

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended Dec. 31, 1980 Commission file number 1-3939

KERR-McGEE CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

A DELAWARE CORPORATION

73-0311467

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

KERR-McGEE CENTER, OKLAHOMA CITY, OKLA.

73125

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock \$1 Par Value	New York and Toronto Stock Exchanges
8-1/2% Sinking Fund Debentures Due June 1, 2006	New York Stock Exchange
8% Notes Due July 1, 1983	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(TITLE OF CLASS)

(TITLE OF CLASS)

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 ☐

STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NONAFFILIATES OF THE REGISTRANT. (THE AGGREGATE MARKET VALUE SHALL BE COMPUTED BY REFERENCE TO THE PRICE AT WHICH THE STOCK WAS SOLD, OR THE AVERAGE BID AND ASKED PRICES OF SUCH STOCK, AS OF A SPECIFIED DATE WITHIN 60 DAYS PRIOR TO THE DATE OF FILING.)

\$1.995 billion based on closing price at New York Stock Exchange
on February 27, 1981

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE (APPLICABLE ONLY TO CORPORATE REGISTRANTS)

\$1 Par Value - 25,904,026 Shares on February 28, 1981

DOCUMENTS INCORPORATED BY REFERENCE: LIST THE FOLLOWING DOCUMENTS IF INCORPORATED BY REFERENCE AND THE PART OF THE FORM 10-K INTO WHICH THE DOCUMENT IS INCORPORATED: (1) ANY ANNUAL REPORT TO SECURITY HOLDERS; (2) ANY PROXY OR INFORMATION STATEMENT; AND (3) ANY PROSPECTUS FILED PURSUANT TO RULE 424(b) OR (c) UNDER THE SECURITIES ACT OF 1933. (THE LISTED DOCUMENTS SHOULD BE CLEARLY DESCRIBED FOR IDENTIFICATION PURPOSES.)

The page numbers listed below are the parts of the Company's Proxy Statement for 1981 Annual Meeting of Stockholders to be held on April 28, 1981, that are incorporated by reference:

Part I

Item 4. Security Ownership of Certain Beneficial Owners and Management Page 8

Part III

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Item 10. Management Remuneration and Transactions Pages 4-8

PART I

Items 1. and 2. Business and Properties

GENERAL DEVELOPMENT OF BUSINESS

Kerr-McGee Corporation had its beginning in 1929 with the formation of Anderson & Kerr Drilling Company. The company was incorporated in Delaware in 1932. The major activities of the company and its subsidiaries involve exploration and discovery, production and marketing of the four primary energy fuels - oil, natural gas, uranium and coal. The company also engages in production and marketing of industrial and agricultural chemicals, as well as processing and marketing of forest products, and performs offshore contract drilling.

INDUSTRY SEGMENTS

Sales, operating profit, net income, identifiable assets and depreciation, depletion and amortization of property, plant and equipment by industry segment and for domestic and foreign operations for the three years ended December 31, 1980, are set forth in the Note entitled "Reporting by Industry Segments" of the Notes to Consolidated Financial Statements on Page 55, which is incorporated herein by reference.

PETROLEUM

Exploration and Production

The company is engaged in the exploration for and production and sale of crude oil and natural gas and condensate on a worldwide basis. The petroleum industry remains highly competitive. The company faces active competition in securing rights to explore for crude oil and natural gas.

As of December 31, 1980, the company had interests in undeveloped oil and gas leases as set forth below:

<u>Location</u>	<u>Undeveloped Acreage</u>	
	<u>Gross</u>	<u>Net</u>
United States -		
Alabama	52,636	50,076
Arkansas	6,739	5,925
Kansas	29,221	27,789
Louisiana:		
Onshore	6,135	3,214
Offshore - State	19,336	15,020
Offshore - Federal	174,482	52,157
Mississippi	105,227	82,907
Montana	4,039	3,519
Nevada	40,508	40,508
New Mexico	49,498	40,603
North Dakota	166,885	69,995
Oklahoma	138,299	85,438
Texas:		
Onshore	233,834	206,496
Offshore - State	44,184	44,184
Offshore - Federal	69,120	23,660
Utah	13,265	13,265
Wyoming	130,044	88,400
Other	457	284
	<u>1,283,909</u>	<u>853,440</u>
Foreign -		
Canada	1,109,753	460,056
Mali	2,676,878	120,495
Netherlands	43,115	4,498
United Kingdom	294,969	54,704
	<u>4,124,715</u>	<u>639,753</u>
Total	<u>5,408,624</u>	<u>1,493,193</u>

The company's major areas for exploration and drilling are in the Gulf of Mexico and onshore in Texas, Louisiana, Oklahoma, Wyoming and North Dakota. Principal areas overseas are in the United Kingdom sector of the North Sea, the Arabian Gulf and Southeast Asia. New leases acquired in 1980 increased the company's undeveloped acreage in the Gulf of Mexico to 135,021 net acres, compared with 79,718 net acres at the end of 1979.

Domestic and foreign exploratory and developmental drilling for the five years ended December 31, 1980, is reflected in the following table:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Exploratory wells -					
Gross wells (1):					
Discoveries	8	26	23	22	- 40
Dry holes	<u>30</u>	<u>28</u>	<u>24</u>	<u>35</u>	<u>42</u>
Total	<u><u>38</u></u>	<u><u>54</u></u>	<u><u>47</u></u>	<u><u>57</u></u>	<u><u>82</u></u>
Net wells (2):					
Discoveries	3.03	13.16	6.40	8.76	16.22
Dry holes	<u>13.96</u>	<u>14.00</u>	<u>9.07</u>	<u>14.65</u>	<u>16.20</u>
Total	<u><u>16.99</u></u>	<u><u>27.16</u></u>	<u><u>15.47</u></u>	<u><u>23.41</u></u>	<u><u>32.42</u></u>
Total exploratory and development drilling -					
Gross wells (1):					
Oil	32	33	73	69	89
Gas	17	41	38	69	75
Gas condensate	11	20	9	5	-
Dry holes	<u>35</u>	<u>39</u>	<u>30</u>	<u>41</u>	<u>48</u>
Total	<u><u>95</u></u>	<u><u>133</u></u>	<u><u>150</u></u>	<u><u>184</u></u>	<u><u>212</u></u>
Net wells (2):					
Oil	9.14	8.24	29.34	25.88	52.16
Gas	7.49	22.69	12.34	28.20	27.55
Gas condensate	3.50	9.97	2.78	1.23	-
Dry holes	<u>16.43</u>	<u>20.15</u>	<u>12.05</u>	<u>16.55</u>	<u>19.36</u>
Total	<u><u>36.56</u></u>	<u><u>61.05</u></u>	<u><u>56.51</u></u>	<u><u>71.86</u></u>	<u><u>99.07</u></u>

(1) Gross wells - Wells in which the company holds any working interest.

(2) Net wells - The total of company's fractional working interest in "gross wells" expressed as the equivalent number of full interest wells.

During the year, the company participated in an oil discovery on Block 238 Ship Shoal, offshore Louisiana. The discovery well tested 3,288 barrels a day from two sands at 12,098 feet and 12,598 feet. A drilling platform will be set in 1981. Development drilling is scheduled to begin in May and first oil production is expected in late 1982. The company owns a 40% interest in this 5,000-acre lease.

Also offshore Louisiana, gas discoveries were made on Ship Shoal Blocks 239 and 237. Development on Block 239 will be completed by mid-1981 and production is projected to reach 90 million cubic feet of gas and 250 barrels of condensate per day. Production on Block 237 is expected to begin in mid-1982 at a rate of 10 million cubic feet of gas per day. The company owns a 25% interest in Block 239 and a 61.25% interest in Block 237.

A gas discovery was also made on Block 50 South Timbalier, offshore Louisiana. Seven successful wells have been drilled and initial production is expected to begin in late 1981 at a rate of 60 million cubic feet of gas per day. The company owns a 50% interest in this block.

During 1980, additional exploratory drilling on Blocks 391 and 393 Galveston, offshore Texas, added new gas reserves on both blocks on which discoveries were made during 1979. Block 392, which lies between 391 and 393, was purchased at a Federal lease sale in 1980. Production platforms will be set on Blocks 391 and 393 during 1981. The company owns a 50% interest in the three 5,760-acre blocks.

The company participated in six other gas discoveries in the Gulf of Mexico in 1980. Offshore Louisiana, discoveries were made on Block 34 Ship Shoal, Block 45 Main Pass, Block 24 Eugene Island, Block 264 Vermilion, and Blocks 81 and 147 West Cameron. Oil was discovered on Block 37 Vermilion.

Nineteen new drilling and production platforms are under construction for installation in the Gulf of Mexico in 1981 and 1982.

First gas sales commenced from East Cameron Blocks 45 and 46, offshore Louisiana, in April from three gas completions at a rate of 14 million cubic feet of gas per day. Initial sales from four oil completions are projected for late 1981. Development is continuing on these two 20% owned 5,000-acre blocks.

On Vermilion Blocks 276 and 287, offshore Louisiana, sales commenced during June from 12 completions at rates of 18 million cubic feet of gas and 3,500 barrels of oil per day. The company owns a 16.67% interest in these two 5,000-acre blocks and in adjacent blocks 277 and 286.

In September, initial gas sales were made from Galveston Blocks 156 and 157, offshore Texas, at a rate of 15 million cubic feet of gas and 100 barrels of condensate per day from four wells.

In Oklahoma, drilling continued in Comanche and Caddo counties on six wells in a 21,500-foot Springer sand gas play. The company owns a small overriding royalty interest in the discovery well and a 21% interest in an offset well, which was not conclusively tested due to mechanical problems. The company has interests ranging from 9.75% to 37.5% in the wells being drilled in this deep, high pressure gas play.

In Pittsburg County in eastern Oklahoma, the company drilled seven additional shallow gas wells in 1980 in the Featherston Field. The company's interests range from 37.5% to 97.5% in this field.

In Hemphill County in the Texas Panhandle, the company completed a Morrow gas sand discovery well. The well flowed 4.9 million cubic feet of gas per day. A west offset to the discovery well has been completed, flowing 5 million cubic feet per day. The company is preparing to complete a south offset well, and a north offset is being drilled. The company's interests in these wells average just under 100%.

In the Williston Basin in North Dakota, the company participated in the completion of 14 oil wells during 1980. The company owns an average of 33% interest in these wells.

In the United Kingdom sector of the North Sea in the Moray Firth, offshore Scotland, development of the Beatrice oil field is continuing. The production platform has been installed and is now being equipped, the pipeline has been laid to shore, and construction of the onshore storage and export terminal is in process. Development drilling is in progress from a central drilling platform and from a satellite structure. Production of oil is expected to begin in late 1981 and should reach 80,000 barrels of oil per day in 1982. The company owns a 25% interest in this field.

In the Brae Field on Block 16/7a in the United Kingdom sector of the North Sea, design and construction of drilling and production facilities have begun. Production from South Brae is projected to begin in 1983 and is forecasted to reach 112,000 barrels of oil per day in 1984. The company owns an 8% interest in Block 16/7a.

Exploration of the Brae area is continuing. On Block 16/3a, a gas condensate discovery was tested in February 1980 at a combined rate of 112 million cubic feet of gas and 15,247 barrels of condensate per day. The company also owns an 8% interest in this block.

In the northern portion of Block 16/7a, the No. 14 appraisal well has tested five zones within a 572-foot productive interval. The flow rates ranged from 2,887 to 4,366 barrels of oil per day with gas/oil ratios varying from 3,640 to 7,212 cubic feet per barrel.

Planning is also under way for development of other sectors of the Brae area. Based on exploration activity to date, the company expects to develop five separate areas on Blocks 16/7a and 16/3a.

Development is now being planned for the Heimdal gas field in the Norwegian sector of the North Sea. Initial production is projected for 1986. The company owns a 3.875% interest in this field.

On December 31, 1980, the company had developed oil and gas leases in 15 states in the United States, and in Canada, Abu Dhabi, Sharjah and in the Norwegian and United Kingdom sectors of the North Sea. Approximately

68% of the total developed net acres is located in the United States, principally in Texas, Louisiana and Oklahoma.

The company's interest in developed oil and gas leases is summarized in the following table:

<u>Location</u>	<u>Developed Acreage</u>	
	<u>Gross</u>	<u>Net</u>
United States	643,880	341,375
Foreign	930,339	157,262
Total	<u>1,574,219</u>	<u>498,637</u>

Total wells at December 31, 1980, both domestic and foreign, capable of producing oil, gas and/or gas liquids (condensate) are 2,447, in which the company's varied interests are equivalent to 1,109 net wells; of which 682 are oil wells, 312 are gas wells and 115 are gas condensate wells. Of the net wells, 37.83% are in Texas, 27.47% are in Louisiana, 16.52% are in Oklahoma and 18.18% are in various other areas.

The total amount of capitalized costs for oil and gas production activities and the related reserves for depreciation, depletion and amortization at December 31, 1978, 1979 and 1980; revenues from oil and gas production related to proved oil and gas reserves net of royalty payments and production costs for the years ended December 31, 1978, 1979 and 1980; and capitalized and expensed costs relative to oil and gas activities for the years 1978, 1979 and 1980 are summarized in the note captioned "Oil and Gas Reserve Information, Related Revenue and Cost Data, Estimated Future Net Revenues and Present Value Calculations" in the Notes to Consolidated Financial Statements beginning on Page 70.

The following table summarizes the sales of the company's oil and gas production to the company's interest for the five years ended December 31, 1980:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Crude oil and condensate -					
Barrels (000's):					
U.S.	7,875	7,113	6,532	6,560	6,992
Foreign	3,928	4,131	3,629	3,300	3,001
	<u>11,803</u>	<u>11,244</u>	<u>10,161</u>	<u>9,860</u>	<u>9,993</u>

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Crude oil and condensate -					
Amount (000's):					
U.S.	\$ 58,982	\$ 56,026	\$ 57,137	\$ 71,180	\$136,460
Foreign	<u>44,890</u>	<u>50,684</u>	<u>46,492</u>	<u>57,623</u>	<u>85,205</u>
Total	<u>\$103,872</u>	<u>\$106,710</u>	<u>\$103,629</u>	<u>\$128,803</u>	<u>\$221,665</u>
Natural gas -					
MMCF:					
U.S.	87,682	79,358	81,678(1)	86,182(1)	83,105(1)
Foreign	<u>1,849</u>	<u>1,835</u>	<u>2,128</u>	<u>2,540</u>	<u>2,489</u>
Total	<u>89,531</u>	<u>81,193</u>	<u>83,806(1)</u>	<u>88,722(1)</u>	<u>85,594(1)</u>
Amount (000's):					
U.S.	\$ 49,749	\$ 69,169	\$ 86,519	\$124,258	\$149,065
Foreign	<u>1,956</u>	<u>2,095</u>	<u>3,219</u>	<u>3,988</u>	<u>5,370</u>
Total	<u>\$ 51,705</u>	<u>\$ 71,264</u>	<u>\$ 89,738</u>	<u>\$128,246</u>	<u>\$154,435</u>

(1) Does not include 811 MMCF, 747 MMCF and 550 MMCF produced to the company's interest in 1978, 1979 and 1980, respectively, for which revenues previously had been received under take-or-pay contracts.

The table below discloses the average sales price per unit of crude oil and natural gas produced and the production costs per unit of production.

	<u>1978</u>	<u>1979</u>	<u>1980</u>
Average sales price -			
Crude oil (per barrel):			
United States	\$ 8.75	\$10.85	\$19.52
Foreign	<u>12.81</u>	<u>17.46</u>	<u>28.29</u>
Total	<u>\$10.20</u>	<u>\$13.06</u>	<u>\$22.15</u>
Natural gas (per MCF):			
United States	\$ 1.06	\$ 1.44	\$ 1.79
Foreign	<u>1.51</u>	<u>1.57</u>	<u>2.04</u>
Total	<u>\$ 1.07</u>	<u>\$ 1.45</u>	<u>\$ 1.80</u>
Production costs (per barrel equivalent):			
United States	\$ 1.40	\$ 2.02	\$ 3.96
Foreign	<u>1.96</u>	<u>1.59</u>	<u>2.65</u>
Total	<u>\$ 1.49</u>	<u>\$ 1.95</u>	<u>\$ 3.77</u>

The company is continuing to pursue a program of maintaining certain of its leases in secondary recovery operations. In December 1980, the company had approximately 5,000 net acres in 54 active secondary recovery projects in Texas, Oklahoma, Louisiana, Arkansas, New Mexico, North Dakota, Wyoming and Florida, and approximately 2,240 net acres in four active secondary recovery projects in Canada.

It is estimated that the company's net production for the 1981 calendar year from wells currently producing and connected for sale and for those not currently producing but which have been completed or are planned for completion will amount to 11,026,000 barrels of crude oil and condensate and 98 billion cubic feet of natural gas.

At December 31, 1980, the company had a working interest in 127 gross wells, 47.36 net wells, both domestic and foreign, which were in various stages of completion and/or drilling.

Reserves

Details relative to the company's estimated proved reserves of oil and gas at December 31, 1980, and the changes in net quantities of oil and gas reserves for 1978, 1979 and 1980 are included in the note captioned "Oil and Gas Reserve Information, Related Revenue and Cost Data, Estimated Future Net Revenues and Present Value Calculations" in the Notes to Consolidated Financial Statements beginning on Page 68.

From time to time, reports on reserves are filed with various domestic regulatory agencies relating to the company's reserves. The reserves reported in the Notes to Consolidated Financial Statements are consistent with other filings pertaining to proved net reserves. Minor differences in gas volumes occur when adjustments for gas plant shrinkage and to a common pressure base are required. Certain other reports require reserves to be filed inclusive of royalty and/or on an operator basis.

Tables on the following items are also included in the above described Notes to Consolidated Financial Statements:

1. Estimated "future net revenues" at December 31, 1980, from proved and proved developed oil and gas reserves by geographic location.
2. Discounted value of estimated "future net revenues" at December 31, 1980, from proved oil and gas reserves based upon a discount rate of 10% compared with similar calculations at December 31, 1978 and 1979.
3. A schedule of the changes in the present value of estimated "future net revenues" from proved oil and gas reserves for the years ended December 31, 1980 and 1979.

4. A summary of oil and gas producing activities on the basis of Reserve Recognition Accounting for the years ended December 31, 1980 and 1979.

Sales of Production

Most of the company's domestic oil production is exchanged for crude oil for use in the company's refineries. The company's Abu Dhabi and Sharjah crude oil is either sold or exchanged for crude oil suitable to be run in the company's refineries.

Gas production is mostly sold under long-term contracts to both interstate and intrastate gas gathering or transmission companies. Approximately 97% of the company's production income derived from the sale of natural gas is subject to the jurisdiction of the Department of Energy pursuant to the Natural Gas Policy Act.

Gas Processing

The company has interests in the following gas processing plants, which produce ethane, propane, iso-butane, normal butane, natural gasoline, motor fuel, jet fuel and gas oil:

<u>Plants</u>	<u>Percent owned</u>	<u>Capacity MMCF/Day</u>	<u>Percent Utilized (1)</u>
Pampa, Texas	100.0%	24.0	26%
Milfay, Oklahoma	50.0	12.0	46
Bayou Crook Chene, Louisiana	50.0	12.5	33
Dubach, Louisiana	50.0	175.0	28
Hobart Ranch, Texas	53.6	43.5	83
Boxcar Butte, North Dakota	59.3	6.0	22
Maysville, Oklahoma	5.0	350.0	15
Terrebonne, Louisiana	2.7	1,450.0	57
Other (ten plants)	2.6	866.0	46

- (1) Percent utilized is based on 1980 average gas throughput divided by the designed daily gas throughput.

The company's net production of natural gas liquids during 1980 totaled 1,920,094 barrels and the company's share of the residue gas sold during 1980 was 1,655,790 MCF, compared with 2,174,628 barrels of natural gas liquids produced and 1,759,783 MCF of residue gas sold in 1979.

Refining and Marketing

The company is engaged in the purchase, gathering, transportation and refining of crude oil, and the transportation, distribution and marketing of petroleum products both at retail and wholesale. Its gasolines, distillates,

lubricating oils and allied products are marketed under the brand names of Kerr-McGee, Deep Rock, Cato, Mystik and various other trade names according to the territory where sold.

In a highly competitive industry, the company faces active competition in the marketing of petroleum products. The company considers its products to be fully competitive in quality, service and price and has been able to compete successfully with other products offered in the markets it serves.

The company is not crude oil self-sufficient and must depend on term contracts and spot purchases of crude oil to supplement its own production in order to meet its refining requirements. Crude oil availability world-wide continued to be tight during 1980. Reduced demand for refined products in the U.S. during the summer months temporarily improved crude oil availability. This surplus condition was soon ended by the Iran-Iraq war which began in September 1980. As a result of crude oil unavailability at prices that would permit profitable processing, crude oil processed by the company's three refineries averaged 112,726 barrels per calendar day in 1980, down approximately 10,000 barrels per day from 1979.

