)			
Distribution per unit	\$0.585	\$0.560	\$1.730	\$1.665
General partner distributions	\$3,078	\$2,874	\$9,030	\$8,349
Incentive distributions	31,580	26,689	89,849	75,796
Distributions to general partner	34,658	29,563	98,879	84,145
Limited partner distributions to ONEOK	49,601	47,481	146,684	141,172
Limited partner distributions to noncontrolling interest	69,631	66,655	205,917	192,130
Total distributions paid	\$153,890	\$143,699	\$451,480	\$417,447

The following table shows ONEOK Partners' distributions declared for the periods indicated and paid within 45 days of the end of the period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands, except per unit amounts)			
Distribution per unit	\$ 0.595	\$ 0.565	\$ 1.755	\$ 1.680
General partner distributions	\$ 3,159	\$ 2,915	\$ 9,233	\$ 8,622
Incentive distributions	33,537	27,667	94,741	80,066
Distributions to general partner	36,696	30,582	103,974	88,688
Limited partner distributions to ONEOK	50,450	47,905	148,803	142,444
Limited partner distributions to noncontrolling interest	70,821	67,250	208,893	199,966
Total distributions declared	\$ 157,967	\$ 145,737	\$ 461,670	\$ 431,098

Relationship - We consolidate ONEOK Partners in our consolidated financial statements; however, we are restricted from the assets and cash flows of ONEOK Partners except for our distributions. Distributions are declared quarterly

by ONEOK Partners' general partner based on the terms of the ONEOK Partners partnership agreement, as amended. See Note M for more information on ONEOK Partners' results.

Affiliate Transactions - We have certain transactions with ONEOK Partners and its subsidiaries, which comprise our ONEOK Partners segment.

ONEOK Partners sells natural gas from its natural gas gathering and processing operations to our Energy Services segment. In addition, a portion of ONEOK Partners' revenues from its natural gas pipelines business is from our Energy Services and Distribution segments, which contract with ONEOK Partners for natural gas transportation and storage services. ONEOK Partners also purchases natural gas from our Energy Services segment for its natural gas liquids and its natural gas gathering and processing operations.

Previously, ONEOK Partners had a Processing and Services Agreement with us and OBPI, under which it contracted for all of OBPI's rights, including all of the capacity of the Bushton Plant, reimbursing OBPI for all costs associated with the operation and maintenance of the Bushton Plant and its obligations under equipment leases covering portions of the Bushton Plant. In April 2011, pursuant to its rights under the Processing and Services Agreement, ONEOK Partners directed OBPI to

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give notice of intent to exercise the purchase option for the leased equipment pursuant to the terms of the equipment leases. On June 30, 2011, through a series of transactions, we sold OBPI to ONEOK Partners and OBPI closed the purchase option and terminated the equipment leases. The total amount paid by ONEOK Partners to complete the transactions was approximately \$94.2 million, which included the reimbursement to us of obligations related to the Processing and Services Agreement.

We provide a variety of services to our affiliates, including cash management and financial services, legal and administrative services by our employees and management, insurance and office space leased in our headquarters building and other field locations. Where costs are incurred specifically on behalf of an affiliate, the costs are billed directly to the affiliate by us. In other situations, the costs may be allocated to the affiliates through a variety of methods, depending upon the nature of the expenses and the activities of the affiliates. For example, a service that applies equally to all employees is allocated based upon the number of employees in each affiliate. However, an expense benefiting the consolidated company but having no direct basis for allocation is allocated by the modified Distrigas method, a method using a combination of ratios that include gross plant and investment, operating income and payroll expense. It is not practicable to determine what these general overhead costs would be on a stand-alone basis.

The following table shows ONEOK Partners' transactions with us for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Thousands of dollars)			
Revenues	\$ 111,177	\$ 117,985	\$ 306,669	\$ 363,004
Expenses				
Cost of sales and fuel	\$ 13,942	\$ 12,402	\$ 37,113	\$ 41,377
Administrative and general expenses	62,306	47,703	175,815	150,702
Total expenses	\$ 76,248	\$ 60,105	\$ 212,928	\$ 192,079

L. COMMITMENTS AND CONTINGENCIES

Environmental Matters - We are subject to multiple historical and wildlife preservation laws and environmental regulations affecting many aspects of our present and future operations. Regulated activities include those involving air emissions, stormwater and wastewater discharges, handling and disposal of solid and hazardous wastes, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. If a leak or spill of hazardous substances or petroleum products occurs from pipelines or facilities that we own, operate or otherwise use, we could be held jointly and severally liable for all resulting liabilities, including response, investigation and cleanup costs, which could affect materially our results of operations and cash flows. In addition, emission controls required under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures at our facilities. We cannot assure that existing environmental regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We own or retain legal responsibility for the environmental conditions at 12 former manufactured natural gas sites in Kansas. These sites contain potentially harmful materials that are subject to control or remediation under various environmental laws and regulations. A consent agreement with the KDHE presently governs all work at these sites. The terms of the consent agreement allow us to investigate these sites and set remediation activities based upon the results of the investigations and risk analysis. Remediation typically involves the management of contaminated soils and may involve removal of structures and monitoring and/or remediation of groundwater.

Of the 12 sites, we have begun soil remediation on 11 sites. Regulatory closure has been achieved at three locations, and we have completed or are near completion of soil remediation at eight sites. We have begun site assessment at the remaining site where no active remediation has occurred.

Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during the three and nine months ended September 30, 2011 or 2010.

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In May 2010, the EPA finalized the “Tailoring Rule” that will regulate greenhouse gas emissions at new or modified facilities that meet certain criteria. Affected facilities will be required to review best available control technology, conduct air-quality analysis, impact analysis and public reviews with respect to such emissions. The rule was phased in beginning January 2011, and at current emission threshold levels, we believe it will have a minimal impact on our existing facilities. The EPA has stated it will consider lowering the threshold levels over the next five years, which could increase the impact on our existing facilities; however, potential costs, fees or expenses associated with the potential adjustments are unknown.

In addition, the EPA has issued a rule on air-quality standards, “National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines,” also known as RICE NESHAP, scheduled to be adopted in 2013. The rule will require capital expenditures over the next two years for the purchase and installation of new emissions-control equipment. We do not expect these expenditures to have a material impact on our results of operations, financial position or cash flows.

On July 28, 2011, the EPA issued a proposed rule package that would change the air emission New Source Performance Standards and Maximum Achievable Control Technology requirements applicable to natural gas production, processing, transmission and underground storage. The proposed rules would impact emission limits for specific equipment through the use of controls; however, potential costs associated with the proposed rules are currently unknown.

Pipeline Safety - We are subject to Pipeline and Hazardous Materials Safety Administration regulations, including integrity-management regulations. The Pipeline Safety Improvement Act of 2002 requires pipeline companies operating high-pressure pipelines to perform integrity assessments on pipeline segments that pass through densely populated areas or near specifically designated high-consequence areas. In January 2011, the Pipeline and Hazardous Materials Safety Administration issued an “Advisory Bulletin” regarding maximum allowable operating pressures for natural gas and hazardous liquids pipelines. This bulletin requests that all operators review pipeline records and data to validate existing maximum pressure determinations. Currently, the United States Congress (Congress) is considering reauthorization of existing pipeline safety legislation. The Pipeline Transportation Safety Improvement Act of 2011 was passed by the United States Senate (Senate) in late October. The United States House of Representatives’ (House) Energy and Commerce Committee and the House Transportation and Infrastructure Committee have passed similar bills that will be combined to form the House’s version to present at conference with the Senate.

We are monitoring activity concerning reauthorization, proposed new legislation and potential changes in the Pipeline and Hazardous Materials Safety Administration’s regulations to assess the potential impact on our operations. At this time, our review of records relating to maximum pressure determinations is ongoing, and no revised or new legislation has been enacted resulting in any potential cost, fees or expenses associated with these issues. We cannot provide assurance that existing pipeline safety regulations will not be revised or interpreted in a different manner or that new regulations will not be adopted that could result in increased compliance costs or additional operating restrictions.

If a release of natural gas or natural gas liquids occurs as a result of failure or abnormal operating conditions from pipelines or facilities that we own, operate or otherwise use, we could be held liable for all resulting liabilities, including personal injury and property damage, as well as response, investigation and cleanup costs, which could affect materially our results of operations and cash flows.

Financial Markets Legislation - The Dodd-Frank Act represents a far-reaching overhaul of the framework for regulation of United States financial markets. Various regulatory agencies, including the SEC and the CFTC, have proposed regulations for implementation of many of the provisions of the Dodd-Frank Act. Although the CFTC has issued final regulations for certain provisions of the Dodd-Frank Act, the majority remain outstanding. Because the

CFTC did not complete its rulemaking process by the Act's deadline of July 16, 2011, it has deferred the effective date of the provisions of the Dodd-Frank Act that require a rulemaking and is proposing a further extension. Until certain final regulations are established, we are unable to ascertain how we may be affected. Based on our assessment of the proposed regulations issued to date, we expect to be able to continue to participate in financial markets for hedging certain risks inherent in our business, including commodity and interest-rate risks; however, the costs of doing so may increase as a result of the new legislation. We also may incur additional costs associated with our compliance with the new regulations and anticipated additional recordkeeping, reporting and disclosure obligations.