The company's 1980 refined product sales averaged 167,637 barrels per day, a reduction of approximately 14,000 barrels per day from the 1979 level. Lower sales volume in 1980 resulted from tight crude oil and refined product supply conditions early in the year and from reduced U.S. consumer demand for refined products from mid-year forward. Demand for refined petroleum products in the United States decreased almost 8% for the industry as a whole during 1980. The average daily U.S. consumption of gasoline declined about 6% from 1979. Increased consumer conservation due to higher retail prices and improved fuel efficiency for new automobiles were major factors leading to lower gasoline demand.

Profits from the company's refining and marketing operations were down from 1979's high level. Lower demand industry-wide for both gasoline and distillates reduced sales volumes and resulted in higher industry inventories. This put downward pressure on selling prices while, at the same time, crude oil costs were increasing due to domestic decontrol of crude oil prices and increased prices for foreign oil supplied by OPEC nations.

Entering 1981, the company's refining and marketing operations face continued changes in the business environment. Major factors creating uncertainty for the industry are a continued reduction in product demand and decontrol of crude oil and gasoline prices and supply allocations.

Refining

The company owns and operates three refineries having a total crude oil processing capacity of 181,000 barrels per calendar day. The following table lists the company's refinery locations and capacities:

<u>Plant</u>	<u>Rated Crude Oil Capacity</u>	<u>Percent Utilized</u>
Corpus Christi, Texas	120,000 B/D	56%
Wynnewood, Oklahoma	50,000 B/D	78%
Cotton Valley, Louisiana	11,000 B/D	54%
Total	<u>181,000 B/D</u>	

Percent utilized is based on 1980 average daily throughput divided by the rated crude oil capacity during 1980.

The Corpus Christi refinery produces gasoline, jet fuel, diesel fuel, heating oil, heavy fuel and petrochemical feedstocks (benzene, toluene and xylene). Construction was completed in 1980 on a new 28,000 barrel-per-day fluid catalytic cracker and a Dimersol unit. This facility will enable the refinery to convert residual fuel oil stocks to higher valued unleaded gasoline and distillates, which are required in the marketplace.

The Wynnewood refinery produces gasoline, solvents, diesel fuel, heavy fuel, light burner fuels and asphalts. The Residuum Oil Supercritical Extraction (ROSE) unit at the Wynnewood plant is in operation. This proprietary process upgrades a high percentage of residual materials to cracking stock, allowing a higher yield of gasolines and distillates from a barrel of crude oil. Interest in licensing this process is growing. The company had licensed the ROSE process to three U.S. refiners by the end of 1980.

The Cotton Valley plant is primarily a specialty plant producing light fuels and high quality solvent naphthas. No finished gasoline is being produced by this plant due to EPA lead restrictions.

Crude Oil Supply

The approximately 113,000 barrels per day of crude oil processed in the company's refineries in 1980 were derived from use of the company's own production, contract purchases, exchanges and spot purchases.

Approximately 19,000 barrels per day of the crude oil refined in 1980 came from the exchange or use of the company's domestic production. The company purchased 65,000 barrels per day of crude through ownership of crude oil gathering systems and under long-standing purchase relationships with both foreign and domestic crude oil producers. The balance of the crude oil processed was provided by spot purchases and from the company's foreign production.

The company owns and operates a crude oil gathering pipeline system of approximately 1,500 miles and a 165-mile products pipeline system. The crude oil gathering system supplies crude to the Oklahoma refinery from a

large number of wells (mostly owned by others who sell to the company). The total crude gathered in 1980 averaged 20,755 barrels per day. The company owns 10.1 percent of the Texoma Pipeline Company, a major crude oil pipeline from Beaumont, Texas, to Cushing, Oklahoma. This pipeline provides additional crude necessary for the Wynnewood refinery's capacity.

Marketing and Product Distribution

The products of the Wynnewood refinery are sold in the midwest and southwest under the Kerr-McGee and Deep Rock brands. Gasoline, diesel fuels and heating oils are marketed through independent jobbers and dealers.

During 1980, 14% of all products of the Corpus Christi refinery consisting primarily of kerosene and heating oils were sold by Royal Petroleum Corporation, a wholly owned subsidiary, through independent distributors in the states of New York, New Jersey and Connecticut. Royal's purchases from the Corpus Christi refinery amounted to 65% of its total supply with purchases from others supplying the balance. In addition, 40% of the refinery's products were sold to Triangle Refineries, Inc., also a wholly owned subsidiary.

Triangle purchased approximately 48% of its supply of products from the Corpus Christi refinery with the remaining 52% being supplied by others. Triangle distributes gasoline, diesel fuels and heating oils to various types of customers, principally independent jobbers and dealers.

At the end of 1980, 1,452 retail service stations located primarily in the midwestern and southwestern parts of the country were operating under the Kerr-McGee or Deep Rock brands. Of these stations, 506 were owned in fee or held under long-term lease. The remaining 946 branded stations were controlled by independent jobbers operating under branded sales contracts. Sixteen of the branded company owned-leased service stations were remodeled during 1980. Two self-service stations of a new design were completed and put into operation during 1980. In addition, the company owned or leased 103 retail service stations, and a 50% owned affiliate (over which the company has no operational control) owned or leased 63 more stations operating under brand names other than Kerr-McGee or Deep Rock in the southwestern and southeastern parts of the country. The number of stations in operation has been reduced during 1980 by the company's continuing effort to close less profitable retail outlets.

Products are transported for distribution through various common carrier pipeline systems and by cargo ships and barges. A total of 20 waterway and pipeline terminals were operated by the company during 1980, two of which were leased and one 50% owned.

The company produces and markets industrial, agricultural and automotive lubricants and petroleum specialty products from plants in Oklahoma City, Oklahoma, and Atlanta, Georgia. These products, many under the Cato and Mystik brand names, are marketed throughout the United States. The company also manufactures and packages under private label for several major brand marketers. Current trends indicate increasing industrial and mining operations demand for oil and grease lubricants in bulk form, and the company plans to participate in this increasing market.

Contract Drilling

The company is engaged in contract drilling conducted through its wholly-owned subsidiaries, Transworld Drilling Company and Transworld Drilling Company, Limited. The Transworld Drilling Companies' fleet consists of 19 offshore rigs - seven submersibles, two semi-submersibles, nine jack-ups, and one self-contained platform rig. Eleven of these rigs are presently operating in the Gulf of Mexico, four in the North Sea, two in the Arabian Gulf, one offshore Brazil and one offshore Nigeria. The rigs are used for the drilling of both contract wells and wells owned in full or in part by the company.

<u>Geographical Location</u>	<u>Calendar Year 1980</u>	
	<u>Number of Rigs</u>	<u>Utilization</u>
Continental United States (including the Gulf of Mexico): Marine	11	97.8%
Foreign Countries: Marine	8*	100.0
	<u>19</u>	<u>98.7%</u>

* Includes Transocean Rigs Nos. 1, 2, 4 and 5, which are owned by Transocean Drilling Company Limited, in which the company has a 51% interest.

One new rig was placed in service during the year. Rig 68, a submersible capable of drilling in 100 feet of water, began work in the Gulf of Mexico in 1980.

The company has contracted for construction of four submersible rigs for operation in the Gulf of Mexico, designated Transworld Rigs 69, 70, 72 and 73. These rigs will have water depth capabilities of 100 feet. Three of the rigs are scheduled for completion in 1981, and Rig 73 is scheduled for completion in the first quarter of 1982.

Construction of Transworld Rig 71, a jack-up device capable of drilling in 250 feet of water, is scheduled for completion in the first quarter of 1981 in Singapore.

Transocean Drilling Company Limited has ordered two 300-foot jack-up rigs, Transocean VI and Transocean VII, to be constructed in Singapore, scheduled for delivery in April 1981 and January 1983, respectively.

The outlook for the offshore drilling industry improved in 1980, and 1981 is expected to be another outstanding year for the industry.

CHEMICALS

The company is engaged in the production, manufacture and sale of basic industrial and agricultural chemicals which are sold in the United States and in many foreign countries, and in the processing of forest products. The principal chemical products are muriate of potash, sulfate of potash, borax, boric acid, soda ash, salt cake, lime, sodium chlorate, ammonium perchlorate, titanium dioxide, phosphate rock, vanadium pentoxide, manganese metal and manganese dioxide.

Searles Lake Operations

The company operates two chemical plants, the Trona Plant and the Westend Plant, and continues in the start-up phase of a third plant, the Argus facility, at its Searles Lake evaporite deposit located at the north end of the Mojave Desert in California. The three plants are located on lands owned by the company in fee. Soda ash production capacity from this evaporite deposit will increase to 1.45 million tons a year upon completion of start-up operations.

As of December 1980, the Argus plant was still behind schedule in its planned start-up of operations, but progress continues to be made in bringing the plant on stream. Mechanical and operating problems have been encountered in this very large and complex chemical processing facility, but no significant process problems have been encountered.

The two existing facilities, at Trona and Westend, also recover borax and salt cake, as well as soda ash. Additionally, the Trona plant recovers potash.

As of December 31, 1980, the company owned in fee 6,169 acres of mineral lands on Searles Lake, California, and leased an additional 15,139 acres from the United States Government. These lands serve all three plants and consist of three major crystalline deposits, the top two of which are separated by a 15-to-20-foot layer of impervious mud. The leases are continuing or renewable at the option of the holder for 10- or 20-year periods with a right in the Secretary of the Interior to make reasonable adjustments in terms of the lease prior to renewal. The leases are set forth below:

<u>Acres</u>	<u>Type</u>	<u>Renewals</u>	
		<u>Period</u>	<u>Date</u>
5,328.41	Potassium	*	*
440.00	Potassium	10	1980**
2,543.80	Potassium	20	1984
2,037.83	Sodium	10	1976**
1,458.01	Sodium	10	1988
1,079.96	Sodium	10	1989
2,240.60	Sodium	10	1981***
10.00	Sodium	10	1984

* The lease continues so long as the lessee complies with the terms and conditions of the lease, subject to review and adjustment of the royalty rate in 1980.

** Renewal applications have been filed, approval pending at year-end.

*** Renewal applications have been filed subsequent to year-end.

Based on a long history of brine analysis from producing wells and on cores and logs of the solid salt beds that contain the brine, the company's resources at Searles Lake have been estimated by the company's engineers to be as follows on December 31, 1980:

<u>(In millions of tons)</u>	<u>Estimated Total Resource</u>	<u>Estimated Utilization During Next 20 Years (1)</u>
Potassium chloride (2)	<u>111.7</u>	<u>7.2</u>
Sodium compounds -		
Sodium tetraborate	52	4.1
Sodium carbonate	939	38.2
Sodium sulfate	<u>538</u>	<u>13.6</u>
	<u>1,529</u>	<u>55.9</u>

(1) Based on expected production during the next 20 years required for current and anticipated future expansions.

(2) 60% K₂O equivalent.

Hobbs Operations

As of December 31, 1980, the company held potassium leases on 29,320 acres, tributary to the company's mine and mill facility in the "Potash Basin Area" between Hobbs and Carlsbad, New Mexico. The leases included 17 Federal leases covering 21,351 acres with no fixed term but reserving to

the Government the right to modify royalty and other provisions every 20 years, and five New Mexico State leases covering 7,969 acres with the term running to a fixed expiration date "...and so long thereafter as the said minerals or any of them in paying quantities shall be produced from the leased land."

This plant has a capacity of 1,650 tons of muriate of potash per day and operated at approximately 93% of capacity in 1980. The high overall operating rate reflects the results of an ongoing mine modernization program begun three years ago.

The company estimates its reserves at Hobbs to be sufficient to produce 15.8 million tons potassium chloride, 62% K₂O equivalent.

Phosphate Rock

Central Florida Phosphate Reserves -

The company owns in fee 3,633 acres of phosphate lands near Lakeland, Florida. These lands are being mined through a partnership with American Cyanamid Company, named Brewster Phosphates, which processes phosphate rock from two mines. Brewster Phosphates owns in fee for the partnership 488 acres of phosphate lands. The total nominal capacity of the Brewster operations for phosphate rock is 5.0 million tons annually. The company's 25% share is about 1.25 million tons annually.

The company's share of production from the time of inception of the joint operation in June 1971 through 1980, has totaled 8.7 million tons, including 1.1 million tons in 1980. Current reserves attributable to the company's 25% interest are estimated to be 17.2 million tons.

Other Phosphate Deposits -

The company has deposits of phosphate rock in Alachua, Bradford, Union and Columbia Counties, Florida, under land which it either owns or leases. The company has acquired these properties in reliance upon the estimate of its geologists, based on wide-spaced core drilling, that approximately 53 million tons of phosphate rock are recoverable. Additional drilling will be required to determine the actual tonnage and grade of recoverable phosphate rock and the degree to which it may be economically feasible to mine such rock. No permits have yet been obtained for mining.

The company owns in fee 9,869 acres in Chatham County, Georgia, consisting of two islands, Little Tybee Island and Cabbage Island, which are believed to be underlain by a substantial deposit of phosphate rock. Wide-spaced core drilling and metallurgical and chemical analysis indicate a uniform deposit with a BPL content of about 66%. Based on preliminary drillings, the company's engineers have estimated the presence of approximately 93.5 million tons of material which could be mined by dredging, but additional drilling will have to be done to establish the amount of recoverable phosphate rock, and no plans have been made to mine the deposit.

The Little Tybee and Cabbage Islands deposits are in the ecologically important and sensitive Georgia salt marshes where, at present, mining is not permitted. Before the deposits can be mined, the company will be required to obtain authorizations or permits from a number of agencies and will, in all probability, be required to demonstrate that mining will not permanently alter the ecology of the area. There is no assurance that such authorizations or permits will be obtained. In addition, a decision in 1976 by the Supreme Court of Georgia announced a principle which may cast doubt on the title to a portion of the properties containing the deposits.

Synthetic Rutile

The company's synthetic rutile plant at Mobile, Alabama, located on land the company owns in fee, resumed operations in February 1980. The plant was placed on standby in March 1978 to make improvements and additions to the process equipment. During the intervening period from shutdown to resumption of operations, the Hamilton, Mississippi, titanium dioxide pigment plant was supplied with a combination of synthetic rutile from inventories at Mobile, natural rutile from Australia, and synthetic rutile from Australia. The Mobile operations resumed as scheduled and, by mid-year, were providing the full raw material feedstock requirements for the Hamilton pigment plant, as well as producing increasing amounts of synthetic rutile for sale to other manufacturers of titanium dioxide.

Other Chemical Operations

The plant complex at Hamilton, Mississippi, on land owned in fee, comprises an electrolytic plant for the manufacture of sodium chlorate, with a capacity of 32,000 tons per year; a manganese metal plant, the capacity of which is 10,000 tons per year; a plant which manufactures titanium dioxide pigments, with an annual capacity of 56,000 tons, up from a previous nameplate capacity of 50,000 tons. The parathion plant, which produced 17 million pounds annually, has been closed.

Facilities at Henderson, Nevada, on land owned in fee, include electrolytic cells and processing equipment for the manufacture of manganese dioxide and sodium chlorate; and a plant for the manufacture of ammonium perchlorate by a chemical process.

The company also recovers vanadium pentoxide and ammonium metavanadate at Soda Springs, Idaho, from by-products of the phosphate operations of others in the area.

Forest Products

The company owns approximately 265,000 acres of timberland located in Arkansas, Illinois, Missouri, Kentucky, Tennessee, Mississippi, Texas, Louisiana and Pennsylvania. It also owns and operates nine wood-preserving plants located along major railroads east of the Rocky Mountains, two hardwood pallet mills, and seven automated sawmills, one of which is leased to another person with the production being returned to the company.

The principal forest products processed by the company are treated railroad crossties and telephone and power transmission poles. Other products include pilings, fenceposts, railroad crossing materials, flooring and furniture lumber, bridge lumber, hardwood pallets and pressure treated lumber for farm use.

Markets

The 1980 business recession adversely affected sales and earnings for some of the company's chemical products. The effects of the recession were minimized by selective marketing in domestic areas and, in some cases, increased exports. Kerr-McGee's markets were firm for the company's two fertilizer materials - potash and phosphate rock - and for boron products, soda ash, titanium dioxide pigments and manganese dioxide.

Some weakness occurred in markets for sodium chlorate, ammonium perchlorate, manganese metal and railroad crossties. The manufacture of methyl parathion, an insecticide, was discontinued due to its displacement by other materials.

Additional data relative to minerals produced in 1980 and the average market prices received is set forth in the note entitled "Mineral Reserve Information and Related Operating Data" in the Notes to the Consolidated Financial Statements on Page 77.

NUCLEAR

The company entered the nuclear business in 1952 and has continuously maintained a sizeable program for the discovery and production of uranium. Major changes in U.S. uranium enrichment contract policies in late 1978, followed by the Three Mile Island incident in 1979, together with depressed market conditions, have severely impacted the domestic nuclear industry. The 74 nuclear power plants currently licensed to operate and the additional 87 plants with construction permits in the United States should provide a growing market for the company's existing and planned uranium operations. At the

present time, less than one-half of the uranium required for delivery after 1985 to fuel these plants has been purchased. The company is one of the nation's largest suppliers of uranium concentrates and is the leading producer from underground mines.

As of December 31, 1980, the company owned or controlled through claims and leases approximately 684,000 net acres of prospective uranium lands in Arizona, California, Colorado, Maine, Michigan, Montana, Nebraska, New Mexico, South Dakota, Texas, Wisconsin, Wyoming and Ontario, Canada. Presently, the company's principal delineated deposits of uranium-bearing material are located in New Mexico and Wyoming.

New Mexico

At the end of the year, the company operated five underground mines in the Ambrosia Lake area and an underground mine with two production shafts at Church Rock, near Gallup. The company's 7,000 ton-per-day mill located in Ambrosia Lake completed its 22nd year of operation in 1980, during which period it has processed approximately 30 million tons of ore containing about 115 million pounds of U_3O_8 . The mill continued to process ore for others under toll milling contracts, in addition to processing company mined ore. Some of the ore mined at Church Rock was processed for the company at another producer's mill near the Church Rock mine. During 1980, the mill at Ambrosia Lake processed 1,308,053 tons of company ore at an average grade of .161% and 813,014 tons of ore for others at an average grade of .152%. Production of uranium in concentrate (U_3O_8) totaled 6,541,904 pounds, of which 4,293,137 pounds were company owned. In addition, 943,450 pounds of U_3O_8 were produced at another mill for the company from the Church Rock mined ore.

During 1980, construction of the Lee Mine shaft in Ambrosia Lake was commenced to meet lease requirements. Mining at Section 17 mine and the Section 24 Mine was temporarily suspended after operating continuously since 1959. The Rio Puerco Mine operations were also suspended and placed on standby because of the continuing political and regulatory uncertainties and other economic factors affecting industry growth.

Table I sets forth the estimated amounts of economic uranium-bearing material at 6'/.10% cut-off, controlled by the company in New Mexico as of December 31, 1980, all of which require underground mining operations for production:

TABLE I

Area	Tons (000)	Grade % U_3O_8	Pounds of U_3O_8 (000)
Ambrosia Lake -			
Material available to operating mines	5,968	0.22	26,543
Material undergoing mine construction	429	0.28	2,406
Total	6,397	0.23	28,949
Church Rock -			
Material available to operating mines	2,915	0.23	13,271
Total New Mexico	9,312	0.23	42,220

In the table above, approximately 16% of the U_3O_8 in the Ambrosia Lake area is held by mining claims, largely unpatented, on Federal lands, which claims are owned by or leased to the company, and the remainder is held under mining leases on fee lands. The material at Church Rock is principally held by leases from the Navajo Tribe.

The above discussion of uranium deposits in New Mexico relates only to those estimated quantities of uranium-bearing material which are available to mines actively producing or in the construction stage and which are believed capable of being profitably mined and sold under present technology, regulatory and economic conditions.

Table II lists the estimated amount of additional New Mexico uranium-bearing materials requiring underground mining, measured at a 6'/.10% cut-off, which may become economical if and when the uranium market price recovers.

TABLE II

Area	Tons (000)	Grade % U_3O_8	Pounds of U_3O_8 (000)
Ambrosia Lake (1)	4,233	0.23	19,424
Church Rock (1)	8,569	0.13	23,033
Rio Puerco (1)	1,114	0.16	3,611
Marquez (1)	876	0.17	2,949
Total	14,792	0.17	49,017

- (1) The extent to which the uranium-bearing material will be mined will depend upon the economics of production and sales of U_3O_8 on a profitable basis.

Wyoming

An April 1976 contract provides for delivery of 20,000,000 pounds of U_3O_8 in concentrate to Public Service Electric and Gas Company, Newark, New Jersey, from the South Powder River Basin properties. Public Service is committed to make interest bearing advance payments against the purchases equivalent to the cost of the development of mining and milling facilities not to exceed certain maximum amounts as various projects are completed. Re-payment of the advances and interest thereon at 8% will be made by the company as U_3O_8 is sold to Public Service.

Initial deliveries of U_3O_8 were in the fourth quarter of 1978 and continue with 425,688 pounds of U_3O_8 being delivered in 1980.