Legal Proceedings - We are a party to various litigation matters and claims that have arisen in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, and we are unable to estimate reasonably possible losses, we believe the final outcome of such matters will not have a material adverse effect on our consolidated results of operations, financial position or cash flows.

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M. SEGMENTS

Segment Descriptions - Our operations are divided into three reportable business segments as follows: (i) our ONEOK Partners segment gathers, processes, treats, transports, stores and sells natural gas and gathers, treats, fractionates, stores, distributes and markets NGLs; (ii) our Distribution segment, which includes our retail marketing operations, delivers natural gas to residential, commercial and industrial customers, and transports natural gas; and (iii) our Energy Services segment markets natural gas to wholesale customers. Our Distribution segment is comprised primarily of regulated public utilities, and portions of our ONEOK Partners segment are also regulated. Other and eliminations consist of the operating and leasing operations of our headquarters building and related parking facility and other amounts needed to reconcile our reportable segments to our consolidated financial statements.

Accounting Policies - The accounting policies of the segments are the same as those described in Note A of the Notes to Consolidated Financial Statements in our Annual Report. Intersegment sales are recorded on the same basis as sales to unaffiliated customers and are discussed in further detail in Note K. Net margin is comprised of total revenues less cost of sales and fuel. Cost of sales and fuel includes commodity purchases, fuel, and storage and transportation costs.

Customers - For the three and nine months ended September 30, 2011 and 2010, we had no single external customer from which we received 10 percent of our consolidated gross revenues.

Operating Segment Information - The following tables set forth certain selected financial information for our operating segments for the periods indicated:

Three Months Ended September 30, 2011	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
(Thousands of dollars)					
Sales to unaffiliated customers	\$ 2,792,399	\$ 277,539	\$ 524,667	\$ 586	\$ 3,595,191
Intersegment revenues	111,177	2,176	83,522	(196,875)	-
Total revenues	\$ 2,903,576	\$ 279,715	\$ 608,189	\$ (196,289)	\$ 3,595,191
Net margin	\$ 394,006	\$ 146,777	\$ (7,373)	\$ 583	\$ 533,993
Operating costs	106,306	97,137	5,252	362	209,057
Depreciation and amortization	45,221	30,287	100	378	75,986
Loss on sale of assets	(69)	-	-	-	(69)
Operating income	\$ 242,410	\$ 19,353	\$ (12,725)	\$ (157)	\$ 248,881
Equity earnings from investments	\$ 32,029	\$ -	\$ -	\$ -	\$ 32,029
Capital expenditures	\$ 252,227	\$ 67,459	\$ 21	\$ 18,831	\$ 338,538

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment's regulated operations had revenues of \$166.3 million, net margin of \$112.5 million and operating income of \$55.9 million.

(b) - Our Distribution segment has regulated and non-regulated operations. Our Distribution segment's regulated operations had revenues of \$213.8 million, net margin of \$145.4 million and operating income of \$19.8 million.

Three Months Ended September 30, 2010	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
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(Thousands of dollars)

Sales to unaffiliated customers	\$ 1,952,159	\$ 301,730	\$ 688,293	\$ 521	\$ 2,942,703
Intersegment revenues	117,985	951	85,485	(204,421)	-
Total revenues	\$ 2,070,144	\$ 302,681	\$ 773,778	\$ (203,900)	\$ 2,942,703
Net margin	\$ 286,005	\$ 150,763	\$ 14,083	\$ 519	\$ 451,370
Operating costs	97,797	98,353	7,011	197	203,358
Depreciation and amortization	43,823	32,778	179	454	77,234
Gain (loss) on sale of assets	16,126	-	-	-	16,126
Operating income	\$ 160,511	\$ 19,632	\$ 6,893	\$ (132)	\$ 186,904
Equity earnings from investments	\$ 29,390	\$ -	\$ -	\$ -	\$ 29,390
Capital expenditures	\$ 104,079	\$ 67,353	\$ -	\$ 5,153	\$ 176,585

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment's regulated operations had revenues of \$150.6 million, net margin of \$111.1 million and operating income of \$57.0 million.

(b) - Our Distribution segment has regulated and non-regulated operations. Our Distribution segment's regulated operations had revenues of \$237.8 million, net margin of \$148.9 million and operating income of \$19.9 million.