A modification of the Public Service sale agreement in 1978 placed the Bill Smith underground facility in a standby status until 1981. In the second quarter of 1980, Public Service elected not to proceed with development of the Bill Smith upon expiration of the standby period. Consequently, Public Service rights and obligations, with respect to certain nonproducing properties, were extinguished in accordance with the contract modification.

On October 1, 1980, in concurrence with Public Service, the open pit mines were placed on a minimum operations status until 1982. Minimal deliveries will continue during this period. These actions in 1980 result from the current depressed uranium market prices and there are no plans to return these properties back to active status until such market improves. The company is in the process of starting two in-situ leach pilot test programs at the Bill Smith Mine.

The above contract modifications referred to provide for a moratorium on interest applicable to advances from Public Service until the properties are returned to an active status. As of December 31, 1980, advances of \$31.3 million plus accumulated interest of \$2.1 million remained to be recovered from future production from these properties.

Table III sets forth the estimated amount of Wyoming uranium-bearing materials which may become economical if and when the uranium market price recovers. Underground material cut-off is 6'/.10% and the open pit estimates are at 3'/.05%.

TABLE III

Area	Tons (000)	Grade % U_3O_8	Pounds U_3O_8 (000)
South Powder River Basin -			
Open Pits (1)	3,084	0.09	5,279
Underground (1)	4,912	0.15	15,179
Total	7,996	0.13	20,458
Shirley Basin -			
Open Pits (1)	1,044	0.12	2,471
Total Wyoming	9,040	0.13	22,929

- (1) The extent to which the uranium-bearing material will be mined will depend upon the economics of production and sales of U_3O_8 on a profitable basis.

Assessment drilling continues in the Shirley Basin, South Powder River Basin and other areas of Wyoming where the company holds properties in its own name and with other joint venturers.

The mining of identified subeconomic uranium-bearing materials in New Mexico and Wyoming, if they become economically feasible, will be subject to various laws and regulations governing mining techniques, reclamations of mined land and solid waste disposal. Such laws and regulations are continually changing and the changes frequently result in increased costs of the mining operations. It is not possible for the company to predict at this time the impact of such laws and regulations, as they now exist or as they may be amended in the future, on current or possible future mining operations in which the company holds interests.

Other Properties

The company has other properties on which exploration drilling has indicated the presence of additional uranium mineralization. Only assessment drilling on mining claims will be performed until such time that the uranium-bearing materials can be produced and sold at a profit.

Nuclear Manufacturing

Kerr-McGee purifies and converts uranium-bearing compounds to uranium hexafluoride (UF_6) at its Sequoyah Facility on fee property near Gore, Oklahoma, one of only two such commercial plants in the U.S.

The Sequoyah plant, the first in the U.S. capable of processing uranium concentrates in slurry form, continued to process uranium tetrafluoride and uranyl peroxide slurries. The facility's ability to receive and process uranium in slurry form saves Kerr-McGee and its toll-conversion customers the expense and energy to dry and package uranium concentrates.

During 1980, production of uranium hexafluoride (UF_6) from Kerr-McGee uranium concentrates and concentrates furnished by others totaled 7,352,839 kilograms of uranium, a record level and more than 80% of Sequoyah's expanded capacity of 9.0 million kilograms of uranium as UF_6 . In 1981, the company expects the facility's production rate to decline slightly from the level achieved in 1980.

The uranium fuel manufacturing facility north of Oklahoma City, which produced slightly enriched uranium oxide fuel pellets and plutonium-uranium fuel pins for the Fast Flux Test Facility near Richland, Washington, was closed in 1975. A program of equipment removal and decontamination is currently underway.

Nuclear Marketing

The company delivered 6,750,503 pounds of U_3O_8 in 1980. In addition, the company delivered 5,699,782 kilograms of uranium as UF_6 to toll conversion customers. No new uranium sales contracts were signed in 1980. New contracts signed for the toll conversion of uranium concentrates (U_3O_8) to uranium hexafluoride (UF_6) totaled 1.2 million kilograms of uranium as UF_6 . At the close of 1980, the backlog of uranium sales and conversion commitments was \$1.2 billion in August 1980 dollars. All long-term conversion contract prices and a portion of the U_3O_8 and UF_6 contract prices are subject to escalation to the date of delivery. Also, a portion of the long-term U_3O_8 contracts provides for prices to be negotiated upon delivery. The above dollar amount does not reflect further escalations or changes in the market price.

Some of the company's older uranium contract price escalation provisions were insufficient to offset large increases in mining and milling costs, resulting mainly from compliance with new government regulations. The company has negotiated some improvement in prices with respect to all of the pounds covered by these contracts.

Late in December 1980, the U.S. District Court of the Western District of Oklahoma approved settlement of litigation involving a contract for the sale of uranium as uranium hexafluoride by Kerr-McGee Nuclear Corporation to a group of electric utilities. The settlement provided for a payment to Kerr-McGee to settle claims for price increases resulting from government regulations. The settlement also resulted in the resumption of deliveries. As a result, the price of the uranium being delivered currently is above current production costs.

Further information relative to uranium reserves and production and average market prices received in 1980 are included in the note titled "Mineral Reserve Information and Related Operating Data" in the Notes to Consolidated Financial Statements on Page 77.

COAL

The company began acquiring coal properties in 1958 in areas suitable for both surface and underground mining. The program is continuing, and at the present time, the company owns or leases major tonnages of bituminous and sub-bituminous coal and lignite in Wyoming, Illinois, Oklahoma, North Dakota, Montana, Utah, Colorado and Arkansas.

On the reserves listed in the following chart, the company has either developed, planned or completed feasibility studies on the deposits shown:

<u>State</u>	<u>Mining Unit</u>	<u>Demonstrated Tons Recoverable (000's)</u>	<u>Classification</u>	<u>Estimated Average Sulfur Content</u>	<u>Type Mining</u>
Wyoming	Jacobs Ranch Mine	304,000*	Steam	0.48%	Surface
	Clovis Point Mine (formerly East Gillette Mine No. 16)	73,500*	Steam	0.44%	Surface
	East Gillette Federal Mine (formerly East Gillette Mine)	370,000*	Steam	0.45%	Surface
Illinois	Galatia - Harrisburg #5	46,310*	Met. /Steam	1.31%	Underground
	Herrin #6	94,365*	Steam	2.74%	Underground
Total		<u>888,175</u>			

*As of December 31, 1980

More than 90% of the Wyoming reserves are held under Federal leases and most of the remainder are under leases from the state. Reserves in Illinois are held under leases from private parties. The company's operations and/or plans for these mining units are described below:

Jacobs Ranch Mine

At December 31, 1980, the company has long-term contracts with five utilities in Arkansas, Louisiana, Oklahoma and Texas to supply a remaining 244 million tons of low sulfur coal from Jacobs Ranch Mine.

The Jacobs Ranch Mine, located in the eastern Powder River Basin approximately 50 miles south of Gillette, Campbell County, Wyoming, began shipments in February 1978 and shipped 1,744,000 tons that year. Total shipments for 1979 rose to 4,719,282 tons and deliveries in 1980 were 8,193,797 tons. Sales in 1981 are expected to be 8.6 million tons.

Jacobs Ranch Mine began a phased expansion program in May 1979 to meet increased contractual requirements. An additional railroad loop and three new clean-coal silos were constructed to increase the storage capacity to 105,000 tons and allow simultaneous loading of two trains. Service facilities were also expanded to eight bays for service and maintenance of equipment. The expansion, completed in December 1980, increased the mine's capacity to produce and process up to 15 million tons per year.

Deliveries of coal during 1980 fell short of expectations due to various electric generating plant start-up problems experienced by two customers.

The contracts under which Jacobs Ranch coal is sold are for delivery to operating generating plants or generating plants under construction. The sulfur content of the coal thus far delivered has been sufficiently low to be burned without violating the Environmental Protection Agency (EPA) restrictions imposed on sulfur dioxide emissions for plants currently in operation or under construction prior to September 1978. The new source performance standards issued on June 11, 1979, require 70% scrubbing of most western coals. This requirement has reduced significantly the attractiveness of western coal as fuel for plants to be constructed and operated under the new rules for sulfur dioxide emissions.

Clovis Point Mine (Formerly East Gillette Mine No. 16)

The lease consists of 640 acres of coal overlain by surface owned by the State of Wyoming. Construction of the mine began in mid-1977, and first shipments were made in August 1979. Total shipments for 1979 were 348,277 tons, and deliveries in 1980 were 2,484,106 tons. It is expected that 3.9 million tons will be produced in 1981. Thirty-two million tons are committed for delivery to two utilities during the 1981-1996 time period.

East Gillette Federal Mine (Formerly East Gillette Mine)

The company holds a major, undeveloped, mostly Federally leased block of low sulfur coal approximately eight miles east of Gillette, Wyoming, contiguous to the Clovis Point Mine. The reserves will support a mining

operation of approximately 12 million tons per year. An application for a Federal mining permit to mine on this property was filed with the United States Geological Survey (USGS), on February 28, 1975. An application for a state mining permit to mine was initially submitted in May 1977, and the last revision of this application was submitted to the Wyoming Department of Environmental Quality and the Federal Office of Surface Mining on May 27, 1980. A site-specific Environmental Assessment, which was originally drafted by a Federal task force headed by USGS, with pertinent information provided by the company, was released in draft form in March 1977 and public hearing was held in May 1977. The Final Environmental Impact Statement is currently being prepared by the USGS. The State of Wyoming and Federal Office of Surface Mining are currently reviewing Kerr-McGee's last submitted permit application of May 27, 1980.

The coal leases at East Gillette Federal, totaling 4,343 acres, are primarily Federal leases and contain an estimated 370 million tons of recoverable coal. The company owns the surface for 2,644 acres, or 61% of the total area. Consent to mine 480 acres has been obtained from the State of Wyoming. The surface controlled by the company is estimated to overlie 70% of the recoverable reserves. Of the remaining 1,219 acres, there are 1,113 acres believed to be owned by bona fide ranchers whose consent to mine has not been given. This consent is required by State and Federal laws, and this acreage overlies approximately 25% of the recoverable reserve.

Interstate Highway 90, constructed since the leases were obtained, divides the deposit. The right-of-way plus set-back requirements established by the 1977 Surface Mining Control and Reclamation Act will preclude mining of 548,000 tons of free coal and 12,706,000 tons of Federally leased coal. The Mineral Leasing Act of 1920 was amended in 1978 to authorize the Secretary of the Interior to exchange other Federal coal reserves in Wyoming for the leases or portions thereof affected by the highway right-of-way. Discussions with the Department of Interior relative to this exchange of coal continued throughout 1979 and 1980. Whether, or when, such an exchange may be effected is uncertain.

Assuming timely receipt of all necessary permits, production at East Gillette Federal Mine could begin within three years. Final plans and schedules for facility construction, mine development and production depends on securing coal supply contracts for this coal. The company has granted an option on these reserves for a ten-year sales contract at five million tons per year to be performed upon completion of an existing 20-year contract for Jacobs Ranch Mine coal.

Galatia, Illinois

The company holds 18,235 acres in Saline and Hamilton Counties, near Galatia, Illinois, which are underlain by the Herrin No. 6 and the Harrisburg No. 5 coal seams. The coal within the Harrisburg No. 5 seam is suitable as a high volatile metallurgical coal, or as a high quality, low sulfur steam coal. The Herrin No. 6 is a steam coal and is suitable for both wet and dry bottom boilers.

A feasibility study has been made on coals underlying the company's Galatia block. This study, along with other successful underground mining operations within the immediate area, indicates that the Harrisburg No. 5 and the Herrin No. 6 seams can be economically mined. Mine planning, development drilling and marketing efforts are continuing. Environmental studies and preliminary engineering contracts are being conducted. The State interim mining permit to construct and operate the mine was submitted and granted. Negotiations are under way with potential customers for initial deliveries in late 1983 or early 1984. The schedule for the commencement of the construction of the mine shaft and slope, and ultimate development, is dependent on obtaining the necessary coal sales commitments.

Other Properties

In addition to the mineable blocks listed before, the company holds other coal leases and owns fee coal lands on which wide-spaced drilling has indicated the presence of coal deposits which will require additional exploration and mapping to permit a definitive estimate of the tonnage and quality of the deposits and the economic feasibility of conducting mining operations. Those nonproducing coal properties are located in the following states: Arkansas, Colorado, Illinois, Montana, North Dakota, Oklahoma and Utah.

OTHER

Research and Development

The company's research and development activities are carried out primarily by the Technology Division. The Technology Division's primary research and development facility is the Technical Center, located in Oklahoma City. Research and development expenditures totaled \$8.8 million in 1980, \$6.0 million in 1979 and \$5.0 million in 1978, all of which was company sponsored.

Environmental Matters

Federal, state and local laws and regulations relating to protection of the environment affect almost all the plants and facilities of the company. The problems of estimating the total direct and indirect cost impacts of government regulation in this area are substantial. During 1980, capital and operating expenditures related to environmental protection totaled \$26.0 million. It is estimated that such expenditures will amount to \$39.0 million in 1981 and \$47.8 million in 1982. These expenditures cannot be expected to produce any significant increase in production capacity, efficiency or revenue. Operation of facilities and equipment installed for these purposes entails additional expense. Moreover, there are many effects of environmental regulations, such as effects on work force productivity, diversion of management time and attention and other opportunity costs, which cannot be calculated or even estimated with any assurance of accuracy.

Expenditures for modification of the company's Corpus Christi refinery to enable conversion of residual fuel oil to higher output of gasoline and distillates, and to reduce the use of lead in gasoline to meet EPA requirements without reducing capacity, are not included in the above totals.

The expenditures (in 1980 dollars) which will be required annually beginning in 1983 and later years to continue present operations in compliance with presently existing Federal, state and local regulations relating to the protection of the environment are not presently expected to be significantly in excess of the amount set forth above for 1981 and 1982, unless it should become necessary to decommission nuclear facilities sooner than expected. The company began in 1979 to establish what it believes to be reasonable reserves by annual accruals for estimated costs of decommissioning its uranium mill, its uranium hexafluoride facility and its uranium mines. Estimates as to the operating lives of the various mines and facilities, extending in some cases to or beyond the year 2000, are necessarily uncertain, as are the estimates of the costs of closure which will be incurred in the year of abandonment. Actual costs obviously will depend on the availability and cost of supplies and technology at the time of actual decommissioning. The rate of accrual of reserves will be adjusted from time to time as may, in the opinion of the company, be appropriate.

The company, in August 1979, filed with the Nuclear Regulatory Commission a plan for decommissioning a facility in West Chicago, Illinois, which was closed in 1973. At one time, this facility processed thorium ores, and ore residues containing some natural radioactivity are stored on the site. The company accrued reserves by charges to income beginning in 1978 and 1979 for the expenditures then estimated to be required to carry out the decommissioning plan. However, approval of the plan, to which objections were filed by various Federal and state government agencies, has not yet been received. For a description of litigation with respect to the facility, see "Legal Proceedings," Page 36. The company's nuclear fuel processing facility at Cimarron, Oklahoma, was closed in 1975; it is not presently anticipated that decommissioning costs with respect to that facility will materially affect earnings.

The quality of water discharged from mines in New Mexico is controlled by that state's groundwater control regulations, which, in pertinent part, were upheld by the New Mexico Supreme Court in November 1979. The regulations require that mining companies and others submit discharge plans for approval of the director of the New Mexico environmental improvement agency; and they limit the allowable content of selenium, molybdenum, sulfate, total dissolved solids and other constituents. The content of mine water discharge from certain of the company's mines in New Mexico at times exceeds the new regulatory limits with respect to one or more of the four named constituents. In the company's opinion, there exists at present no practical technology for reducing the levels of these constituents to the limits set by the regulations at the size-scale required. Therefore, the company is preparing to request a variance from meeting the regulatory limits for these four constituents for five years while it conducts a research program seeking a practical treatment process. The company believes that if no other technology proves practical, it may be necessary to evaporate the mine water from impervious solar ponds. The company has estimated the capital and operating cost for a 20-year period for installation of solar ponds to evaporate mine water at \$40 to \$60 million, depending on then existing rates of discharge, the cost of land at the time and other factors which may change before the ponds could be installed.

The company has been requested by the State of New Mexico to submit an application for renewal of the operating license for its uranium mill in New Mexico. The company is complying with this request; it is expected that this relicensing procedure will take more than one year to complete. The company will be required to demonstrate control of radiation exposure and groundwater contamination from mill tailings systems as required by the New Mexico groundwater control regulations, the New Mexico radiation protection regulations and the Federal regulations implementing the Uranium Mill Tailings Radiation Control Act of 1978. Reserve accruals for the amount of capital expenditures currently estimated to be necessary to comply with those regulations applicable to mill tailings are included in the annual reserve accruals for decommissioning referred to in the third paragraph of this section.

A regulation of the Environmental Protection Agency under the Atomic Energy Act, which became applicable to uranium mills December 1, 1980, limits to 25 millirems per year the whole-body radiation exposure of the nearest resident from the company's uranium milling operations. The company is studying the impact of this regulation on the company's Ambrosia Lake mill. The company believes the mill currently meets the requirements of this regulation. If the regulatory agencies concerned should not concur, the company believes compliance can be achieved through the process of complying with the regulations described in the foregoing paragraph; however, it has not been demonstrated that these measures would in fact be successful. The company is challenging the validity of the EPA regulation in court.

Final and proposed regulations were promulgated May 19, 1980, by the Environmental Protection Agency defining "hazardous wastes" and extending the regulation thereof effective November 18, 1980. The regulations required permits to be obtained by owners and operators of facilities which treat, store or dispose of hazardous wastes. "Interim permits" to continue current practices are established for existing operations until final regulations or long-term permits are issued. Plans for disposing of such wastes in the event of closure of the facility must be prepared and the expense of such disposal estimated by May 19, 1981. Regulations published January 12, 1981, require that by July 13, 1981, surety bonds be posted, trust funds established, or letters of credit arranged for the estimated cost of closure and post-closure care.

The Agency postponed listing, as hazardous wastes, waste rock and overburden from uranium mining and overburden and slimes from phosphate surface mining. However, it has listed, among the several hundred substances so classified, a number of substances which are generated, transported, treated, stored or disposed of in the course of the company's operations. The company has reported 37 of its facilities for interim permits and is in the process of establishing overall compliance programs. It is not yet able to estimate the cost of compliance.

On December 11, 1980, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, known as the "superfund" act, became law. It imposes penalties on persons who fail to give prompt notice of releases of those substances designated as hazardous (not only wastes), or fail to notify the appropriate agencies of facilities where hazardous substances are or were in past years stored, treated or disposed of, and imposes a tax on crude oil, imported petroleum products, chemical feedstocks and certain commercial chemicals.

The company has pending several applications for National Pollution Discharge Elimination System waste discharge permits and operating permits for sources of air emissions. Most of these applications are for renewal of

existing permits; some pertain to new sources arising from the resumption of operation at inactive facilities. Reference is made to "Legal Proceedings" on Page 37 for a description of certain proceedings relating to discharge permits for the company's Ambrosia Lake facilities.

Employees

The company employed 11,286 persons on December 31, 1980.

GOVERNMENT REGULATION

The company is subject to extensive government regulation, particularly with respect to extractive operations and to the sale of fuels, and may be subjected to additional regulation in the future. Among these are regulation of natural gas prices by the Federal Energy Regulatory Commission under the Natural Gas Act and the Natural Gas Policy Act; regulations under the Outer Continental Shelf Lands Act which impose strict controls over offshore operations; limitations on strip mining; stringent regulation of nuclear fuel and fuel production; prorationing laws of various states and cooperative actions by the United States in connection with production from Federal leases, which affect substantially all of the company's domestic crude oil and gas production. Reference should be made to "Environmental Matters," Page 28, for discussion of environmental protection laws and regulations affecting company operations.

Oil Industry Legislation and Regulation

On January 28, 1981, President Reagan issued an Executive Order beginning the dismantlement of the Federal regulation of crude oil and refined petroleum products under the Emergency Petroleum Allocation Act of 1973 ("EPAA"), as amended by other statutes from time to time. The Executive Order specifically exempted crude oil and refined petroleum products from Federal controls on price and allocation and authorized the Secretary of Energy to take the actions necessary to revoke these price and allocation regulations.

Since 1974, crude oil of domestic origin has been classified into various categories which have been amended from time to time. These categories determined the maximum price at which the oil could be sold, with substantial quantities selling at below market prices. The previous Administration, effective June 1979, had begun the gradual decontrol of crude oil prices. Under that plan, the final lifting of price restrictions would have occurred on October 1, 1981.

Prior to the issuance of the Executive Order, gasoline and propane had been subject to product allocation regulations based on certain historical patterns of distribution among customers. Sales of gasoline and propane were also subject to price controls. The controls purported to permit the seller to charge a price arrived at by adding the prices in effect May 15, 1973, and cost increases incurred after that date allocable to controlled products. As the result of the Executive Order, these products may now be sold at market prices.

Record-keeping and reporting requirements under the EPAA remain in effect until eliminated by the Secretary of Energy. However, the Secretary is directed to eliminate promptly all such requirements which are not necessary for emergency planning and energy information gathering purposes.

President Reagan, in his Executive Order, purported to authorize the Secretary of Energy to adopt regulations and to take necessary actions for the issuance of entitlement notices and the establishment of a mechanism for entitlement adjustments for periods prior to January 28, 1981. The Entitlement program, established in 1974 as an attempt to equalize the crude costs among domestic refiners, required domestic refiners having access to a large proportion of price-controlled oil to purchase "entitlements" for a specified number of barrels of oil in each month from domestic refiners having access to a lesser proportion of price-controlled oil. The program was substantially expanded to encompass other objectives, such as the subsidization of small refiners and of imports of residual fuel oil to the East Coast.

Pursuant to the Energy Security Act of 1980, the DOE had promulgated stand-by regulations for procedures to be used in the event the DOE is unable to obtain sufficient amounts required to fill the Strategic Petroleum Reserve ("SPR") through normal means of procurement. Under these regulations, large independent refiners, such as the company, and major refiners would be required to deliver, on a pro rata basis determined on the basis of refinery capacity, oil to SPR in exchange for production from the Naval Petroleum Reserves. Because of the locations of the Naval Petroleum Reserves and the quality of the oil contained in the Reserves, the activation of this program would impose increased burdens upon the company's crude oil purchasing operation.

The Crude Oil Windfall Profit Tax Act of 1980 imposes a tax on a portion of the gross receipts from the production and sale of domestic oil produced after February 28, 1980. The portion taxed, defined as the "windfall profit," represents the amount by which gross revenues on the first sale exceed the sum of certain base price levels, adjusted for inflation, and a portion of state severance taxes. The rate of taxation on the taxed portion is for the company 70% for oil which would have been lower and upper tier if price controls had continued, 60% for stripper well production and 30% for most other types of oil.

Under the Natural Gas Policy Act of 1978 ("NGPA"), the authority of the Federal Energy Regulatory Commission ("FERC") to regulate the price of natural gas under the Natural Gas Act has been extended to intrastate sales as well as interstate sales, as have its powers to allocate natural gas. Statutory maximum lawful prices for approximately 15 categories of natural gas, including "new" natural gas, natural gas from new production wells in reservoirs already discovered, and "high cost" natural gas, are established, with provision for escalation at various rates depending on the category. The new maximum prices, which took effect beginning in December 1978, have resulted in an overall increase in the average price per MCF of natural gas received by the company. See "Legal Proceedings," Page 34, for a description of certain protests filed with the FERC challenging the company's authority to collect increased rates established by the NGPA under the "area rate clauses" contained in certain of its contracts for supply of natural gas.

Mining Operations

The Surface Mining Control and Reclamation Act requires that the surface of property strip mined for coal be restored in accordance with standards specified in law, and that a fee be paid to the United States to defray the cost of reclaiming land mined by others in the past. The fee is 35 cents per ton of coal produced by strip mining and 15 cents per ton of coal produced by underground mining. Reclamation commitments are required with respect to permits for strip mines and extensions beyond the boundaries of existing permits. The cost of producing coal has been substantially increased as a result of this legislation.

Similar reclamation commitments are required by state regulatory agencies in regard to the issuance of permits or the extension of existing permits for the mining of minerals other than coal.

The company's mining operations are subject to the safety and other regulations of the United States Mine Safety and Health Administration and the respective state mining authorities as a result of the Federal Mine Safety and Health Act of 1977 ("MSHA Act"). That Act imposes health and safety requirements on mining operations, including radiation exposure standards for workers in uranium mines; provides for the payment of benefits by the operator for occupational disability, including disability or death due to black lung disease; and requires certain health and safety training for all miners.

Item 3. Legal Proceedings.

On October 15, 1976, a complaint was filed by Westinghouse Electric Corporation in the U.S. District Court for the Northern District of Illinois against 29 producers of uranium, including the company, alleging a combination in restraint of trade in the mining, milling, sale and purchase of uranium and seeking treble damages and other relief. The company filed an answer and a counterclaim in the action alleging antitrust violations by Westinghouse in the reactor and fabricated fuels market seeking treble damages, injunctive and other relief. In March 1981, the company and Westinghouse settled the action between themselves upon terms which are not expected to have a material effect upon the company's financial statements, and the company has been dismissed as a defendant.

An action, Wisconsin Electric Power Company, et al, v. Pancontinental Mining, Ltd., et al, was brought on January 30, 1981, in the U.S. District Court for the Northern District of Illinois by two groups of utilities against most of the defendants in the Westinghouse litigation, including the company. The complaint specifically incorporates portions of the Westinghouse complaint and alleges the defendants conspired to restrain trade in the mining, milling, sale and purchase of uranium in violation of the Sherman Act. It seeks an unspecified amount of damages which would be trebled by law in the event of a judgment.

The company's Report on Form 10-K for the year ended December 31, 1978, contained a description of Peshlakai, et al v. Schlesinger, et al. The complaint seeks a declaration that the National Environmental Policy Act of 1969 required the preparation of national, regional or site specific environmental impact statements prior to the undertaking of certain alleged major Federal actions relating to the mining and processing of uranium ores to produce uranium concentrates. It also seeks the rescission of certain previous alleged major Federal actions, including the approval of mining and reclamation plans for the company's Church Rock facility.

Kerr-McGee Coal Corporation v. Bingham, et al, was filed by the company on May 1, 1979, in the District Court of Haskell County, Oklahoma, seeking to quiet title under certain coal leases and deeds covering part of the deposits at the company's Choctaw facility.

Reference should be made to the company's Reports on Form 10-K for the year ended December 31, 1979, and on Form 10-Q for the second quarter of 1980 describing certain protests filed with the Federal Energy Regulatory Commission which allege that "area rate clauses" contained in certain contracts for the supply of natural gas between the company and various pipeline companies do not permit increases in prices to levels allowed by the Natural Gas Policy Act. Initial decisions favorable to the company have been issued as to some of the contracts and are being reviewed by the Federal Energy Regulatory Commission. The remainder of the contracts are still being reviewed by administrative law judges.

Two companion actions, Kerr-McGee Nuclear Corporation v. Duquesne Light Company, et al and Cleveland Electric Illuminating Co., et al v. Kerr-McGee Corporation, et al, involving a dispute over the terms of a uranium supply agreement, were reported in the Report on Form 10-K for the year ended December 31, 1979. These actions were dismissed on December 24, 1980, following a settlement of the dispute by the parties.

A purported class action was filed on September 8, 1980, in the Superior Court for San Francisco County, California, against former manufacturers and/or marketers, including the company, of a nematocide Dibromochloropropane ("DBCP"). The petition alleges the use of DBCP in California damaged the water supply of owners and users of private water wells in California and seeks \$50 billion for injuries to property, \$40 million for the testing of wells and an unspecified amount for medical examinations. Alternatively, it requests several funds in perpetuity, with minimum balances of \$10 million, be established for the testing of wells, medical examinations, the repair of wells and epidemiological studies of DBCP.

Selement v. Kerr-McGee Corporation, et al, an action filed on October 3, 1979, in the District Court of Oklahoma County, Oklahoma, seeks \$75,300,000 in actual damages alleged to have been sustained in a fire at a home adjacent to the company's Wynnewood refinery and \$20,000,000 in punitive damages. The company is of the opinion that damages, if any, which might be awarded in this action will be subject to indemnification by its applicable insurance carriers.

On December 14, 1979, Begay v. Kerr-McGee Corporation was filed in the U.S. District Court for the District of Arizona against the company and several other mining companies on behalf of fifty Navajo miners, some of whom have died, and their relatives. The complaint alleges the miners contracted cancer or other respiratory diseases while working in uranium mines formerly operated by the defendants on the Navajo reservations. Compensatory damages aggregating millions of dollars are sought, as well as an unspecified amount of punitive damages. On December 23, 1980, following a stipulation by the parties reserving the plaintiffs' right to appeal the applicability of Arizona Workmen's Compensation law to workers employed within the Arizona portion of the Navajo reservation, the District Court dismissed this action on grounds that Arizona Workmen's Compensation law provides the exclusive remedy for the alleged injuries. The plaintiffs have filed a Notice of Appeal with the U.S. Court of Appeals for the Ninth Circuit.

Two actions, both entitled Johnson v. Kerr-McGee Oil Industries, Inc., with facts similar to Begay, were also filed by a widow of a former miner on December 14, 1979, in the U.S. District Court of Arizona and the Superior Court for Pima County, Arizona. Both actions seek compensatory and punitive damages of at least \$7 million. The Superior Court for Pima County dismissed one of the actions on June 3, 1980. Notice of Appeal was filed with the Arizona Court of Appeals. The U.S. District Court of Arizona dismissed the other

on August 21, 1980, and a Notice of Appeal has been filed with the U.S. Court of Appeals for the Ninth Circuit. Both actions were dismissed on the same grounds as in Begay.

Two actions, State of Illinois v. Kerr-McGee Chemical Corporation and City of West Chicago v. Kerr-McGee Chemical, filed on April 25, 1980 and June 13, 1980, respectively, involving alleged violations of state and local environmental laws at the company's closed West Chicago facility, which previously processed thorium ores, were removed to the U.S. District Court for the Northern District of Illinois. On January 9, 1981, the trial court dismissed both actions, finding that the Nuclear Regulatory Commission had exclusive jurisdiction. These rulings have been appealed to the U.S. Court of Appeals for the Seventh Circuit. On February 5, 1981, the U.S. Environmental Protection Agency served the company with a Show Cause Order relating to the alleged contamination of surface water, ground water and the atmosphere near the West Chicago facility. In August 1979, the company filed with the Nuclear Regulatory Commission a proposed plan for decommissioning the West Chicago facility, to which objections have been filed by other governmental agencies, and approval has not yet been received.

As reported in the company's Report on Form 10-Q for the second quarter of 1980, the company brought an action, Kerr-McGee Chemical Corporation v. Andrus, et al, challenging a recommendation by the Secretary of the Interior that Death Valley be redesignated a Class I area under the Clean Air Act and alleging such redesignation would make it substantially more difficult to obtain the permits necessary for any future material modifications to the company's plant at Trona, California. Two other actions, both styled Kerr-McGee Chemical Corporation v. U.S. Environmental Protection Agency, were filed respectively on January 28, 1981, in the U.S. Court of Appeals for the District of Columbia Circuit and on February 2, 1981, in the U.S. Court of Appeals for the Ninth Circuit. The former seeks review of the EPA's visibility regulations for Class I areas, while the latter challenges the EPA's designation of the Dome Land Wilderness area, which is in the vicinity of the company's Trona facility, as a wilderness area in which visibility is an important attribute.

Kerr-McGee Nuclear Corporation v. U.S. Environmental Protection Agency was filed by the company and various other mining companies on April 1, 1980, in the U.S. District Court for New Mexico, challenging the EPA's regulations which limit public exposure to radiation from uranium milling operations to 25 millirems per year.

The company is also a party to Kerr-McGee Nuclear Corporation v. New Mexico Environmental Improvement Board, brought on May 19, 1980, in the New Mexico Court of Appeals. The action challenges New Mexico uranium mill licensing regulations requiring acquisition of all rights to lands on which mill tailings are deposited and provision of secondary containment facilities for mill tailings.

On August 5, 1980, Kerr-McGee Nuclear Corporation v. U.S. Environmental Protection Agency was filed by the company in the U.S. Court of Appeals

for the District of Columbia Circuit. The action seeks review of the EPA's Consolidated Permit Regulations and Water Programs Regulations with respect to underground injection control.

The company is also a party to American Mining Congress v. U.S. Environmental Protection Agency, filed on August 18, 1980 in the U.S. Court of Appeals for the District of Columbia Circuit. This action seeks review of certain portions of the EPA's regulations issued pursuant to the Resource Conservation and Recovery Act relating to mining.

Kerr-McGee Nuclear Corporation v. U.S. Nuclear Regulatory Commission was filed by the company on October 3, 1980, in the U.S. Court of Appeals for the Tenth Circuit. The company seeks review of certain regulations issued by the NRC pursuant to the Uranium Mill Tailings Radiation Control Act of 1978, asserting they are arbitrary, capricious and unsupported by the evidence.

The company, on January 10, 1975, requested review of the U.S. Environmental Protection Agency's order granting a National Pollution Discharge Elimination System permit for the company's Ambrosia Lake facility. The request asserts the EPA has no jurisdiction over the facility. No decision has been reached by EPA Regional Administrator.

Reference is made to the company's Report on Form 10-K for years ended December 31, 1976 and 1977, for a description of an action by the State of Oklahoma for alleged wrongful discharges into Skull Creek, Payne County, Oklahoma, killing fish. On November 11, 1980, the Supreme Court of Oklahoma rendered its final opinion affirming judgment rendered against the company.

An action, People v. Kerr-McGee Nuclear Corporation, was filed in the District Court for Laramie County, Wyoming, by the Attorney General of Wyoming on October 20, 1980, following the issuance of a related Notice of Violation from the Wyoming Department of Environmental Quality on October 7, 1980. Both allege the company failed to submit information justifying reclamation delay at the company's Bill Smith mine.

The company is also a party to Kerr-McGee Nuclear Corporation v. Wyoming Department of Environmental Quality, filed on October 3, 1980, in the District Court for Laramie County, Wyoming, seeking review of the Wyoming Department of Environmental Quality's groundwater quality regulations.

On June 11, 1980, the company was issued a Notice of Incidents of Non-compliance by the U.S. Geological Survey relating to the disposal of certain used grating by employees of a welding contractor working on one of the company's platforms located in the Gulf of Mexico. Payment of a \$2,000.00 assessment was made following the issuance of the USGS's final Decision on February 18, 1981.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

For information required under this section, reference should be made to Page 8 of the company's proxy statement for 1981 made in connection with its Annual Shareholders' Meeting to be held on April 28, 1981.

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PART II

Item 5. Market for the Registrants Common Stock and Related Security Holder Matters.

Information relative to the principal markets on which the company's common stock is traded; the high and low sales prices of the common stock by quarters for the past two years; and the approximate number of holders of common stock is furnished in the note captioned "Stock Performance" in the Notes to Consolidated Financial Statements on Page 67.

On February 10, 1981, the Board of Directors increased the quarterly dividend paid on common stock to \$.50 per share. Cash dividends have been paid continuously since 1941. Long-term debt agreements contain minor restrictions on the payment of dividends on common stock. As of December 31, 1980, under the most restrictive of these provisions, retained earnings of \$977 million are not subject to these restrictions.

Item 6. Selected Financial Data.

Information setting forth selected financial data required in this item is set forth in the schedule captioned "Financial and Operating Data" following the Notes to Consolidated Financial Statements on Page 78.

Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations.

The discussion below should be read in conjunction with the "Financial and Operating Data" following the Notes to Consolidated Financial Statements on Page 78.

Liquidity and Capital Resources

The company uses a number of measures of liquidity for internal management purposes, including capital planning and financial forecasting. These measures also include working capital and several leverage ratios.

Working Capital Ratios

Key working capital indicators for the last three years are listed below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Working capital	\$208.2	\$239.8	\$184.1
Working capital ratio	1.4	1.6	1.5
Cash and marketable securities at December 31	\$169.6	\$116.5	\$107.4

Despite a slight downward trend in the working capital ratio during the last three years, the company is of the opinion that its ability to meet short- and long-term obligations remains strong.

Material changes in the source of funds affecting working capital are summarized below:

(In millions of dollars)	Increase (Decrease)		
	1980	1979	1978
Funds provided from operations	\$425.9	\$379.5	\$279.4
Long-term debt and production payment advances - Net	131.4	113.3	(5.7)
	\$557.3	\$492.8	\$273.7
Capital expenditures	(526.6)	(389.2)	(270.2)
Dividends	(46.6)	(40.1)	(32.3)
Other - Net	(15.7)	(7.8)	(24.8)
Net Change	<u>(\$ 31.6)</u>	<u>\$ 55.7</u>	<u>(\$ 53.6)</u>

As reflected in the table above, a substantial portion of the company's capital expansion has been financed from internally generated funds, and the company expects this trend to continue.

Leverage Ratios

The extent to which the company's activities have been financed by debt is set forth in the table below:

	1980	1979	1978
Total debt to total capitalization	28.6%	24.2%	21.3%
Total debt plus production advances to total capitalization plus production advances	32.0%	29.0%	27.3%
Ratio of earnings to fixed charges	3.95	5.12	5.39

During 1979, an agreement was reached by a subsidiary with seven banks for the borrowing of up to \$150 million to be used for the development of the Beatrice Field in the North Sea. Interest is charged at a floating rate that is a margin over the London Inter-Bank Offered Rate. A portion of the loan is repayable in ten equal semi-annual installments beginning on March 31, 1983, or on the date of first production, if earlier. The remainder is due in quarterly amounts equalling 80% of the net revenues from the field or a specified minimum percentage. At December 31, 1980 and at December 31, 1979, a total of \$137.8 million and \$35.4 million, respectively, had been drawn under this agreement.

In 1980, the company negotiated changes in its revolving credit agreements with a group of banks to extend their expiration dates to 1982 and 1983 and increase revolving bank credit limits from \$95 million to \$170 million. Interest is payable at varying rates, and certain amounts may be repaid and reborrowed during the terms of the agreements. At December 31, 1980, \$145 million was outstanding at an average interest rate of 16.6%.

Additional financing is being arranged for the company's 8 percent portion of the estimated \$2 billion development cost for the South Brae Field in the United Kingdom sector of the North Sea.

Details relative to short-term notes payable transactions and the activities of the company's unconsolidated finance subsidiary are discussed on Page 58.

At December 31, 1980, the company had substantial commitments entered into in the normal course of business for the drilling of new oil and gas wells, construction of additional drilling equipment, the addition of coal facilities and the modification and additions to other facilities.

For a discussion of the effect of changing prices on liquidity, capital resources and the results of operations, see the caption "Accounting for Changing Price Levels" on Page 63.

Results of Operations

Sales and Services -

Consolidated sales and services increased 29.6% in 1980, compared with a similar increase of 29.5% in 1979 and a 4.3% decline in 1978. The substantial increases over the last two years generally reflect the continuing inflationary spiral as, with few exceptions, prices for the company's products and services trended upward. The decrease in 1978 was due to the disposal of the company's retail agricultural chemical division in December 1977. Price increases had a dramatic impact on revenues from refined petroleum product sales, up substantially in spite of sales volume decreases of 6% in 1978, 17% in 1979 and 8% in 1980. Price increases also had a significant effect on sales revenues from crude oil and natural gas production. Sales volume of crude oil dropped about 10% from 1977 to 1978 and remained level during the 1978-1980 period. On the other hand, sales volume of natural gas was up 3% in 1978 and 6% in 1979, and then fell off 4% in 1980 due to reduced requirements of pipeline customers. Revenues from contract drilling services have increased steadily over the past three years, especially in 1980 when the increase was 23% over the prior year. Price increases in chemical operations also had a material impact on the \$81.5 million increase in sales revenues in 1980. Coal operations began commercial shipments in 1978 and have steadily expanded since that date with the \$50.7

million increase in revenues during 1980 being more than twice the sales in 1979. Revenues from nuclear operations were up \$75.5 million in 1980 over 1979 because of improvements in both sales price and volume which were favorably affected by the settlement in late 1980 of litigation referred to elsewhere in this report.

Operating Costs and Expenses -

Total costs and expenses for 1980 were up 31.6% over the 1979 amount; 1979 was up 27.5%; with 1978 being down 4.6% due to the disposal of the company's retail agricultural chemical operations in 1977. All categories of expense were affected by inflation and all operations felt the effect of increasingly higher outlays for materials, supplies and services during the 1978 through 1980 period. The greatest impact resulted from the accelerating cost of crude oil to refineries, especially during the two most recent years. Depreciation, depletion and amortization expense accelerated markedly over the past three years and particularly in 1980 and 1979, when increases of 33.6% and 30.8%, respectively, were attributable to the activation of new facilities and equipment. Exploration expenses climbed 43.7% in 1979 and 32% in 1980 because of an increased emphasis on the search for hydrocarbons. The increases in taxes, other than income taxes, was unusually high from 1979 to 1980 (up over 70%) due to the effect of the windfall profit tax, which became effective in 1980.

Interest Expense -

Total interest charges in 1980 were \$85.0 million, consisting of \$56.0 million recorded as expense and \$29.9 million capitalized, compared with interest of \$57.6 million in 1979 and \$39.7 million in 1978; no interest was capitalized in the two earlier years. The increases in total interest in 1979 and 1980 are attributable to higher average borrowings caused by higher capital expenditures, and to increased interest rates.

Other Income -

Other income for 1978 was substantially higher than 1979 and 1980 because of a \$20.9 million gain in 1978 from the disposal of a 50% interest in two uranium properties and the company's interest in an exploration permit in Tunisia.

Provision for Income Taxes -

The provision for income taxes increased 21.1% in 1980, 33.8% in 1979 and 5% in 1978 principally due to increased pre-tax income. Also, the 1980 tax provision increased over 1979 due to lower investment tax credits from projects.