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Nine Months Ended September 30, 2011	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
(Thousands of dollars)					
Sales to unaffiliated customers	\$ 7,880,736	\$ 1,386,830	\$ 1,707,223	\$ 1,766	\$ 10,976,555
Intersegment revenues	306,669	10,016	408,734	(725,419)	-
Total revenues	\$ 8,187,405	\$ 1,396,846	\$ 2,115,957	\$ (723,653)	\$ 10,976,555
Net margin	\$ 1,083,100	\$ 556,139	\$ 48,143	\$ 1,808	\$ 1,689,190
Operating costs	328,630	310,368	18,554	812	658,364
Depreciation and amortization	131,665	100,736	359	1,441	234,201
Loss on sale of assets	(791)	-	-	-	(791)
Operating income	\$ 622,014	\$ 145,035	\$ 29,230	\$ (445)	\$ 795,834
Equity earnings from investments	\$ 93,665	\$ -	\$ -	\$ -	\$ 93,665
Investments in unconsolidated affiliates	\$ 1,224,397	\$ -	\$ -	\$ -	\$ 1,224,397
Total assets	\$ 8,775,553	\$ 3,095,688	\$ 562,724	\$ 737,159	\$ 13,171,124
Noncontrolling interests in consolidated subsidiaries	\$ 5,249	\$ -	\$ -	\$ 1,490,851	\$ 1,496,100
Capital expenditures	\$ 662,386	\$ 176,508	\$ 24	\$ 23,392	\$ 862,310

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment's regulated operations had revenues of \$474.8 million, net margin of \$341.6 million and operating income of \$169.0 million.

(b) - Our Distribution segment has regulated and non-regulated operations. Our Distribution segment's regulated operations had revenues of \$1,155.0 million, net margin of \$548.3 million and operating income of \$143.1 million.

Nine Months Ended September 30, 2010	ONEOK Partners (a)	Distribution (b)	Energy Services	Other and Eliminations	Total
(Thousands of dollars)					
Sales to unaffiliated customers	\$ 5,966,267	\$ 1,638,114	\$ 2,067,382	\$ 2,039	\$ 9,673,802
Intersegment revenues	363,004	8,199	555,972	(927,175)	-
Total revenues	\$ 6,329,271	\$ 1,646,313	\$ 2,623,354	\$ (925,136)	\$ 9,673,802
Net margin	\$ 835,292	\$ 559,070	\$ 132,371	\$ 2,034	\$ 1,528,767
Operating costs	292,063	296,374	20,981	868	610,286
Depreciation and amortization	131,680	97,000	525	1,395	230,600
Gain (loss) on sale of assets	15,081	(13)	-	-	15,068
Operating income	\$ 426,630	\$ 165,683	\$ 110,865	\$ (229)	\$ 702,949
Equity earnings from investments	\$ 71,182	\$ -	\$ -	\$ -	\$ 71,182

Investments in unconsolidated affiliates	\$ 1,194,087	\$ -	\$ -	\$ -	\$ 1,194,087
Total assets	\$ 7,549,800	\$ 3,052,964	\$ 607,145	\$ 719,844	\$ 11,929,753
Noncontrolling interests in consolidated subsidiaries	\$ 5,261	\$ -	\$ -	\$ 1,475,655	\$ 1,480,916
Capital expenditures	\$ 202,773	\$ 145,678	\$ 52	\$ 7,786	\$ 356,289

(a) - Our ONEOK Partners segment has regulated and non-regulated operations. Our ONEOK Partners segment's regulated operations had revenues of \$454.7 million, net margin of \$363.3 million and operating income of \$193.2 million.

(b) - Our Distribution segment has regulated and non-regulated operations. Our Distribution segment's regulated operations had revenues of \$1,371.3 million, net margin of \$550.5 million and operating income of \$163.1 million.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the Notes to Consolidated Financial Statements in this Quarterly Report, as well as our Annual Report. Due to the seasonal nature of our business, the results of operations for the three and nine months ended September 30, 2011, are not necessarily indicative of the results that may be expected for a 12-month period.

Growth Projects - Drilling rig counts are higher and related development activities continue to progress in many areas of ONEOK Partners' operations compared with 2010. Increasing natural gas and NGL production resulting from these activities and higher petrochemical industry demand for NGL products have required additional capital investments to increase the capacity of the infrastructure to bring these commodities from supply basins to market. In response to this increased production and demand for NGL products, ONEOK Partners has announced \$2.7 billion to \$3.3 billion in new capital projects to meet the needs of oil and natural gas producers in the Bakken Shale, the Cana-Woodford Shale and the Granite Wash areas, and for additional NGL infrastructure in the Mid-Continent and Gulf Coast areas that will enhance the distribution of NGL products to meet the increasing petrochemical industry and NGL export demand, which, when completed, are anticipated to provide additional earnings and cash flows. See discussion of ONEOK Partners' growth projects in the "Financial Results and Operating Information" section for our ONEOK Partners segment.