Item 8. Financial Statements and Supplementary Data.

Responsibility for Financial Reporting

The financial data contained in the financial statements have been prepared by management who is responsible for their integrity and objectivity. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances and, where necessary, reflects informed judgments and estimates of the effects of certain events and transactions based on currently available information at the date the financial statements were prepared.

Management depends on the company's system of internal accounting control to assure itself of the reliability of the financial statements. The internal control system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Despite the exercise of care in designing control procedures, management recognizes that errors or irregularities may occur. Periodic reviews are made of internal controls by the company's staff of internal auditors and corrective action taken if needed. Management believes that the company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The Board of Directors reviews and monitors financial statements through its audit committee, which is composed solely of directors who are not officers or employees of the company. The audit committee meets with the independent auditors, internal auditors, management, etc., to review internal accounting controls, auditing and financial reporting matters.

The independent auditors are engaged to examine the financial statements and to express an opinion thereon. Their examination is conducted in accordance with generally accepted auditing standards, and their report is included herein.

Earnings

Net income for the year was \$182.2 million, 13.9% greater than the previous high of \$160.0 million reported for 1979 and 54.2% more than 1978 earnings of \$118.2 million.

Earnings per share for 1980 equaled \$7.02, compared with \$6.18 per share in 1979 and \$4.57 per share in 1978. The computation of net income per share is based upon the weighted average number of common shares outstanding during the year after assuming the conversion of options and warrants outstanding (when applicable).

Dividends

In February 1980, the Board of Directors increased the annual dividend rate to \$1.80 per common share, compared with \$1.55 per share for the year 1979 and \$1.25 per share for 1978. The company paid cash dividends of \$46.6 million in 1980, compared with \$40.1 million and \$32.3 million in 1979 and 1978, respectively. In February 1981, dividends were increased further to \$2.00 per common share annually.

Report of Independent Public Accountants

To the Stockholders and Board of Directors
of Kerr-McGee Corporation:

We have examined the consolidated balance sheet of Kerr-McGee Corporation (a Delaware corporation) and subsidiary companies as of December 31, 1980 and 1979, and the related consolidated statements of income, retained earnings, capital in excess of par value and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kerr-McGee Corporation and subsidiary companies as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles. In our opinion, except for the change (with which we concur) in the method of accounting for interest cost as explained in the financial review on Page 51, the accounting principles were applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for vacation pay as explained in the financial review on Page 52.

ARTHUR ANDERSEN & CO.

Oklahoma City, Oklahoma,
February 25, 1981.

KERR-McGEE CORPORATION

CONSOLIDATED STATEMENT OF INCOME

(In thousands of dollars, except per share amounts)

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Income			
Sales and services	<u>\$3,477,881</u>	<u>\$2,683,469</u>	<u>\$2,072,443</u>
Costs and Expenses			
Costs and operating expenses	\$2,705,414	\$2,051,897	\$1,505,042
Selling, general and administrative expenses	100,319	96,772	88,272
Depreciation, depletion and amortization	155,375	116,290	88,879
Exploration, including dry holes	62,726	47,537	33,085
Taxes, other than income taxes	85,824	50,405	37,939
Interest and debt expense	56,005	57,620	39,698
Total Costs and Expenses	<u>\$3,165,663</u>	<u>\$2,420,521</u>	<u>\$1,892,915</u>
	\$ 312,218	\$ 262,948	\$ 179,528
Other Income	<u>20,273</u>	<u>21,137</u>	<u>31,363</u>
Net Income before Income Tax Provision	\$ 332,491	\$ 284,085	\$ 210,891
Provision for Income Taxes	<u>150,268</u>	<u>124,068</u>	<u>92,695</u>
Net Income	<u>\$ 182,223</u>	<u>\$ 160,017</u>	<u>\$ 118,196</u>
Net Income per Common Share	<u>\$ 7.02</u>	<u>\$ 6.18</u>	<u>\$ 4.57</u>

The accompanying financial review on pages 50 through 77 is an integral part of this statement.

KERR-McGEE CORPORATION

CONSOLIDATED BALANCE SHEET

ASSETS

	<u>1980</u>	<u>1979</u>
	(In thousands of dollars)	
Current Assets		
Cash, including \$114,688,000 certificates of deposit in 1980 and \$78,431,000 in 1979	\$ 152,689	\$ 115,681
Marketable securities, at cost	16,872	777
Notes and accounts receivable	203,215	182,492
Inventories -		
Petroleum and other products	218,514	233,428
Materials and supplies	118,961	85,296
Deposits and prepaid expenses	<u>16,571</u>	<u>8,950</u>
Total Current Assets	<u>\$ 726,822</u>	<u>\$ 626,624</u>
Investments and Other Assets	<u>\$ 64,976</u>	<u>\$ 52,789</u>
Property, Plant and Equipment, at cost		
Petroleum	\$1,648,673	\$1,225,205
Chemicals	702,656	669,681
Nuclear	331,605	321,494
Coal	147,049	108,237
Other	82,073	81,093
	<u>\$2,912,056</u>	<u>\$2,405,710</u>
Less reserves for depreciation, depletion and amortization	<u>949,322</u>	<u>800,410</u>
	<u>\$1,962,734</u>	<u>\$1,605,300</u>
Deferred Charges	<u>\$ 52,027</u>	<u>\$ 54,452</u>
	<u><u>\$2,806,559</u></u>	<u><u>\$2,339,165</u></u>

* Restated to reflect retroactive accrual of vacation pay for prior years.

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

The accompanying financial review on pages 50 through 77 is an integral part of this statement.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1980	1979
	(In thousands of dollars)	
Current Liabilities		
Notes payable	\$ 22,000	\$ 9,100
Accounts payable	313,395	226,857
Long-term debt due within one year	9,058	11,218
Taxes on income	91,270	70,220
Accrued liabilities	82,854	69,430*
Total Current Liabilities	<u>\$ 518,577</u>	<u>\$ 386,825</u>
Long-Term Debt	<u>\$ 520,599</u>	<u>\$ 374,678</u>
Advances to be Repaid from Future Production	<u>\$ 95,659</u>	<u>\$ 110,198</u>
Deferred Credits and Reserves		
Income taxes	\$ 260,269	\$ 215,349*
Other	34,173	18,194
	<u>\$ 294,442</u>	<u>\$ 233,543</u>
Minority Interest in Subsidiary Companies	<u>\$ 35,310</u>	<u>\$ 29,153</u>
Stockholders' Equity		
Common stock, par value \$1.00 - 37,500,000 shares authorized, 26,009,646 shares issued in 1980 and 25,983,348 shares issued in 1979	\$ 26,010	\$ 25,983
Capital in excess of par value	252,579	251,023
Retained earnings	1,064,707	929,086*
	<u>\$1,343,296</u>	<u>\$1,206,092</u>
Less common stock in treasury, at cost - 106,840 shares in 1980 and 1979	<u>1,324</u>	<u>1,324</u>
Total Stockholders' Equity	<u>\$1,341,972</u>	<u>\$1,204,768</u>
	<u>\$2,806,559</u>	<u>\$2,339,165</u>

KERR-McGEE CORPORATION

CONSOLIDATED STATEMENT OF CAPITAL
IN EXCESS OF PAR VALUE

<u>(In thousands of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Balance, at beginning of year	\$251,023	\$250,276	\$250,175
Excess of proceeds over par value of common stock issued upon the exercise of stock options -			
26,298 shares in 1980	1,556		
19,625 shares in 1979		747	
2,700 shares in 1978			101
Balance, at end of year	<u>\$252,579</u>	<u>\$251,023</u>	<u>\$250,276</u>

CONSOLIDATED STATEMENT OF
RETAINED EARNINGS

<u>(In thousands of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Balance, at beginning of year	\$ 929,086*	\$ 809,168*	\$ 723,292*
Net income	<u>182,223</u>	<u>160,017</u>	<u>118,196</u>
	\$1,111,309	\$ 969,185	\$ 841,488
Cash dividends -			
Common stock (per share: \$1.80 in 1980, \$1.55 in 1979 and \$1.25 in 1978)	<u>46,602</u>	<u>40,099</u>	<u>32,320</u>
Balance, at end of year	<u>\$1,064,707</u>	<u>\$ 929,086*</u>	<u>\$ 809,168*</u>

* Restated to reflect retroactive accrual of vacation pay for prior years.

The accompanying financial review on pages 50 through 77 is an integral part of these statements.

KERR-McGEE CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

<u>(In thousands of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Source of Funds			
Operations -			
Net income	\$182,223	\$160,017	\$118,196
Depreciation, depletion and amortization	155,375	116,290	88,879
Deferred income taxes	44,920	55,026	55,824
Other noncash items	43,392	48,132	16,506
	<u>\$425,910</u>	<u>\$379,465</u>	<u>\$279,405</u>
Additions to long-term debt	154,450	130,515	361
Sale of common stock	1,582	767	103
Proceeds from future production payment advances	-	6,427	38,453
Proceeds from disposal of properties	2,090	6,549	14,559
	<u>\$584,032</u>	<u>\$523,723</u>	<u>\$332,881</u>
Disposition of Funds			
Capital expenditures	\$526,570	\$389,195	\$270,185
Dividends	46,602	40,099	32,320
Investment in finance subsidiary	17,127	9,737	8,481
Repayment of long-term debt	8,529	11,108	44,465
Repayment of future production payment advances	14,539	12,525	-
Other	2,219	5,400	30,989
	<u>\$615,586</u>	<u>\$468,064</u>	<u>\$386,440</u>
Increase (Decrease) in Working Capital	<u>(\$ 31,554)</u>	<u>\$ 55,659</u>	<u>(\$ 53,559)</u>
Working Capital Increased (Decreased) by			
Cash and marketable securities	\$ 53,103	\$ 9,039	\$ 3,198
Notes and accounts receivable	20,723	(1,713)	(11,216)
Inventories	18,751	55,292	7,572
Notes payable	(12,900)	(9,100)	13,750
Long-term debt due within one year	2,160	33,136	(22,629)
Accounts payable	(86,538)	7,805	(34,281)
Taxes on income	(21,050)	(23,695)	4,212
Other	(5,803)	(15,105)	(14,165)
	<u>(\$ 31,554)</u>	<u>\$ 55,659</u>	<u>(\$ 53,559)</u>

The accompanying financial review on pages 50 through 77 is an integral part of this statement.

Significant Accounting Policies

Principles of Consolidation -

The consolidated financial statements include the accounts of all subsidiary companies that are more than 50% owned, except for a finance subsidiary. Investments in the finance subsidiary and in affiliated companies that are 10% to 50% owned, which totaled \$29.6 million in 1980 and \$23.1 million in 1979, are included at cost adjusted for equity in undistributed earnings. Changes in the equity in undistributed earnings are included in "other income."

Balance sheets of foreign subsidiaries and branches are translated into U.S. dollars at the approximate year-end rates of exchange, except that property, plant and equipment and stockholders' equity accounts are translated at the historical rates of exchange. Income and expense accounts are translated monthly at the average rate of exchange in effect during the month, except that depreciation, depletion and amortization are translated at the same rate as the related assets. Gains or losses on foreign exchange, which are not significant, are included in net income currently.

All material intercompany transactions have been eliminated.

Inventories -

Inventories are priced at the lower of cost or market. The cost of substantially all crude oil and refined petroleum products is determined by the last-in, first-out (LIFO) method, and the cost of remaining inventories is determined by the first-in, first-out (FIFO) method. Inventory carrying values include material costs, labor and indirect manufacturing expense associated therewith.

Property, Plant and Equipment -

Valuation - Property, plant and equipment is stated at original cost less reserves for depreciation, depletion and amortization sustained to date.

Depreciation, Depletion and Amortization - Property, plant and equipment is depreciated, depleted or amortized over its estimated life by application of the unit-of-production or the straight-line method. In arriving at rates under the unit-of-production method of depreciation and depletion, the quantities of recoverable oil, gas and other minerals are established based upon estimates made by the company's geologists and engineers.

Retirements - Upon retirement or sale of property, plant and equipment, the cost and related depreciation, depletion and amortization are removed from the respective accounts, and the resulting gain or loss is included in income. Costs of replacements or renewals which improve or extend the life of existing properties are capitalized.

Oil and Gas Accounting - As indicated in the 1979 Annual Report, the provisions of the Financial Accounting Standards Board Statement No. 19 were adopted in December 1979 on a retroactive basis by an adjustment to earnings. The net effect of the changes for all years through 1979 was a credit to net income of \$70,000, which was recorded in the fourth quarter of 1979. The company has followed the successful efforts method of accounting for oil and gas activities for many years. The principal changes made to conform to the new requirements relate to expensing all geological and geophysical expenses, including those that resulted in the acquisition of a lease; capitalizing the cost of dry holes on producing properties; and changing the method used to write off the cost of nonproducing properties.

Exploration expenses, including geological and geophysical costs, rentals, and exploratory dry holes, are charged against income as incurred. Intangible drilling and development costs on successful wells and dry holes on producing leases are capitalized and amortized on a lease-by-lease basis using the unit-of-production method as the oil or gas is produced.

Nonproducing Properties - Acquisition costs of nonproducing acreage are capitalized. If such acreage becomes productive, the costs are amortized on a unit-of-production basis. Costs of nonproductive petroleum acreage are charged against earnings based upon regular assessments of such properties for impairment in value. Costs of nonproducing petroleum leases surrendered or otherwise disposed of are charged against reserves previously accumulated. Costs of nonproducing mineral acreage surrendered or otherwise disposed of are charged to expense at the time of disposition.

Capitalized Interest - Effective January 1, 1980, the company began capitalizing interest costs on major projects in process in accordance with the provisions of the Financial Accounting Standards Board Statement No. 34, "Capitalization of Interest Cost." In 1980, \$29.9 million in interest was capitalized. If such statement had been implemented in 1979, approximately \$28.6 million in interest costs would have been capitalized in that year.

Income Taxes -

Generally, the company has made no provision in excess of tax credits already earned for U.S. Federal income taxes that might be due on future distributions of its earnings from foreign subsidiaries, as the company plans to continue to reinvest substantially all of such earnings abroad. At the end of 1980, total undistributed earnings of foreign subsidiaries were approximately \$102.6 million.

Deferred income taxes are provided on certain items of income and expense that are recognized in different time periods for financial statement and tax reporting purposes.

Investment tax credits are included as a reduction of income tax expense in the year the credit is earned.

Research and Development Costs -

Research and development costs, which are expensed as incurred, totaled \$8.8 million in 1980, \$6.0 million in 1979 and \$5.0 million in 1978.

Gasoline and Excise Taxes -

Gasoline and excise taxes collected for governmental agencies on the sale of refined products are excluded from sales and costs. These taxes amounted to \$69.0 million, \$81.0 million and \$104.4 million in 1980, 1979 and 1978, respectively. In addition, crude oil windfall profit tax paid to the Federal government in 1980 totaled \$23.3 million.

Accrued Vacation Pay -

The provisions of Financial Accounting Standards Board Statement No. 43, "Accounting for Compensated Absences," were adopted in December 1980. Net income for the year ended December 31, 1977, was reduced \$4.7 million (net of income tax effect) to provide an adjustment for accrued vacation pay as of that date. Accruals for 1978 through 1980 were charged against 1980 earnings since the amounts relating to the additional vacation pay accrual in each of those years were immaterial. As permitted under the statement, no charge has been made against earnings for nonvested future sick pay benefits.

Lease Commitments

The company and certain of its subsidiaries utilize various leased properties in their operations, mostly for marketing facilities and buildings. At December 31, 1980, the aggregate minimum annual rentals under these noncancellable leases are as follows:

<u>(In millions of dollars)</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Later Years</u>	<u>Total</u>
Year ending December 31	<u>\$7.9</u>	<u>\$6.8</u>	<u>\$9.4</u>	<u>\$7.8</u>	<u>\$.9</u>	<u>\$1.9</u>	<u>\$34.7</u>

Of the total above, commitments on noncapitalized financing leases amounted to \$12.6 million.

Net lease rentals charged against earnings totaled \$11.7 million in 1980, \$10.2 million in 1979 and \$9.1 million in 1978, including net rentals on noncapitalized financing leases of \$1.2 million for each of the last three years.

Had the company capitalized and depreciated all noncapitalized financing leases in accordance with Financial Accounting Standards Board Statement No. 13 and accrued the related interest costs, the effect on net income and the balance sheet would be immaterial.

Retirement Plans

The company and certain of its subsidiaries have retirement plans covering substantially all employees. In 1980, the total pension expense was \$8.2 million, compared with \$7.3 million in 1979 and \$6.7 million in 1978.

The company funds the cost of retirement plans as accrued. Unfunded past service costs are being funded over a 30-year period that began in 1966. A comparison of accumulated plan benefits, computed at an interest rate of 6% compounded annually, as estimated by consulting actuaries, and net assets of the plan are presented below:

<u>(In millions of dollars)</u>	<u>As of January 1</u>	
	<u>1980</u>	<u>1979</u>
Actuarial present value of accumulated plan benefits -		
Vested	\$66.7	\$60.3
Nonvested	1.2	2.8
Net assets available for benefits	<u>93.5</u>	<u>78.5</u>

Taxes on Income

Total taxes on income for 1980, 1979 and 1978 are summarized below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
U. S. Federal -			
Current	\$ 55.5	\$ 39.4	\$ 20.2
Investment tax credit	(16.3)	(25.6)	(17.3)
Deferred	43.1	54.4	55.3
Total	<u>\$ 82.3</u>	<u>\$ 68.2</u>	<u>\$ 58.2</u>
Foreign -			
Current	\$ 60.7	\$ 47.2	\$ 31.8
Deferred	1.8	.6	-
Total	<u>\$ 62.5</u>	<u>\$ 47.8</u>	<u>\$ 31.8</u>
State	<u>\$ 5.5</u>	<u>\$ 8.1</u>	<u>\$ 2.7</u>
Total Provision for Income Taxes	<u>\$150.3</u>	<u>\$124.1</u>	<u>\$ 92.7</u>

Deferred income taxes result from timing differences in the recognition of income and expense for financial and tax reporting purposes. The sources of deferred tax items during the last three years and the corresponding tax effect are as follows:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Accelerated depreciation	\$ 30.9	\$ 25.1	\$ 19.8
Exploration and development	29.5	18.6	18.2
Deferred project costs	(1.3)	4.6	9.1
Lease abandonment reserves	(6.5)	2.8	6.9
Other - Net	(7.7)	3.9	1.3
Total Deferred Income Taxes	<u>\$ 44.9</u>	<u>\$ 55.0</u>	<u>\$ 55.3</u>

The components of net income before income tax expense broken down between domestic and foreign for the three years ended December 31, 1980, were as follows:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Domestic	\$234.6	\$224.7	\$166.1
Foreign	<u>97.9</u>	<u>59.4</u>	<u>44.8</u>
Total	<u>\$332.5</u>	<u>\$284.1</u>	<u>\$210.9</u>

The taxation of a company that has operations in several countries involves many complex variables, such as differing tax structures from country to country, the effect of U.S. taxation of foreign earnings and the intent of the company relative to continued reinvestment of foreign earnings abroad. These complexities do not permit meaningful comparisons between the domestic and foreign components of net income before income taxes and the provision for income taxes or provide indicators of relationships in future periods.

A reconciliation of the U.S. Federal income tax rate to the company's effective tax rate reflected in the Consolidated Statement of Income is set forth below:

	<u>1980</u>	<u>1979</u>	<u>1978</u>
U.S. statutory rate	46.0%	46.0%	48.0%
Investment tax credit	(4.9)	(9.0)	(8.2)
Statutory depletion in excess of cost depletion	(4.0)	(2.4)	(2.0)
Foreign income tax rates in excess of U.S.	7.3	7.8	6.3
Effective state income tax rates	1.6	2.8	1.3
Other - Net	(.8)	(1.5)	(1.4)
Total Percentage of Tax Provided	<u>45.2%</u>	<u>43.7%</u>	<u>44.0%</u>

The Internal Revenue Service has examined the company's Federal income tax returns for all years through 1973. The company believes that it has made adequate provision for income taxes that may become payable with respect to open tax years.

Reporting by Industry Segments

The tables below summarize selected financial data by industry segment for the last three years:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Sales to unaffiliated customers -			
Petroleum	\$2,635.7	\$2,049.2	\$1,566.0
Chemicals	501.2	419.7	375.4
Nuclear	238.9	163.4	115.2
Coal	101.2	50.5	14.9
Other	.9	.7	.9
Total	<u>\$3,477.9</u>	<u>\$2,683.5</u>	<u>\$2,072.4</u>
Operating profit or (loss) -			
Petroleum	\$ 284.5	\$ 294.6	\$ 180.9
Chemicals	36.9	31.8	37.0
Nuclear	30.0	(.2)	20.1
Coal	43.8	17.3	.8
Other	.9	.7	.6
	<u>\$ 396.1</u>	<u>\$ 344.2</u>	<u>\$ 239.4</u>
General corporate expenses	(20.3)	(19.5)	(17.1)
Interest and debt expense	(56.0)	(57.6)	(39.7)
Other income and other expenses -			
Net	12.7	17.0	28.3
Provision for income taxes	(150.3)	(124.1)	(92.7)
Net Income	<u>\$ 182.2</u>	<u>\$ 160.0</u>	<u>\$ 118.2</u>
Net Income (1) -			
Petroleum	\$ 113.9	\$ 134.6	\$ 74.3
Chemicals	19.8	14.2	23.3
Nuclear	19.4	(1.1)	21.1
Coal	30.2	13.2	.4
Other	(1.1)	(.9)	(.9)
Net Income	<u>\$ 182.2</u>	<u>\$ 160.0</u>	<u>\$ 118.2</u>
Identifiable assets at December 31 -			
Petroleum	\$1,537.8	\$1,197.4	\$ 939.8
Chemicals	640.6	624.4	599.0
Nuclear	304.8	288.4	272.0
Coal	126.6	109.2	84.3
Other	26.4	48.2	60.1
	<u>\$2,636.2</u>	<u>\$2,267.6</u>	<u>\$1,955.2</u>
Investment in unconsolidated affiliates	29.6	23.1	17.9
Corporate assets	140.8	48.5	48.6
Total	<u>\$2,806.6</u>	<u>\$2,339.2</u>	<u>\$2,021.7</u>

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Depreciation, depletion and amortization of property, plant and equipment -			
Petroleum	\$ 74.3	\$ 65.0	\$ 52.6
Chemicals	37.9	22.6	15.8
Nuclear	21.3	15.6	13.8
Coal	19.0	9.8	3.7
Other, including corporate	2.9	3.3	3.0
Total	<u>\$ 155.4</u>	<u>\$ 116.3</u>	<u>\$ 88.9</u>

(1) Net income by industry segment has been consistently determined by allocating indirect income and expense items between segments based upon relative sales, net income, property, inventories and receivables, except for income taxes, which were generally computed as though each operation filed separate tax returns.

Certain financial data attributable to domestic and foreign operations for the last three years are set forth below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Sales to unaffiliated customers (1) -			
U.S. operations	\$3,395.2	\$2,568.7	\$1,976.9
Foreign operations	82.7	114.8	95.5
Total	<u>\$3,477.9</u>	<u>\$2,683.5</u>	<u>\$2,072.4</u>
Operating profit -			
U.S. operations	\$ 305.9	\$ 286.8	\$ 201.0
Foreign operations	90.2	57.4	38.4
Total	<u>\$ 396.1</u>	<u>\$ 344.2</u>	<u>\$ 239.4</u>
Identifiable assets at December 31 -			
U.S. operations	\$2,161.4	\$1,970.1	\$1,712.2
Foreign operations	474.8	297.5	243.0
Total	<u>\$2,636.2</u>	<u>\$2,267.6</u>	<u>\$1,955.2</u>

(1) Excludes foreign sales to domestic affiliates of \$80.7 million and \$7.5 million in 1980 and 1979, respectively.

Inventories

A breakdown of inventories by major product category is set forth below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>
Crude oil and refined products	\$118.7	\$132.3
Chemicals and forest products	78.1	64.4
Nuclear products	21.3	36.5
Materials and supplies and other	119.4	85.5
Total	<u>\$337.5</u>	<u>\$318.7</u>

Substantially all inventories of crude oil and refined petroleum products are valued using the last-in, first-out (LIFO) method. If these inventories had been valued at current cost rather than on the LIFO basis, they would have been increased by \$164.6 million and \$123.7 million at December 31, 1980 and 1979, respectively.

During 1980 and 1979, certain inventory quantities were reduced or were transferred to other operating divisions. These changes resulted in liquidations of certain last-in, first-out inventory quantities carried at lower costs prevailing in prior years and in some cases resulted in the addition of new carrying values for crude oil and refined products based on 1980 and 1979 costs. The effect of these transactions was to increase net income approximately \$14 million and \$12.5 million in 1980 and 1979, respectively.

Capital Expenditures and Exploration Expenses

A summary of capital expenditures and exploration expenses over the last three years is set forth below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Capital expenditures -			
Petroleum	\$426.4	\$282.8	\$142.1
Chemicals	36.3	45.6	67.0
Nuclear	17.9	28.8	34.3
Coal	39.7	31.2	24.9
Other	6.3	.8	1.9
Total Capital Expenditures	<u>\$526.6</u>	<u>\$389.2</u>	<u>\$270.2</u>
Exploration expenses (excluding abandonment provisions)	48.5	37.5	22.6
Total	<u>\$575.1</u>	<u>\$426.7</u>	<u>\$292.8</u>

The petroleum segment again accounted for a majority of the capital expenditures with 81% of the 1980 total being spent in this area. In 1979 and 1978, the percentages were 73% and 53%, respectively. Also, most of the company's exploration expenses were for petroleum activities.

Petroleum capital expenditures were primarily for the acquisition of domestic leases; the drilling and equipping of domestic properties; and the development of the Beatrice and Brae fields in the North Sea. Significant expenditures were also made for six mobile offshore drilling units presently under construction.

Property, Plant and Equipment

Set forth below are property and related reserves by industry segment at December 31, 1980:

<u>(In millions of dollars)</u>	<u>Gross Property</u>	<u>Reserves for Depreciation, Depletion and Amortization</u>	<u>Net Property</u>
Petroleum	\$1,648.6	\$ 525.2	\$1,123.4
Chemicals	702.7	232.3	470.4
Nuclear	331.6	135.6	196.0
Coal	147.0	34.7	112.3
Other	82.1	21.5	60.6
Total	<u>\$2,912.0</u>	<u>\$949.3</u>	<u>\$1,962.7</u>

Deferred Charges

At December 31, 1980, deferred charges totaled \$52.0 million compared with \$54.5 million at the end of 1979. A major portion of these costs are related to the deferral of preoperating and start-up costs associated with new plants and facilities and are amortized over the first five years the plants operate.

Short-Term Credit

Short-term notes payable transactions for the last three years are summarized below:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Balance outstanding at December 31	\$ 22.0	\$ 9.1	\$ -
Average interest rate	17.0%	14.9%	-
Average daily balance outstanding during year	\$ 56.8	\$ 33.6	\$ 6.2
Weighted average interest rate	15.7%	12.8%	8.5%
High balance for year	\$147.3	\$114.2	\$35.0

The company had \$384 million in unused bank lines of credit available at at December 31, 1980. Of these lines, \$259 million also supports commercial paper borrowing arrangements of Kerr-McGee Credit Corporation.

The company has informal arrangements to maintain compensating balances with certain banks which provide credit. The aggregate amount of such compensating balances was not material at December 31, 1980, and the company was not legally restricted from withdrawing all or a portion of such balances at any time during the year.

During the past three years, Kerr-McGee Credit Corporation, a wholly-owned unconsolidated finance subsidiary, had accounts receivable assigned from Kerr-McGee Corporation and subsidiaries and commercial paper outstanding as follows:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Accounts receivable outstanding at December 31	\$244.6	\$175.6	\$121.5
Commercial paper -			
Outstanding at December 31	\$189.2	\$134.9	\$ 89.8
Average balance outstanding during year	\$163.7	\$114.7	\$ 83.7
High balance for year	\$215.1	\$150.4	\$110.9
Average interest rate for year	12.7%	11.1%	8.0%

Long-Term Debt

The components of long-term debt, excluding current maturities, were as follows at December 31:

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>
8-1/2% sinking fund debentures due June 1, 2006	\$125.0	\$125.0
8% notes due July 1, 1983	75.0	75.0
Variable interest rate (16.6% at 12-31-80) revolving credit agreements with banks due 1982 and 1983	145.0	95.0
Loan payable to banks at varying margins above the London Inter-Bank Offered Rate due 1983-1987	137.8	35.4
5% insurance company loan due 1981-1985	24.0	30.0
4-3/4% note due in annual installments 1981-1988	9.4	10.7
Other	4.4	3.6
Total Long-Term Debt	<u>\$520.6</u>	<u>\$374.7</u>

Maturities of long-term debt during the next five years are:

(In millions of dollars)

1981	\$ 9.1
1982	87.1
1983	246.3
1984	18.1
1985	18.0

Long-term debt agreements contain minor restrictions on the payment of dividends on common stock. As of December 31, 1980, under the most restrictive of these provisions, retained earnings of \$977 million are not subject to these restrictions.

Advances to be Repaid from Future Production

In December 1977, Kerr-McGee Coal Corporation, a subsidiary company, entered into a coal production payment agreement whereby it received advances totaling \$80 million to be repaid monthly from a portion of the revenues received from the Jacobs Ranch Mine in Wyoming, bearing interest at an 8-1/2% rate through 1982 and at varying interest rates based upon the prime rate thereafter. As of December 31, 1980, a total of \$62.2 million remained to be repaid under this agreement.

In 1976, an agreement was executed with Public Service Electric and Gas Company (PSE&G) for delivery of U_3O_8 in uranium concentrates from certain Wyoming properties. Under the agreement, PSE&G was to make advance payments against the cost of developing mining and milling facilities on those properties, including the Bill Smith underground mine, with repayment of the advances plus interest at 8% per year to be made as the U_3O_8 produced from the properties is sold. In 1978, the agreement was modified to place the Bill Smith Mine on standby status and suspend interest accruals on advances related to its development.

During the second quarter of 1980, PSE&G notified the company pursuant to the 1978 modification that it was terminating the standby arrangement and elected not to make further advances for development of the Bill Smith mine.

On October 1, 1980, PSE&G and the company agreed to place the open pit mines on the properties on a minimum operations status until 1982 and to discontinue further interest accruals applicable to advances from PSE&G until the properties are returned to an active status. Return of these mines to normal production is dependent upon satisfactory improvement of uranium market prices. At year-end, advances of \$31.3 million plus accumulated interest of \$2.1 million remained to be repaid from future production from these properties.

Stockholders' Equity

Stockholders' equity amounted to \$1.3 billion at year-end, compared with \$1.2 billion at the end of 1979. The authorized common stock consists of 37,500,000 shares, \$1.00 par value.

Changes in common stock issued and outstanding are reported below:

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Shares issued at January 1	25,983,348	25,963,723	25,961,023
New shares issued upon exercise of stock options	26,298	19,625	2,700
Shares issued at December 31	26,009,646	25,983,348	25,963,723
Less shares held in treasury	106,840	106,840	106,840
Shares outstanding at December 31	<u>25,902,806</u>	<u>25,876,508</u>	<u>25,856,883</u>

At December 31, 1980, the company had 1,222,550 shares of authorized but unissued preferred stock, without par value, which may be issued in series at the discretion of the Board of Directors. The rights and preferences of such stock shall be established by resolution of the Board of Directors at the time the stock is issued.

Undistributed earnings of unconsolidated subsidiaries and affiliated companies included in retained earnings were approximately \$18.2 million and \$10.9 million at December 31, 1980 and 1979, respectively.

The 1968 Stock Option Plan expired on February 9, 1978, after which no further options could be granted, although options outstanding at that time can be exercised prior to their expiration date.

The 1978 Stock Option Plan authorized the granting, over a ten-year period, of options for up to 400,000 shares of stock and accompanying stock appreciation rights.

Transactions during 1980 under these plans are summarized below:

	<u>1968 Stock Option Plan</u>		<u>1978 Stock Option Plan</u>	
	<u>Shares</u>	<u>Price Per Share</u>	<u>Shares</u>	<u>Price Per Share</u>
Balance outstanding				
January 1, 1980	125,878	\$38.00-\$87.38	106,500	\$48.06-\$53.44
Options granted	-		167,200	\$62.19-\$82.63
Options exercised	(25,561)	\$38.00-\$66.63	(737)	\$48.06-\$53.44
Options cancelled	(14,672)	\$61.75-\$87.38	(19,923)	\$48.06-\$70.88
Balance outstanding				
December 31, 1980	<u>85,645</u>	\$38.00-\$78.00	<u>253,040</u>	\$48.06-\$82.63
Options exercisable				
December 31, 1980	<u>56,888</u>	\$38.00-\$78.00	<u>18,040</u>	\$48.06-\$53.44

During 1979, all of the remaining warrants outstanding, which entitled holders to purchase a total of 3,475 shares of common stock of the company at \$14.59 per share, were purchased for cash and charged against earnings.

Contingencies

Westinghouse Electric Corporation filed suit in 1976 against 29 uranium producers, including the company, alleging violations of the antitrust laws in connection with the production and sale of uranium. Westinghouse has claimed that its damages (which would be trebled by law if it prevailed) amount to more than a billion dollars. In May 1978, the company filed an answer and a counterclaim for damages in an amount not specified, alleging violations of the antitrust laws by Westinghouse. Subsequent to December 31, 1980, Westinghouse and the company reached an agreement in principle for the settlement of the action, subject to approval of a definitive agreement. The company's management believes that obligations under the proposed settlement agreement will not have a material effect upon its financial statements. (See Legal Proceedings on Page 34.)

In January 1981, two groups of utilities, one located in Wisconsin and the other in New England, filed suit in the Northern District of Illinois against the company and most of the other defendants in the Westinghouse litigation. The complaint specifically incorporates the portions of the Westinghouse complaint which allege that the company and other uranium producers combined and conspired to restrain trade in uranium. No amounts of damages are specified. Discovery has not started. Accordingly, counsel has not formed a judgment as to the ultimate outcome of the action.

The plaintiffs have appealed from the dismissal by the trial court, on jurisdictional grounds, of litigation brought in Arizona in 1979 against certain uranium mining companies, including the company, seeking to hold the companies liable for cancer and other lung diseases allegedly contracted by Navajo miners in uranium mines on the reservation.

On May 18, 1979, a jury in Oklahoma City rendered a verdict against the company in the amount of \$505,000 actual damages alleged to have been sustained by an employee of the company's Cimarron plutonium facility and \$10 million punitive damages. The verdict has not been reflected in the accompanying financial statements. The company is seeking reversal of the judgment on appeal, based upon numerous errors which it believes were committed by the trial court.

In December 1980, the U.S. District Court in Oklahoma City approved the settlement of litigation between Kerr-McGee Nuclear Corporation and a customer involving the application of the price adjustment provisions of a contract between the parties relative to increased costs of government regulation. Approximately 11,000,000 pounds of U_3O_8 remained to be delivered and converted into uranium hexafluoride under this contract. The settlement provided for the resumption of deliveries of uranium at improved prices plus a settlement for claims for price increases resulting from the impact of government regulations on uranium previously delivered. This action substantially

completes renegotiations begun several years ago to improve the prices of some contracts where prices were below current production costs. As of December 31, 1980, based upon 1980 costs, the aggregate of all contract deliveries from the New Mexico area could be profitably delivered over the periods of the various contracts.

Quarterly Financial Information (Unaudited)

The following unaudited summary of quarterly consolidated results of operations for 1980 and 1979 is not covered by the accompanying report of independent public accountants:

<u>Quarter Ended</u>	<u>Sales and Services</u>		<u>Gross Margin(1)</u>		<u>Net Income</u>		<u>Net Income per Common Share</u>	
	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>	<u>1980</u>	<u>1979</u>
(In millions of dollars, except per share amounts)								
March 31	\$ 780.4	\$ 601.9	\$118.3	\$ 92.1	\$ 47.1	\$ 33.4	\$ 1.82	\$ 1.29
June 30	854.2	646.3	128.7	108.5	49.6	43.6	1.91	1.69
September 30	893.9	679.8	95.4	108.5	33.7	42.6	1.30	1.64
December 31	949.4	755.5	126.1	108.2	51.8	40.4	1.99	1.56
Total	<u>\$3,477.9</u>	<u>\$2,683.5</u>	<u>\$468.5</u>	<u>\$417.3</u>	<u>\$182.2</u>	<u>\$160.0</u>	<u>\$ 7.02</u>	<u>\$ 6.18</u>

- (1) Gross margin equals sales and services less costs and operating expenses, depreciation, depletion and amortization, exploration, including dry holes, and taxes other than income taxes.

Nuclear earnings for the fourth quarter in 1980 increased \$13 million over the same quarter in 1979 principally because of the resumption of deliveries of uranium at improved prices under the company's contract with the Central Area Power Coordination (CAPCO) Group following settlement of litigation begun in 1979. Previously scheduled deliveries totaling 2,400,000 pounds of U₃O₈ under the CAPCO contract plus a settlement for claims for price increases resulting from the impact of government regulations on uranium previously delivered were included in the fourth quarter operating results, which was partially offset by nonrecurring adjustments to write down impaired mining leases and properties and provide for the disposal of waste materials.

Accounting for Changing Price Levels (Unaudited)

Financial statements of business enterprises presented in accordance with generally accepted accounting principles have traditionally reported amounts reflecting historical costs and dollars of varying purchasing power and, accordingly, do not attempt to measure the effect of inflation on business enterprises. In recognition of the need to provide readers of financial statements with information to assist them in assessing the impact of inflation, the financial Accounting Standards Board issued Statement No. 33, "Financial

Reporting and Changing Prices." The accompanying supplemental data should be viewed as an estimate of the effect of inflation rather than as a precise measure. The Statement prescribes two supplementary income computations, one dealing with the effects of general inflation (constant dollars) and the other dealing with the effects of changes in the specific prices of goods and services used by an enterprise (current cost).

Constant dollar accounting represents a method of reporting financial statement information in dollars having a fixed purchasing power. Under this method, the historical amount of costs and operating expenses has been adjusted by restating the beginning and ending inventories into average 1980 dollars by applying the Consumer Price Index for All Urban Consumers (CPI-U). Restatement of depreciation, depletion and amortization expense and exploration expense has been calculated by applying the CPI-U to the historical cost of the assets and then applying the company's depreciation policy.

Current cost accounting, as with constant dollar accounting, requires adjustment of the historical cost of inventories, property, plant and equipment and the related effect on costs and expenses, depreciation, depletion and amortization and exploration expense. Such adjustments are based on the dollars currently required to purchase assets having the same service potential as specific assets owned by the company.

The current cost of property, plant and equipment has been estimated by applying various price indexes published by governmental and private organizations to the historical cost of the assets and by obtaining current market prices and construction cost estimates for selected assets. The provision for depreciation, depletion and amortization related to the current cost of these assets was determined by applying the company's depreciation policy.

First-in, first out (FIFO) costs adjusted for the effect of current cost depreciation were applied to ending petroleum product inventories in order to obtain the estimated current cost of such products. The current cost of chemical and nuclear product inventories has been calculated using average costs experienced at or near year-end. Costs related to the chemical and nuclear product inventories were adjusted for the estimated effect of current cost depreciation.

Operating costs and expenses (exclusive of depreciation, depletion and amortization) on a current cost basis related to the company's petroleum operations have been determined by applying the LIFO method of valuing all petroleum products sold. Operating costs and expenses (exclusive of depreciation, depletion and amortization) on a current cost basis related to the company's chemical and nuclear operations have been estimated by costing sales at the average costs incurred during the periods in which the products were sold. The

company believes that the estimated operating costs and expenses (exclusive of depreciation, depletion and amortization) resulting from the calculations described above represent a reasonable estimate of the costs incurred during the periods in which the products were sold.

The accompanying statement of income adjusted for changing prices compares the company's results as reported in the primary financial statements with the results adjusted for general inflation and the results adjusted for changes in specific prices. In compliance with Statement No. 33, the provision for income taxes has not been revised for the different measures of income but represents the amount contained in the primary financial statements. As a result, the effective income tax rate for 1980 increased from 45.2% on a historical basis to 62.5% on a constant dollar basis and 75.0% on a current cost basis. These amounts indicate a 38.3 to 66.0 percent "overprovision" of income taxes based on the constant dollar and current cost methods.

Statement No. 33 also requires two additional measures of the effect of inflation. The first of these, the "gain in purchasing power of net amounts owed," has been calculated based on the company's average net monetary liabilities for the year multiplied by the change in the CPI-U for the year and is applicable to both methods. The second additional measure, "increase in current cost, net of inflation," is applicable only to the current cost method and represents the increase in value during the year due to increases in the specific prices for inventory and property, plant and equipment over that which is attributed to the increase in value due to the effects of general inflation.