Dividends/Distributions - We declared a quarterly dividend of \$0.56 per share (\$2.24 per share on an annualized basis) in October 2011, an increase of approximately 17 percent over the \$0.48 declared in October 2010. A cash distribution from ONEOK Partners of \$0.595 per unit (\$2.38 per unit on an annualized basis) was declared in October 2011, an increase of approximately 5 percent over the \$0.565 per unit declared, on a split-adjusted basis, in October 2010.

ONEOK 2011 Credit Agreement - On April 5, 2011, ONEOK entered into the ONEOK 2011 Credit Agreement, which replaced the ONEOK Credit Agreement.

ONEOK Partners 2011 Credit Agreement - On August 1, 2011, ONEOK Partners entered into the ONEOK Partners 2011 Credit Agreement, which replaced the ONEOK Partners Credit Agreement.

Debt Issuance and Maturities - In January 2011, ONEOK Partners completed an underwritten public offering of \$1.3 billion of senior notes, consisting of \$650 million of 3.25-percent senior notes due 2016 and \$650 million of 6.125-percent senior notes due 2041. The net proceeds from the offering of approximately \$1.28 billion were used to repay amounts outstanding under ONEOK Partners' commercial paper program, to repay \$225 million of ONEOK Partners' senior notes that matured in March 2011 and for general partnership purposes, including capital expenditures.

In 2011, ONEOK repaid \$400 million of maturing senior notes and redeemed \$90.5 million of 6.4-percent senior notes with available cash and short-term borrowings.

Unit Split - In June 2011, ONEOK Partners announced that the board of directors of its general partner approved a two-for-one split of its common and Class B units. The two-for-one unit split was completed on July 12, 2011, by a distribution of one unit for each unit outstanding and held by unitholders of record on June 30, 2011. In July 2011, ONEOK Partners' partnership agreement was amended to adjust the formula for distributing available cash among the general partner and limited partners to reflect the unit split. As a result of this unit split, we have adjusted all unit and per-unit amounts contained herein to be presented on a post-split basis.

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FINANCIAL RESULTS AND OPERATING INFORMATION

Consolidated Operations

Selected Financial Results - The following table sets forth certain selected financial results for the periods indicated:

Financial Results	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months 2011 vs. 2010 Increase (Decrease)		Nine Months 2011 vs. 2010 Increase (Decrease)	
	2011 (Millions of dollars)	2010	2011	2010			Increase (Decrease)	%
Revenues	\$ 3,595.2	\$ 2,942.7	\$ 10,976.6	\$ 9,673.8	\$ 652.5	22 %	\$ 1,302.8	13 %
Cost of sales and fuel	3,061.2	2,491.3	9,287.4	8,145.0	569.9	23 %	1,142.4	14 %
Net margin	534.0	451.4	1,689.2	1,528.8	82.6	18 %	160.4	10 %
Operating costs	209.0	203.4	658.4	610.3	5.6	3 %	48.1	8 %
Depreciation and amortization	76.0	77.2	234.2	230.6	(1.2)	(2 %)	3.6	2 %
Gain (loss) on sale of assets	(0.1)	16.1	(0.8)	15.0	(16.2)	*	(15.8)	*
Operating income	\$ 248.9	\$ 186.9	\$ 795.8	\$ 702.9	\$ 62.0	33 %	\$ 92.9	13 %
Equity earnings from investments	\$ 32.0	\$ 29.4	\$ 93.7	\$ 71.2	\$ 2.6	9 %	\$ 22.5	32 %
Interest expense	\$ (73.8)	\$ (70.9)	\$ (228.7)	\$ (222.8)	\$ 2.9	4 %	\$ 5.9	3 %
Net income	\$ 160.9	\$ 120.3	\$ 495.0	\$ 393.4	\$ 40.6	34 %	\$ 101.6	26 %
Net income attributable to noncontrolling interests	\$ 100.6	\$ 65.0	\$ 249.4	\$ 141.8	\$ 35.6	55 %	\$ 107.6	76 %
Net income attributable to ONEOK	\$ 60.3	\$ 55.3	\$ 245.6	\$ 251.6	\$ 5.0	9 %	\$ (6.0)	(2 %)
Capital expenditures	\$ 338.5	\$ 176.6	\$ 862.3	\$ 356.3	\$ 161.9	92 %	\$ 506.0	*

* Percentage change is greater than 100 percent.

Operating income increased 33 percent and 13 percent for the three and nine months ended September 30, 2011, respectively, compared with the same periods last year, reflecting higher results at our ONEOK Partners segment, offset partially by lower operating income at our Distribution and Energy Services segments. Our ONEOK Partners segment's operating income increased due primarily to more favorable NGL price differentials and higher NGL volumes gathered and fractionated, offset partially by the deconsolidation of Overland Pass Pipeline in September 2010 in its natural gas liquids business and lower natural gas transportation margins due to narrower natural gas price location differentials in its natural gas pipelines business.

Our Distribution segment's operating income decreased for the nine months ended September 30, 2011, compared with the same period last year, due to increased operating costs and higher depreciation and amortization expense. Operating income for the three months ended September 30, 2011, was relatively unchanged from the same period last year.

Our Energy Services segment's operating income for the three-month period decreased due to lower transportation margins, net of hedging activities, due primarily to narrower price location differentials and lower hedge settlements in 2011. For the nine-month period, our Energy Services segment's operating income decreased due primarily to lower transportation margins, net of hedging activities, and lower storage and marketing margins, net of hedging activities.

Operating costs increased for the nine months ended September 30, 2011, compared with the same period last year, due primarily to increased share-based compensation and other labor and benefit costs, and increased ad valorem taxes, materials and outside services expenses in our ONEOK Partners segment.

Gain (loss) on sale of assets decreased for the three and nine months ended September 30, 2011, compared with the same periods last year, due to the sale of a 49-percent interest of Overland Pass Pipeline Company in September 2010.

Equity earnings from investments increased for the nine months ended September 30, 2011, compared with the same period last year, due to increased contracted capacity on Northern Border Pipeline and the impact of accounting for Overland Pass Pipeline Company as an equity method investment beginning in September 2010.

Net income attributable to noncontrolling interests for the three and nine months ended September 30, 2011 and 2010, primarily reflects the portion of ONEOK Partners that we do not own and reflects higher earnings in our ONEOK Partners segment.

Capital expenditures increased for the three and nine months ended September 30, 2011, compared with the same periods last year, due primarily to the new growth projects in ONEOK Partners' natural gas gathering and processing and natural gas liquids businesses.

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Additional information regarding our financial results and operating information is provided in the following discussion for each of our segments.

ONEOK Partners

Overview - We own approximately 84.8 million common and Class B limited partner units, and the entire 2-percent general partner interest, which, together, represents a 42.8-percent ownership interest in ONEOK Partners. We receive distributions from ONEOK Partners on our common and Class B units and our 2-percent general partner interest, which includes our incentive distribution rights. See Note O of the Notes to Consolidated Financial Statements in our Annual Report for discussion of our incentive distribution rights.

Natural gas gathering and processing business - ONEOK Partners' natural gas gathering and processing business is engaged in the gathering and processing of natural gas produced from crude oil and natural gas wells, primarily in the Mid-Continent and Rocky Mountain regions. These regions include the Anadarko Basin of Oklahoma that contains the NGL-rich Cana-Woodford Shale formation; Hugoton and Central Kansas Uplift Basins of Kansas; the Williston Basin of Montana and North Dakota that includes the oil-producing, NGL-rich Bakken Shale and Three Forks formations; and the Powder River Basin of Wyoming. Through gathering systems, natural gas is aggregated and treated or processed for removal of water vapor, solids and other contaminants, and to extract NGLs in order to provide marketable natural gas, commonly referred to as residue gas. When the NGLs are separated from the unprocessed natural gas at the processing plants, the NGLs are generally in the form of a mixed, unfractionated NGL stream. In the Powder River Basin, the natural gas that ONEOK Partners gathers is coal-bed methane or dry, natural gas that does not require processing or NGL extraction in order to be marketable. Dry natural gas is gathered, compressed and delivered into a downstream pipeline or marketed for a fee.

Natural gas pipelines business - ONEOK Partners' natural gas pipelines business operates interstate and intrastate natural gas transmission pipelines, natural gas storage facilities and nonprocessable natural gas gathering facilities. ONEOK Partners also provides natural gas transportation and storage services in accordance with Section 311(a) of the Natural Gas Policy Act. ONEOK Partners' FERC-regulated interstate assets transport natural gas through pipelines that access supply from Canada and from the Mid-Continent, Rocky Mountain and Gulf Coast regions. ONEOK Partners' intrastate natural gas pipeline assets are located in Oklahoma, Texas and Kansas, and have access to major natural gas producing areas in those states. ONEOK Partners owns underground natural gas storage facilities in Oklahoma, Kansas and Texas.

Natural gas liquids business - ONEOK Partners' natural gas liquids business gathers, treats, fractionates, stores and transports NGLs and distributes and stores NGL products. ONEOK Partners' natural gas liquids gathering pipelines deliver unfractionated NGLs gathered from natural gas processing plants located in Oklahoma, Kansas, Texas and the Rocky Mountain region to fractionators it owns in Oklahoma, Kansas and Texas, as well as to third-party fractionators and third-party pipelines. The NGLs are then separated through the fractionation process into the individual NGL products that realize the greater economic value of the NGL components. The individual NGL products are then stored or distributed to petrochemical manufacturers, heating-fuel users, refineries and propane distributors through ONEOK Partners' FERC-regulated distribution pipelines that move NGL products from Oklahoma and Kansas to the Mid-Continent and Gulf Coast NGL market centers, as well as the Midwest markets near Chicago, Illinois.