Set forth below is a comparative statement of income as reported in the primary financial statements with an income statement adjusted for changing prices for the year ended December 31, 1980:

(In millions of dollars)	As Reported in the Primary Statements	Adjusted For	
		General Inflation (Constant Dollars)	Specific Prices (Current Cost)
Income -			
Sales and services	<u>\$3,477.9</u>	<u>\$3,477.9</u>	<u>\$3,477.9</u>
Costs and Expenses -			
Costs and operating expenses	\$2,705.4	\$2,724.5	\$2,714.1
Selling, general and administrative expenses	100.3	100.3	100.3
Depreciation, depletion and amortization	155.4	222.2	268.3
Exploration, including dry holes	62.8	69.0	69.0
Taxes, other than income taxes	85.8	85.8	85.8
Interest and debt expense	56.0	56.0	56.0
	<u>\$3,165.7</u>	<u>\$3,257.8</u>	<u>\$3,293.5</u>
	\$ 312.2	\$ 220.1	\$ 184.4
Other Income	<u>20.3</u>	<u>20.3</u>	<u>15.9</u>
Net Income before Income Tax Provision	\$ 332.5	\$ 240.4	\$ 200.3
Provision for Income Taxes	150.3	150.3	150.3
Net Income	<u>\$ 182.2</u>	<u>\$ 90.1</u>	<u>\$ 50.0</u>
Gain from Decline in Purchasing Power of Net Amounts Owed		<u>\$ 99.2</u>	<u>\$ 99.2</u>
Excess of Increase in Specific Prices over Increase in General Price Level			<u>\$ 46.9</u>

The information included in the following five-year comparison of selected supplementary financial data adjusted for the effects of changing prices is expressed in average 1980 dollars. As required by Statement No. 33, net sales, cash dividends declared per common share and market price per common share at year-end are restated for each of the five years, with the balance of the data shown only for the years 1980 and 1979:

(In millions of average
1980 dollars, except
per share amounts)

	1980	1979	1978	1977	1976
Net sales	\$3,477.9	\$3,046.4	\$2,617.6	\$2,943.6	\$2,830.0
Historical information adjusted for general inflation -					
Net income	\$ 90.1	\$ 94.7			
Net income per common share	\$ 3.47	\$ 3.66			
Net assets at year-end	\$2,041.7	\$1,993.2			
Historical information adjusted for specific prices -					
Net income	\$ 50.0	\$ 52.8			
Net income per common share	\$ 1.92	\$ 2.04			
Excess of increase in specific prices over increase in general price level	\$ 46.9	\$ 143.8			
Net assets at year-end	\$2,469.3	\$2,338.2			
Other information -					
Gain from decline in purchasing power of net amounts owed	\$ 99.2	\$ 94.5			
Cash dividends declared per common share	\$ 1.80	\$ 1.76	\$ 1.58	\$ 1.70	\$ 1.72
Market price per common share at year-end	\$ 75.45	\$ 72.70	\$ 58.08	\$ 62.00	\$ 96.82
Average consumer price index	246.8	217.4	195.4	181.5	170.5

Stock Performance

The company's common stock is listed for trading on the New York and Toronto stock exchanges. At December 31, 1980, the approximate number of shareholders was 18,000. A summary of the range of sales prices during each quarter for 1980 and 1979 is set out below:

Quarter Ended	1980		1979	
	High	Low	High	Low
March 31	78 5/8	52	56 7/8	46
June 30	83 1/4	57 1/8	54 7/8	46
September 30	87	71 3/8	61 7/8	53 1/2
December 31	93	76 3/8	68 3/8	54 1/2

Oil and Gas Reserve Information, Related Revenue and Cost Data,
Estimated Future Net Revenues and Present Value Calculations

Set forth below is a summary of the changes in the quantities of the company's crude oil and condensate reserves during the three years ended December 31, 1980 (unaudited):

<u>(In thousands of barrels)</u>	<u>Domestic</u>	<u>North Sea</u>	<u>Other Foreign</u>	<u>Total</u>
Proved developed and undeveloped reserves -				
Balance, beginning of 1978	54,939	37,105	19,206	111,250
Revisions of previous estimates	6,139	-	(235)	5,904
Improved recovery	678	-	-	678
Extensions, discoveries and other additions	4,133	17,500	127	21,760
Production	(6,459)	-	(3,665)	(10,124)
Balance, end of 1978	59,430	54,605	15,433	129,468
Revisions of previous estimates	2,028	1,898	6,275	10,201
Extensions, discoveries and other additions	2,310	-	20	2,330
Production	(6,560)	-	(3,461)	(10,021)
Sale of minerals in place	(145)	-	-	(145)
Balance, end of 1979	57,063	56,503	18,267	131,833
Revisions of previous estimates	6,487	-	10,478	16,965
Extensions, discoveries and other additions	6,420	1,005	87	7,512
Production	(6,888)	-	(2,990)	(9,878)
Balance, end of 1980	<u>63,082</u>	<u>57,508</u>	<u>25,842</u>	<u>146,432</u>
Proved developed reserves -				
January 1, 1978	46,761	-	19,206	65,967
December 31, 1978	51,252	-	15,433	66,685
December 31, 1979	52,183	-	18,246	70,429
December 31, 1980	<u>52,907</u>	<u>=====</u>	<u>25,779</u>	<u>78,686</u>

Set forth below is a summary of the changes in the quantities of the company's natural gas reserves during the three years ended December 31, 1980 (unaudited):

<u>(In millions of cubic feet)</u>	<u>Domestic</u>	<u>North Sea</u>	<u>Other Foreign</u>	<u>Total</u>
Proved developed and undeveloped reserves -				
Balance, beginning of 1978	872,000	-	78,000	950,000
Revisions of previous estimates	2,107	-	(6,002)	(3,895)
Improved recovery	129	-	-	129
Extensions, discoveries and other additions	93,046	-	89	93,135
Production	(81,279)	-	(2,087)	(83,366)
Sales of minerals in place	(3)	-	-	(3)
Balance, end of 1978	886,000	-	70,000	956,000
Revisions of previous estimates	(36,800)	-	13,341	(23,459)
Extensions, discoveries and other additions	64,558	-	1	64,559
Production	(86,929)	-	(2,540)	(89,469)
Sales of minerals in place	(331)	-	-	(331)
Balance, end of 1979	826,498	-	80,802	907,300
Revisions of previous estimates	6,072	-	(1,536)	4,536
Extensions, discoveries and other additions	83,731	46,373	1,784	131,888
Production	(81,187)	-	(2,360)	(83,547)
Balance, end of 1980	<u>835,114</u>	<u>46,373</u>	<u>78,690</u>	<u>960,177</u>
Proved developed reserves -				
January 1, 1978	655,264	-	77,744	733,008
December 31, 1978	669,264	-	69,744	739,008
December 31, 1979	620,439	-	65,327	685,766
December 31, 1980	<u>627,113</u>	<u>-</u>	<u>62,724</u>	<u>689,837</u>

Proved reserves, as estimated by the company's geologists and engineers, include reserves on certain properties that are partially undeveloped and reserves which may be obtained in the future by secondary recovery operations now in operation but do not include reserves which may be obtained in the future by secondary and tertiary recovery methods not now in operation. Reserves relating to the company's royalty interests are not included above. The company's share of oil and gas produced from those royalty interests for the years ended December 31, 1979 and 1980, were 107,494 barrels of crude oil and 2,218 million cubic feet of natural gas and 106,396 barrels and 2,554 million cubic feet, respectively.

Oil and Gas Reserve Information, Related Revenue
and Cost Data, Estimated Future Net Revenues and
Present Value Calculations

Revenues from oil and gas production related to proved oil and gas reserves net of royalty payments and production costs for the three years ended December 31, 1980 are reflected below:

(In millions of dollars)	Gross Revenues			Production (Lifting) Costs	Net Revenues
	Sales to Unaffiliated Entities	Sales to Affiliated Entities	Total		
1978 -					
Domestic	\$105.4	\$ 38.3	\$143.7	(\$ 29.0)	\$114.7
North Sea	-	-	-	-	-
Other foreign	<u>49.7</u>	<u>-</u>	<u>49.7</u>	<u>(7.9)</u>	<u>41.8</u>
Total	<u>\$155.1</u>	<u>\$ 38.3</u>	<u>\$193.4</u>	<u>(\$ 36.9)</u>	<u>\$156.5</u>
1979 -					
Domestic	\$150.9	\$ 44.5	\$195.4	(\$ 43.5)	\$151.9
North Sea	-	-	-	-	-
Other foreign	<u>54.1</u>	<u>7.5</u>	<u>61.6</u>	<u>(6.2)</u>	<u>55.4</u>
Total	<u>\$205.0</u>	<u>\$ 52.0</u>	<u>\$257.0</u>	<u>(\$ 49.7)</u>	<u>\$207.3</u>
1980 -					
Domestic	\$201.9	\$ 83.6	\$285.5	(\$ 84.7)	\$200.8
North Sea	-	-	-	-	-
Other foreign	<u>9.9</u>	<u>80.7</u>	<u>90.6</u>	<u>(9.1)</u>	<u>81.5</u>
Total	<u>\$211.8</u>	<u>\$164.3</u>	<u>\$376.1</u>	<u>(\$ 93.8)</u>	<u>\$282.3</u>

Oil and Gas Reserve Information, Related Revenue and Cost Data,
Estimated Future Net Revenues and Present Value Calculations

The company has incurred costs, both capitalized and expensed, in oil and gas production activities for the three years ended December 31, 1980, as detailed below:

(In millions of dollars)	Property Acquisition Costs	Exploration Costs (1)	Development Costs	Production (Lifting) Costs	Depreciation, Depletion and Amortization	Valuation Allowance
1978 -						
Domestic	\$ 26.8	\$ 24.8	\$ 41.0	\$ 29.0	\$ 18.1	\$ 9.6
North Sea	-	6.1	6.0	-	-	-
Other foreign	.1	3.5	2.9	7.9	9.8	.1
Total	\$ 26.9	\$ 34.4	\$ 49.9	\$ 36.9	\$ 27.9	\$ 9.7
1979 -						
Domestic	\$ 41.2	\$ 37.5	\$ 59.5	\$ 43.5	\$ 34.2	\$ 5.4
North Sea	-	2.5	46.3	-	.1	-
Other foreign	.6	4.1	5.7	6.2	9.2	.2
Total	\$ 41.8	\$ 44.1	\$ 111.5	\$ 49.7	\$ 43.5	\$ 5.6
1980 -						
Domestic	\$ 52.6	\$ 89.1	\$ 55.5	\$ 84.7	\$ 37.5	\$ 11.9
North Sea	-	5.3	123.2	-	-	-
Other foreign	2.6	3.1	10.2	9.1	5.8	.3
Total	\$ 55.2	\$ 97.5	\$ 188.9	\$ 93.8	\$ 43.3	\$ 12.2

(1) Exploration costs include exploration expenses (delay rentals, exploration staff, exploratory dry holes, dry hole and bottom hole contributions, geological and geophysical studies, costs of carrying and retaining properties, etc.) plus capital expenditures such as costs of drilling and equipping successful exploratory wells, etc.

The following table summarizes estimated future net revenues from proved oil and gas reserves at December 31, 1980, and the discounted value of such estimated future net revenues. "Future net revenues" are determined in accordance with Securities and Exchange Commission Regulation S-X, Section 210.4.10(k)(6)(i), by computing gross revenues based upon December 31, 1980 prices, without escalation, except for contractual escalations of gas prices, less estimated development and production costs based on current costs and assuming that existing economic conditions will continue. No effects of domestic or foreign income taxes were considered. The present value of estimated "future net revenues" from proved oil and gas reserves was determined using a discount rate of 10% in accordance with Securities and Exchange Commission Regulation S-X, Section 210.4.10(k)(6)(ii) (unaudited):

<u>(In millions of dollars)</u>	<u>Domestic</u>	<u>North Sea</u>	<u>Foreign</u>	<u>Total</u>
Estimated future net revenues -				
Proved reserves:				
1981	\$ 199.6	(\$ 139.1)	\$ 93.2	\$ 153.7
1982	296.1	55.1	76.9	428.1
1983	294.4	190.5	63.4	548.3
Remaining years	1,610.0	1,381.5	514.8	3,506.3
Total	<u>\$2,400.1</u>	<u>\$1,488.0</u>	<u>\$748.3</u>	<u>\$4,636.4</u>
Proved developed reserves:				
1981	\$ 242.1	\$ -	\$ 93.7	\$ 335.8
1982	239.2	-	77.5	316.7
1983	203.0	-	63.7	266.7
Remaining years	1,131.4	-	476.7	1,608.1
Total	<u>\$1,815.7</u>	<u>\$ -</u>	<u>\$711.6</u>	<u>\$2,527.3</u>
Discounted present value of estimated future net revenues -				
Proved reserves:				
1978	\$ 794.2	\$ 208.3	\$166.7	\$1,169.2
1979	<u>\$1,019.6</u>	<u>\$ 518.5</u>	<u>\$361.2</u>	<u>\$1,899.3</u>
1980	<u>\$1,465.2</u>	<u>\$ 822.1</u>	<u>\$436.4</u>	<u>\$2,723.7</u>
Proved developed reserves:				
1978	\$ 601.6	\$ -	\$166.6	\$ 768.2
1979	<u>\$ 773.8</u>	<u>\$ -</u>	<u>\$344.5</u>	<u>\$1,118.3</u>
1980	<u>\$1,148.9</u>	<u>\$ -</u>	<u>\$426.1</u>	<u>\$1,575.0</u>

The company does not have any proved reserves applicable to long-term supply agreements with foreign governments or to investees accounted for by the equity method.

The computations of estimated future net revenues and related discounted present value of estimated future net revenues were prepared in accordance with Securities and Exchange Commission Regulations that specify the use of current price and costs, without recognition of income tax effects, and the required utilization of a ten percent discount factor. The company's actual future net revenues may vary considerably from these estimates. Therefore, such estimated future net revenue computations should not be considered to represent the company's estimate of the expected cash flow or the current value of existing proved reserves.

The changes in present value of estimated "future net revenues" from proved oil and gas reserves for the years ended December 31, 1980 and 1979, prepared in accordance with Securities and Exchange Commission Regulation S-X, Section 210.4.10(k)(8), are set forth below (unaudited):

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>
Increases -		
Additions and revisions	\$1,191.9	\$ 981.9*
Less related estimated future development costs	<u>248.4</u>	<u>154.9*</u>
Net additions and revisions	\$ 943.5	\$ 827.0
Expenditures that reduced estimated future development costs	<u>163.2</u>	<u>111.1*</u>
	<u>\$1,106.7</u>	<u>\$ 938.1</u>
Decreases -		
Sales of oil and gas, net of production costs of \$93,800,000 in 1980 and \$49,739,000 in 1979	\$ 282.3	\$ 207.2
Sales of reserves-in-place	<u>-</u>	<u>.7</u>
	<u>\$ 282.3</u>	<u>\$ 208.0</u>
Net increase	\$ 824.4	\$ 730.1
Beginning of year	<u>1,899.3</u>	<u>1,169.2</u>
End of year	<u><u>\$2,723.7</u></u>	<u><u>\$1,899.3</u></u>

*Restated.

Under reserve recognition accounting, revenues are recognized at the time that proved reserves are added through exploration and development activities.

The dollar valuation of these reserve additions is developed as follows:

- (1) Estimates are made of additions to proved reserves and the future periods during which they are expected to be produced.
- (2) The estimated future production of proved reserves is priced based on year-end prices without escalation except for contractual escalations of gas prices.
- (3) The future gross revenue streams are reduced by estimated future costs, including windfall profit tax, to develop and produce these reserves, based on current year-end cost estimates.
- (4) These future net revenue streams are reduced to present value by applying a ten percent discount factor.

Revisions are made to estimates of reserves proved in prior years to reflect the approximate effect of changes from one year to the next in the prices and lifting costs and revisions in estimated recoverable proved reserves and changes in the timing of the production.

An accretion of discount amount is determined by applying the ten percent discount factor to the reserve recognition accounting valuation as of the beginning of the year in recognition of the increase resulting from the impact of the passage of time on the discounted cash flow approach to the valuation of the proved reserves.

A provision for income taxes is computed by applying current statutory tax rates to the future taxable income to be generated from producing proved reserves as of the end of the year after giving effect to applicable permanent differences, such as statutory depletion and investment credits and after deducting a similarly computed amount as of the beginning of the year plus the current tax provision for oil and gas producing activities during the year.

Operating results from oil and gas activities under reserve recognition accounting for a particular year depend on additions to proved reserves from new field discoveries and extensions and revisions to the valuation of reserves proved in prior years plus costs incurred in exploration and development activities. The company is of the opinion that a one-year period is too short a period to evaluate the results of an exploratory program. For this reason, the company cautions against projecting future reserve recognition accounting results on the basis of the experience of individual past years. Exploration costs incurred in one year may lead to significant discoveries in later years with a lapse of a number of years in between.

Oil and Gas Reserve Information, Related Revenue and Cost Data,
Estimated Future Net Revenues and Present Value Calculations

A summary of oil and gas producing activities on the basis of reserve recognition accounting for the years ended December 31, 1980 and 1979, as required to be presented by the Securities and Exchange Commission Regulation S-X, Section 210.4.10(k)(7), is shown below (unaudited):

<u>(In millions of dollars)</u>	<u>1980</u>	<u>1979</u>
Additions and revisions to estimated oil and gas reserves -		
Additions to estimated proved reserves, gross	\$ 344.0	\$ 88.5
Revisions to estimates of reserves proved in prior years:		
Changes in prices	1,676.5	679.4
Windfall profit tax	(536.7)	-
Changes in operating expenses and other	(481.8)	97.1*
Accretion of discount	189.9	116.9
Total additions to proved reserves	<u>\$1,191.9</u>	<u>\$ 981.9</u>
Related exploration and development costs -		
Costs incurred during the year	\$ 178.4	\$ 86.3*
Deferred property acquisition costs	(18.7)	(21.0)
Present value of estimated future development costs	<u>248.4</u>	<u>154.9*</u>
Total exploration and development costs	<u>\$ 408.1</u>	<u>\$ 220.2</u>
Additions and revisions to proved reserves over evaluated costs	\$ 783.8	\$ 761.7*
Provision for income taxes	<u>426.5</u>	<u>370.6*</u>
Results of oil and gas producing activities on the basis of reserve recognition accounting	<u>\$ 357.3</u>	<u>\$ 391.1*</u>

*Restated.

The pre-tax profit contribution reflected in the primary financial statements for oil and gas producing activities was \$161.3 million and \$117.8 million in 1980 and 1979, respectively, compared with a pre-tax contribution of \$783.8 million and \$761.7 million reported in the reserve recognition accounting schedule above.

Mineral Reserve Information and
Related Operating Data (Unaudited)

The following data related to various mining operations of the company are presented in accordance with provisions of the Financial Accounting Standards Board Statement No. 39, "Financial Reporting and Changing Prices: Specialized Assets - Mining and Oil and Gas."

<u>(In thousands)</u>	<u>Proved and Probable (Demonstrated) Reserves as of December 31, 1980</u>	<u>Minerals Produced During 1980</u>	<u>Average Market Prices for 1980</u>
Uranium concentrate (pounds U_3O_8)	42,220	5,270	\$ 28.61
Uranium bearing material (pounds U_3O_8)	71,946 (1) <u>114,166</u>	- <u>5,270</u>	- <u>\$ 28.61</u>
Potassium chloride (tons)	(2)	884 (3)	\$ 73.90 (3)
Sodium compounds (tons)	(4)	1,117 (5)	\$116.00 (5)
Phosphate rock (tons)	17,200	1,060 (6)	\$ 27.96 (6)
Coal (tons)	<u>888,175</u>	<u>10,729</u>	<u>\$ 9.48</u>

- (1) The extent to which this uranium bearing material will be mined will depend upon the economics of the cost of production and future recovery of the presently depressed sales price for U_3O_8 .
- (2) The total potassium chloride resource for the company is estimated to be 127.5 million tons. The extent to which this resource will become a recoverable reserve depends upon the economics of the cost of production and the future sales price of the products recovered.
- (3) Production is primarily muriate of potash although sulfate of potash is also marketed and several grades of each product are sold at substantial variations in price.
- (4) Total sodium compounds are estimated to be 1.529 billion tons which are composed of 538 million tons of sodium sulfate, 939 million tons of sodium carbonate and 52 million tons of sodium tetraborate. The extent to which these resources become recoverable reserves in the future is dependent upon the future mining rate, the economics of the cost of production at the date of production and the sales price for the products to be recovered.
- (5) Production is composed of soda ash, salt cake and boron products. Each product is also marketed in a number of grades with a wide range in market price.
- (6) Product is marketed in several grades at a range of prices.