Growth Projects - Natural gas gathering and processing business - ONEOK Partners' natural gas gathering and processing business announced in 2010 and early 2011 approximately \$950 million to \$1.1 billion in growth projects in the Williston Basin and Cana-Woodford Shale areas that will enable ONEOK Partners to meet the rapidly growing needs of crude oil and natural gas producers in those areas.

Williston Basin Processing Plants and related projects - ONEOK Partners is constructing three new 100 MMcf/d natural gas processing facilities: the Garden Creek plant in eastern McKenzie County, North Dakota, and the Stateline I and II plants in western Williams County, North Dakota. ONEOK Partners has multi-year supply commitments and acreage dedications for all the capacity of the Garden Creek and Stateline I plants and for approximately 75 percent of the Stateline II plant's capacity. In addition, ONEOK Partners will expand and upgrade its existing gathering and compression infrastructure and add new well connections associated with these plants. The Garden Creek plant, which is expected to be in service by the end of 2011, and related infrastructure projects are expected to cost approximately \$350 million to \$415 million, excluding AFUDC. The Stateline I plant, which is expected to be in service by the third quarter of 2012, and related infrastructure projects are expected to cost approximately \$300 million to \$355 million, excluding AFUDC. The Stateline II plant, which is expected to be in service during the first half of 2013, and related infrastructure projects are expected to cost approximately \$260 million to \$305 million, excluding AFUDC.

Cana-Woodford Shale projects - In 2010, ONEOK Partners completed projects totaling approximately \$38 million in the Cana-Woodford Shale development in Oklahoma, which included the connection of its western Oklahoma natural gas gathering system to its Maysville natural gas processing facility in central Oklahoma, as well as new well connections to gather and process additional Cana-Woodford Shale natural gas volumes.

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Natural gas liquids business - The growth strategy in the natural gas liquids business is focused around the oil and natural gas drilling activity in shale plays from the Rockies through the Mid-Continent region down to the Texas Gulf Coast region. Increasing natural gas and NGL production resulting from this activity and higher petrochemical industry demand for NGL products have required ONEOK Partners to make additional capital investments to increase the capacity of its infrastructure to bring these commodities from supply basins to market. ONEOK Partners' natural gas liquids business has announced plans to invest approximately \$1.7 billion to \$2.2 billion. This investment will accommodate the gathering and fractionation of growing NGL supplies from the shale plays across ONEOK Partners' asset base and alleviate infrastructure constraints between the Mid-Continent and Texas Gulf Coast regions that will enhance the distribution of NGL products to meet the increasing petrochemical industry and NGL export demand in the Gulf Coast.

Sterling III Pipeline and reconfiguring Sterling I and II Pipelines - ONEOK Partners plans to build a 570-plus-mile natural gas liquids pipeline, the Sterling III Pipeline, which will have the flexibility to transport either unfractionated NGLs or NGL products from the Mid-Continent to the Texas Gulf Coast. The Sterling III Pipeline will traverse the NGL-rich Woodford Shale that is currently under development, as well as provide transportation capacity for the growing NGL production from the Cana-Woodford Shale and Granite Wash areas, where the pipeline can gather unfractionated NGLs from the new natural gas processing plants that are being built as a result of increased drilling activity in these areas. The Sterling III Pipeline will have an initial capacity to transport up to 193 MBbl/d of production from ONEOK Partners' natural gas liquids infrastructure at Medford, Oklahoma, to its storage and fractionation facilities in Mont Belvieu, Texas. ONEOK Partners has multi-year supply commitments from producers and natural gas processors for approximately two-thirds of the pipeline's capacity. Additional pump stations could expand the capacity of the pipeline to 250 MBbl/d. Following the receipt of all necessary permits and the acquisition of rights-of-way, construction is scheduled to begin in 2013, with an expected completion late the same year.

The investment also includes reconfiguring its existing Sterling I and II Pipelines, which currently distribute NGL products between the Mid-Continent and Gulf Coast NGL market centers, to transport either unfractionated NGLs or NGL products.

The project costs for the new pipeline and reconfiguring projects are estimated to be \$610 million to \$810 million, excluding AFUDC.

MB-2 fractionator - ONEOK Partners plans to construct a 75-MBbl/d fractionator, MB-2, near ONEOK Partners' storage facility in Mont Belvieu, Texas. The Texas Commission on Environmental Quality (TCEQ) has approved the permit application to build this fractionator. Construction of the MB-2 fractionator began in June 2011 and is expected to be completed in mid-2013. The cost of the MB-2 fractionator is estimated to be \$300 million to \$390 million, excluding AFUDC. ONEOK Partners has multi-year supply commitments from producers and natural gas processors for approximately two-thirds of the fractionator's capacity. The fractionator can be expanded to 125 MBbl/d to accommodate additional NGL volumes from the Arbuckle Pipeline and the Sterling I, II and III pipelines.

Bakken Pipeline and related projects - ONEOK Partners plans to build a 525- to 615-mile natural gas liquids pipeline, the Bakken Pipeline, to transport unfractionated NGLs from the Williston Basin to the Overland Pass Pipeline. The Bakken Pipeline will initially have the capacity to transport up to 60 MBbl/d of unfractionated NGL production and can be expanded to 110 MBbl/d with additional pump stations. The unfractionated NGLs will then be delivered to ONEOK Partners' existing natural gas liquids fractionation and distribution infrastructure in the Mid-Continent. Project costs for the new pipeline are estimated to be \$450 million to \$550 million, excluding AFUDC.

NGL supply commitments for the Bakken Pipeline will be anchored by NGL production from ONEOK Partners' natural gas processing plants in the Williston Basin. Following receipt of all necessary permits, construction of the

12-inch diameter pipeline is expected to begin in the second quarter of 2012 and be in service during the first half of 2013.

The unfractionated NGLs from the Bakken Pipeline and other supply sources under development in the Rockies will require installing additional pump stations and expanding existing pump stations on the Overland Pass Pipeline, in which ONEOK Partners owns a 50-percent equity interest. These additions and expansions will increase the capacity of Overland Pass Pipeline to 255 MBbl/d. ONEOK Partners' anticipated share of the costs for this project is estimated to be \$35 million to \$40 million, excluding AFUDC.

Bushton Fractionator Expansion - To accommodate the additional volume from the Bakken Pipeline, ONEOK Partners will invest \$110 million to \$140 million, excluding AFUDC, to expand and upgrade its existing fractionation capacity at Bushton, Kansas, increasing its capacity to 210 MBbl/d from 150 MBbl/d. This project is expected to be in service during the first half of 2013.

Cana-Woodford Shale and Granite Wash projects - ONEOK Partners plans to invest approximately \$197 million to \$257 million, excluding AFUDC, in its existing Mid-Continent infrastructure, primarily in the Cana-Woodford Shale and Granite Wash areas. These investments will expand ONEOK Partners' ability to transport unfractionated NGLs from these Mid-Continent supply areas to fractionation facilities in Oklahoma and Texas and distribute NGL products to the Mid-Continent, Gulf Coast and upper Midwest market centers.

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These investments include constructing more than 230 miles of natural gas liquids pipelines that will expand its existing Mid-Continent natural gas liquids gathering system in the Cana-Woodford Shale and Granite Wash areas. The pipelines will connect to three new third-party natural gas processing facilities that are under construction and to three existing third-party natural gas processing facilities that are being expanded. Additionally, ONEOK Partners will install additional pump stations on the Arbuckle Pipeline to increase its capacity to 240 MBbl/d. When completed, these projects are expected to add, through multi-year supply contracts, approximately 75 to 80 MBbl/d of unfractionated NGLs to ONEOK Partners' existing natural gas liquids gathering systems. These projects are expected to be in service during the first half of 2012 and cost approximately \$180 million to \$240 million, excluding AFUDC.

In 2010, ONEOK Partners invested approximately \$17 million to increase the accessibility of new NGL supply to the Arbuckle Pipeline and Mont Belvieu fractionation facilities.

Sterling I Pipeline Expansion - ONEOK Partners is installing seven additional pump stations for approximately \$36 million, excluding AFUDC, along its existing Sterling I natural gas liquids distribution pipeline, increasing its capacity by 15 MBbl/d, which will be supplied by ONEOK Partners' Mid-Continent natural gas liquids infrastructure. The Sterling I pipeline transports NGL products from ONEOK Partners' fractionator in Medford, Oklahoma, to the Mont Belvieu, Texas, market center. All of the pump stations are expected to be in service by the end of November 2011.

For a discussion of ONEOK Partners' capital expenditure financing, see "Capital Expenditures" in "Liquidity and Capital Resources" on page 49.

Selected Financial Results and Operating Information - Beginning in September 2010, following the sale of a 49-percent interest, Overland Pass Pipeline Company was deconsolidated and prospectively accounted for under the equity method in ONEOK Partners' natural gas liquids business. The following table sets forth certain selected financial results for our ONEOK Partners segment for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months 2011 vs. 2010 Increase (Decrease)	Nine Months 2011 vs. 2010 Increase (Decrease)
	2011	2010	2011	2010		
Financial Results						
	(Millions of dollars)					