Financial and Operating Data (1)

(Thousands, except per share amounts)	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Summary of Earnings										
Sales of products and services	\$3,477,881	\$2,683,469	\$2,072,443	\$2,164,754	\$1,955,058	\$1,798,580	\$1,550,349	\$727,953	\$679,576	\$605,254
Operating costs and expenses	\$3,109,658	\$2,362,901	\$1,853,217	\$1,951,008	\$1,723,742	\$1,570,089	\$1,353,609	\$632,141	\$607,266	\$540,783
Interest expense	56,095	57,620	39,698	28,623	22,688	14,129	10,736	7,625	8,539	11,501
Total costs and expenses	\$3,165,663	\$2,420,521	\$1,892,915	\$1,979,631	\$1,746,430	\$1,584,218	\$1,364,345	\$639,766	\$615,805	\$552,284
Other income	\$312,218	\$262,948	\$179,528	\$185,123	\$208,628	\$214,362	\$186,004	\$86,187	\$63,771	\$50,970
Net income before income taxes	20,273	21,137	31,363	13,654	7,165	8,517	10,174	7,412	5,099	4,440
Provision for income taxes	\$332,491	\$284,085	\$210,891	\$198,777	\$215,793	\$222,879	\$196,178	\$95,599	\$68,870	\$55,410
Net income	150,268	124,068	92,695	84,593	81,661	91,799	79,769	32,831	19,555	15,329
Shares common stock outstanding at year-end	25,903	25,877	25,857	25,854	25,850	25,806	25,020	24,989	24,375	22,209
Net income per common share	\$7.02	\$6.18	\$4.57	\$4.42	\$5.19	\$5.15	\$4.64	\$2.52	\$2.07	\$1.73
Cash dividends paid on common stock	\$46,602	\$40,099	\$32,320	\$32,314	\$30,660	\$25,415	\$21,254	\$14,741	\$13,984	\$12,201
Cash dividends paid per common share	\$1.80	\$1.55	\$1.25	\$1.25	\$1.19	\$1.00	\$.85	\$.60	\$.60	\$.55
Financial										
Working capital	\$208,245	\$239,799	\$184,140	\$237,697	\$273,870	\$287,414	\$201,873	\$204,128	\$198,247	\$159,144
Long-term debt and production advances	\$616,258	\$484,876	\$371,566	\$377,216	\$336,738	\$216,409	\$158,600	\$122,819	\$124,427	\$225,650
Common stockholders' equity	\$1,341,972	\$1,204,768	\$1,084,084	\$998,104	\$915,766	\$810,556	\$636,815	\$540,738	\$463,976	\$335,440
Total assets	\$2,806,559	\$2,339,165	\$2,021,742	\$1,833,101	\$1,625,595	\$1,387,882	\$1,164,432	\$866,671	\$806,801	\$762,504
Capital expenditures	\$526,570	\$389,195	\$270,185	\$269,199	\$332,642	\$234,734	\$227,956	\$113,041	\$76,054	\$69,875
Operating										
Production (net interest) -										
Crude oil/condensate produced (thousands of barrels)	9,984	# 10,021	10,199	11,195	11,474	10,487	11,193	11,326	12,393	11,995
Natural gas liquids produced (thousands of barrels)	1,920	2,175	2,458	2,619	2,350	2,245	2,240	2,654	2,775	2,475
Natural gas sales (billions of cubic feet)	86	89	84	81	90	89	104	108	109	91
Oil and gas wells completed	79,71	55,31	44,46	40,90	20,13	34,97	22,50	23,07	19,39	28,66
Refining and marketing (thousands of barrels):										
Crude oil processed	41,258	44,976	52,893	60,263	60,212	55,842	46,984	14,152	13,612	16,879
Refined product sales (excluding commission sales)	57,666	62,583	75,051	80,255	79,388	83,693	79,201	40,820	47,808	43,478
Contract drilling (offshore operations only) -										
Number of drilling rigs	19	18	18	18	18	16	15	14	14	15
Number of wells drilled	98	93	91	96	99	123	87	85	94	96
Number of feet drilled (thousands)	909	921	918	901	935	984	773	860	968	930
Chemicals -										
Industrial sales (thousands of tons)	1,434	1,327	1,168	1,129	1,183	1,178	853	784	762	763
Wholesale agricultural sales (thousands of tons)	2,005	1,880	1,855	1,514	1,040	1,109	931	1,236	1,348	790
Nuclear -										
Deliveries of uranium (U ₃ O ₈) (thousands of pounds)	6,751	5,808	3,959	5,425	4,018	3,638	5,178	5,952	7,553	6,604
Deliveries of uranium hexafluoride (UF ₆) (uranium content in thousands of kilograms)	6,897	7,855	5,139	5,067	3,527	2,162	2,379	3,818	3,157	1,883
Coal -										
Coal shipped (thousands of tons)	10,678	5,068	1,744	-	-	-	-	-	-	5
Number of employees	11,286	10,823	11,148	11,271	11,427	10,305	10,105	8,966	9,217	9,439

(1) Applicable figures have been adjusted to reflect the prior years' restatements discussed on Page 52.

PART III

Item 9. Directors and Executive Officers of the Registrant.

(a) Identification of directors -

For information required under this section, reference should be made to Page 2 of the company's proxy statement for 1981 made in connection with its Annual Shareholders' Meeting to be held on April 28, 1981.

(b) Identification of executive officers -

The following is a list of executive officers, their ages and their positions and offices as of January 1, 1981.

Name	Age*	Office
D. A. McGee	76	Chairman of the Board and Chief Executive Officer since February 1963.
F. A. McPherson	47	President since June 1980. Vice Chairman of the Board since August 1977. Vice President, Coal and Nuclear Operations since September 1975.
Jere W. McKenny	51	Vice Chairman of the Board since August 1977. Vice President, Exploration since July 1974.
Marvin K. Hambrick	59	Executive Vice President, Finance, since August 1977. Vice President, Finance, since June 1973.
George B. Parks	61	Executive Vice President since April 1970.
William E. Heimann	52	Vice President, General Counsel and Secretary since January 1975.
C. F. Miller	62	Vice President, Oil and Gas Operations since March 1973.
P. A. Puttroff	63	Vice President, Corporate Services since March 1975.
R. D. Robins	58	Vice President, Treasurer and Assistant Secretary since May 1977. Assistant Secretary, Assistant Treasurer and Tax Director since December 1968.
W. J. Teague	53	Administrative Vice President since June 1978. From 1970 to May 1978, he was administrative vice president of the Purex Corporation, Los Angeles.
John D. Raunborg	54	Controller since February 1969.

*As of January 1, 1981

There is no family relationship between any of the executive officers.

Item 10. Management Remuneration and Transactions.

For information required under this section, reference should be made to Pages 4 through 8 of the company's proxy statement for 1981 made in connection with its Annual Shareholders' Meeting to be held on April 28, 1981.

PART IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) 1. Financial Statements -

The following consolidated financial statements of Kerr-McGee Corporation and its subsidiary companies are included in Part II, Item 8:

	<u>Page</u>
Report of independent public accountants	44
Consolidated statement of income for the years ended December 31, 1980, 1979 and 1978	45
Consolidated balance sheet at December 31, 1980 and 1979	46
Consolidated statement of capital in excess of par value for the years ended December 31, 1980, 1979 and 1978	48
Consolidated statement of retained earnings for the years ended December 31, 1980, 1979 and 1978	48
Consolidated statement of changes in financial position for the years ended December 31, 1980, 1979 and 1978	49
Notes to the consolidated financial statements	50
Ten-year summary of financial and operating data	78

(a) 2. Financial Statement Schedules -

Report of independent public accountants on schedules	81
Quarterly financial information for the years ended December 31, 1980 and 1979 - included in Part II, Item 8	63
Schedule V - Property, plant and equipment	82
Schedule VI - Reserves for depreciation, depletion and amortization	83
Schedule VIII - Reserves	84
Schedule X - Supplementary income statement information	85

Schedules I, II, III, IV, VII, XI, XII and XIII are omitted as the subject matter thereof is either not present or is not present in amounts sufficient to require submission of the schedules in accordance with instructions contained in Regulation S-X. Schedule IX is omitted as the subject matter thereof is included in the Note captioned "Short-Term Credit" in the Notes to Consolidated Financial Statements in Part II, Item 8.

Financial statements of Kerr-McGee Corporation (not consolidated) are omitted since the company is primarily an operating company, and all subsidiaries included in the consolidated financial statements are wholly owned subsidiaries or have minority interests which are not material in relation to the total consolidated assets and are not, except for the ordinary current liabilities, indebted to any person other than the parent or consolidated subsidiaries in an amount which is material in relation to the total consolidated assets.

Financial statements for the unconsolidated finance subsidiary and companies 50% or less owned which are accounted for by the equity method have been omitted because they do not, considered individually or in the aggregate, constitute a significant subsidiary.

(a) 3. Exhibits -

<u>Exhibit No.</u>		<u>Page</u>
3	Certificate of incorporation and by-laws	Note
11	Computations of net income per common share	118
12	Computations of ratio of earnings to fixed charges	119
22	Subsidiaries of the registrant	120

Note: A copy of Exhibit 3 will be available at a fee of \$5.00 per set upon written request to Corporate Communications Division, Kerr-McGee Corporation, P. O. Box 25861, Oklahoma City, Oklahoma 73125.

(b) Reports on Form 8-K -

There were no reports on Form 8-K for the three months ended December 31, 1980.

Report of Independent Public Accountants on Schedules

To Kerr-McGee Corporation:

In connection with our examination of the consolidated financial statements included in this Form 10-K, we have also examined Schedules V, VI, VIII and X for each of the three years in the period ended December 31, 1980. In our opinion, these schedules present fairly, when read in conjunction with the related consolidated financial statements, the financial data required to be set forth herein, in conformity with generally accepted accounting principles. In our opinion, except for the change (with which we concur) in the method of accounting for interest cost as explained in the financial review on Page 51, the accounting principles were applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for vacation pay as explained in the financial review on Page 52.

Oklahoma City, Oklahoma,
February 25, 1981.

ARTHUR ANDERSEN & CO.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at Beginning of Period	Additions at Cost	Retirements or Sales (Thousands)	Transfers	Balance at Close of Period
Year Ended December 31, 1978					
Petroleum	\$ 872,908	\$142,129	\$34,003	(\$2,423)	\$ 978,611
Chemicals	584,585	67,006	9,957	(6,740)	634,894
Nuclear	283,719	34,277	18,561	31	299,466
Coal	52,809	24,880	230	(10)	77,449
Other	73,751	1,893	2,989	9,142	81,797
	<u>\$1,867,772</u>	<u>\$270,185</u>	<u>\$65,740</u>	<u>\$ -</u>	<u>\$2,072,217</u>
Year Ended December 31, 1979					
Petroleum	\$ 978,611	\$282,775	\$35,640	(\$ 541)	\$1,225,205
Chemicals	634,894	45,596	9,442	(1,367)	669,681
Nuclear	299,466	28,778	6,688	(62)	321,494
Coal	77,449	31,175	408	21	108,237
Other	81,797	871	3,524	1,949	81,093
	<u>\$2,072,217</u>	<u>\$389,195</u>	<u>\$55,702</u>	<u>\$ -</u>	<u>\$2,405,710</u>
Year Ended December 31, 1980					
Petroleum	\$1,225,205	\$426,360	\$ 2,843	(\$ 49)	\$1,648,673
Chemicals	669,681	36,254	3,293	14	702,656
Nuclear	321,494	17,902	7,871	80	331,605
Coal	108,237	39,722	889	(21)	147,049
Other	81,093	6,332	5,328	(24)	82,073
	<u>\$2,405,710</u>	<u>\$526,570</u>	<u>\$20,224</u>	<u>\$ -</u>	<u>\$2,912,056</u>

Depreciation, Depletion and Amortization Rates

Costs of producing oil and gas wells and producing mines in the nuclear, coal and chemical segments are charged to depreciation, depletion and amortization over its estimated life using the unit-of-production method. The following rates were used to depreciate equipment computed under the straight-line method:

Drilling equipment	8-1/3 to 33-1/3%	Fertilizer facilities	8-1/3 to 16-2/3%
Marine equipment	8-1/3 to 13-1/3%	Chemical facilities	5 to 18-1/2%
Refining facilities	7-9/13 to 10%	Lumber operations	9 to 15%
Pipeline facilities	2-9/10 to 10%	Automotive equipment	16-2/3 to 50%
Marketing facilities	4 to 33-1/3%	Aviation equipment	14-1/4 to 20%
Gas processing facilities	6-2/3 to 20%	Buildings	2 to 20%
Minerals facilities	5 to 33-1/3%	Furniture and fixtures	4 to 50%

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
RESERVES FOR DEPRECIATION, DEPLETION AND AMORTIZATION

Column A	Column B	Column C	Column D	Column E		
Classification	Balance at Beginning of Period	Charged to Profit and Loss or Income	Charged to Other Accounts	Retirements, Renewals and Replacements	Other - Transfers	Balance at Close of Period
				(Thousands)		
Year Ended December 31, 1978						
Petroleum	\$360,527	\$ 62,186	\$ -	\$30,242	\$ 14	\$392,485
Chemicals	181,700	15,827	-	6,765	(4,394)	186,368
Nuclear	100,998	14,247	559	11,713	4	104,095
Coal	1,633	2,972	2,030	109	1	6,527
Other	13,837	3,253	-	1,572	4,375	19,893
	<u>\$658,695</u>	<u>\$ 98,485</u>	<u>\$2,589</u>	<u>\$50,401</u>	<u>\$ -</u>	<u>\$709,368</u>
Exploration, including dry holes		(10,483)				
Amortization of other assets		877				
		<u>\$ 88,879</u>				
Year Ended December 31, 1979						
Petroleum	\$392,485	\$ 76,204	(\$ 638)	\$28,571	\$ -	\$439,480
Chemicals	186,368	22,611	-	4,976	(1,062)	202,941
Nuclear	104,095	19,562	421	4,925	-	119,153
Coal	6,527	8,273	1,629	95	-	16,334
Other	19,893	3,319	5	1,777	1,062	22,502
	<u>\$709,368</u>	<u>\$129,969</u>	<u>\$1,417</u>	<u>\$40,344</u>	<u>\$ -</u>	<u>\$800,410</u>
Exploration, including dry holes		(15,685)				
Amortization of other assets		2,006				
		<u>\$116,290</u>				
Year Ended December 31, 1980						
Petroleum	\$439,480	\$ 86,393	(\$ 2)	\$ 669	\$ 3	\$525,205
Chemicals	202,941	31,433	-	2,115	-	232,259
Nuclear	119,153	21,942	105	5,598	-	135,602
Coal	16,334	16,953	1,895	414	-	34,768
Other	22,502	3,393	-	4,404	(3)	21,488
	<u>\$800,410</u>	<u>\$160,114</u>	<u>\$1,998</u>	<u>\$13,200</u>	<u>\$ -</u>	<u>\$949,322</u>
Exploration, including dry holes		(14,110)				
Amortization of other assets		9,371				
		<u>\$155,375</u>				

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
RESERVES

Column A Description	Column B Balance at Beginning of Period	Column C Additions		Column D Deduction from Reserves (C)	Column E Balance at Close of Period
		Charged to Profit and Loss or Income	Charged to Other Accounts - Describe (Thousands)		
Year Ended December 31, 1978					
a. Deducted from asset accounts:					
Allowance for loss -					
Notes receivable	\$ 83	\$ -	-	\$ -	\$ 83
Accounts receivable	3,944	741	101 (A)	128	4,658
b. Not deducted from asset accounts:					
Petroleum product pricing	47,284	6,296	-	7,580	46,000
Deferred income taxes	104,499 (1)	55,824	-	-	160,323(1)
Other	6,239	(767)	3,447 (B)	4,684	4,735
Year Ended December 31, 1979					
a. Deducted from asset accounts:					
Allowance for loss -					
Notes receivable	\$ 83	\$ -	-	\$ 55	\$ 28
Accounts receivable	4,658	1,326	222 (A)	1,142	5,064
b. Not deducted from asset accounts:					
Petroleum product pricing	46,000	-	-	26,590	19,410
Deferred income taxes	160,323 (1)	55,026	-	-	215,349(1)
Other	4,235	8,432	6,427 (B)	3,577	18,194
			2,677 (D)		
Year Ended December 31, 1980					
a. Deducted from asset accounts:					
Allowance for loss -					
Notes receivable	\$ 28	\$ -	\$ 150 (E)	\$ 38	\$ 140
Accounts receivable	5,064	1,858	(150)(E) 106 (A)	1,722	5,156
b. Not deducted from asset accounts:					
Petroleum product pricing	19,410	1,735	-	1,778	19,367
Deferred income taxes	215,349 (1)	44,920	-	-	260,269
Other	18,194	10,613	2,101 (A)	5,475	34,173
			4,710 (B)		
			4,930 (D)		

(1) Restated to reflect retroactive accrual of vacation pay for prior years.

(A) Recoveries

(B) Advances for exploration and development and expenses, option fees, deferred compensation, future deliveries under take-or-pay contracts, etc.

(C) Charges for the purposes for which the reserves were created.

(D) Reclassification from current liability

(E) Transfer from allowance for doubtful accounts to allowance for doubtful notes.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

SUPPLEMENTARY INCOME STATEMENT INFORMATION

	Year Ended December 31,		
	1980	1979	1978
	- - - - -	(Thousands)	- - - - -
Charged to costs and expenses -			
Maintenance and repairs	\$155,952	\$131,034	\$ 95,427
Taxes, other than payroll and income taxes	69,835	36,428	26,279

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATIONS OF NET INCOME PER COMMON SHARE

	Year Ended December 31,		
	<u>1980</u>	<u>1979</u>	<u>1978</u>
Weighted average shares outstanding	25,891,062	25,870,973	25,855,925
Number common shares dilution under treasury stock method for conversion of options and warrants outstanding	<u>70,116</u>	<u>8,755</u>	<u>9,211</u>
Total common shares	<u>25,961,178</u>	<u>25,879,728</u>	<u>25,865,136</u>
Net income (thousands)	<u>\$ 182,223</u>	<u>\$ 160,017</u>	<u>\$ 118,196</u>
Net income per common share	<u>\$ 7.02</u>	<u>\$ 6.18</u>	<u>\$ 4.57</u>

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES
COMPUTATIONS OF RATIO OF EARNINGS TO FIXED CHARGES

<u>(Dollars are in millions)</u>	<u>1980</u>	<u>1979</u>	<u>1978</u>
Net income	\$182.2	\$160.0	\$118.2
Add (deduct):			
Provision for income taxes	150.3	124.1	92.7
Interest expense	56.0	57.6	39.7
Rental expense representative of interest factor	4.5	4.2	3.2
Undistributed income of unconsolidated affiliates	(7.4)	(5.1)	(3.5)
Earnings	<u>\$385.6</u>	<u>\$340.8</u>	<u>\$250.3</u>
Fixed charges:			
Interest expense	\$ 56.0	\$ 57.6	\$ 39.7
Net income of unconsolidated finance subsidiary	7.1	4.7	3.5
Rental expense representative of interest factor	4.5	4.2	3.2
Interest capitalized	<u>29.9</u>	<u>-</u>	<u>-</u>
Total Fixed Charges	<u>\$ 97.5</u>	<u>\$ 66.5</u>	<u>\$ 46.4</u>
Ratio of earnings to fixed charges	<u>3.95</u>	<u>5.12</u>	<u>5.39</u>

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

SUBSIDIARIES

<u>Name of Subsidiary</u>	<u>State or Country of Incorporation</u>	<u>Percent Owned</u>
Kerr-McGee Building Corporation	Delaware	100%
Kerr-McGee Chemical Corporation	Delaware	100%
Kerr-McGee Coal Corporation	Delaware	100%
Kerr-McGee Eastern Company	Delaware	100%
Kerr-McGee Nuclear Corporation	Delaware	100%
Kerr-McGee Oil (U. K.) Limited	United Kingdom	100%
Kerr-McGee Refining Corporation	Delaware	100%
Cato Oil and Grease Co.	Oklahoma	100% KMR(1)
Southwestern Refining Company, Inc.	Delaware	100% KMR(1)
Triangle Refineries, Inc.	Delaware	100% KMR(1)
Sunningdale Oils Limited	Canada	100%
Transworld Drilling Company	Delaware	100%
Transworld Drilling Company, Limited	Bahama Islands	100%
Transocean Drilling Company Limited	Bahama Islands	51% TWDL(2)
<u>Unconsolidated Finance Subsidiary</u>		
Kerr-McGee Credit Corporation	Delaware	100%

(1) KMR - Kerr-McGee Refining Corporation

(2) TWDL - Transworld Drilling Company, Limited

A number of additional subsidiaries are omitted since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of December 31, 1980.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KERR-McGEE CORPORATION

March 24, 1981

Date

/s/ D. A. McGee

By: D. A. McGee,
Chairman of the Board of Directors and
Chief Executive Officer

March 24, 1981

Date

/s/ Marvin K. Hambrick

By: Marvin K. Hambrick,
Executive Vice President, Finance,
Chief Financial Officer and Director

March 23, 1981

Date

/s/ John D. Raunborg

By: John D. Raunborg,
Controller and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 24, 1981
Date

/s/ James J. Kelly
James J. Kelly, Director

March 24, 1981
Date

/s/ Edwin L. Kennedy
Edwin L. Kennedy, Director

March 24, 1981
Date

/s/ Breene M. Kerr
Breene M. Kerr, Director

March 24, 1981
Date

/s/ Robert S. Kerr, Jr.
Robert S. Kerr, Jr., Director

March 24, 1981
Date

/s/ Glenn W. McGee
Glenn W. McGee, Director

March 24, 1981
Date

/s/ Neil McKay
Neil McKay, Director

March 24, 1981
Date

/s/ Jere W. McKenny
Jere W. McKenny,
Vice Chairman of the Board and Director

March 24, 1981
Date

/s/ Frank A. McPherson
Frank A. McPherson,
President and Director

March 24, 1981
Date

/s/ William C. Morris
William C. Morris, Director

March 24, 1981
Date

/s/ Bruce C. Murray
Dr. Bruce C. Murray, Director

March 24, 1981
Date

/s/ George B. Parks
George B. Parks,
Executive Vice President and Director