ONEOK INC /NEW/
Form 10-K/A
October 12, 2010
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
Amendment No. 1

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009.
OR
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________.

Commission file number 001-13643

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

Oklahoma (State or other jurisdiction of incorporation or organization)	73-1520922 (I.R.S. Employer Identification No.)
100 West Fifth Street, Tulsa, OK (Address of principal executive offices)	74103 (Zip Code)

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

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

Common stock, par value of $0.01 (Title of each class)	New York Stock Exchange (Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No__.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X.

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 X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Registration S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one) Large accelerated filer X Accelerated filer __ Non-accelerated filer __ Smaller reporting company __

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

Aggregate market value of registrant's common stock held by non-affiliates based on the closing trade price on June 30, 2009, was $3.1 billion.

On February 12, 2010, the Company had 106,140,524 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive proxy statement delivered to shareholders in connection with the Annual Meeting of Shareholders held May 20, 2010, are incorporated by reference in Part III.

Explanatory Note

We filed our Annual Report on Form 10-K for the year ended December 31, 2009, on February 23, 2010. When filed, Exhibits 31.1 and 31.2 to our Annual Report on Form 10-K reflected a clerical error identifying an incorrect periodic report in paragraph 1 of the certifications. The purpose of this Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2009, is to re-file Exhibits 31.1 and 31.2 to reference the proper periodic report in paragraph 1 of the certifications.

The following exhibits are being currently dated and filed with this Amendment No. 1:

23 Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP.

31.1 Certification of John W. Gibson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Curtis L. Dinan pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of John W. Gibson pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).

32.2 Certification of Curtis L. Dinan pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).

Except for the matter described above, this Amendment No. 1 does not otherwise modify or update disclosure in, or exhibits to, our Annual Report on Form 10-K for the year ended December 31, 2009. Further, this Amendment No. 1 does not change any previously reported financial results, nor does it reflect events occurring subsequent to the date of the original filing of our Annual Report on Form 10-K for the year ended December 31, 2009.

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ONEOK, Inc.
2009 ANNUAL REPORT

As used in this Annual Report, references to “we,” “our” or “us” refers to ONEOK, Inc., an Oklahoma corporation, and its predecessors and subsidiaries, unless the context indicates otherwise.

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GLOSSARY

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

AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2009
ASU	Accounting Standards Update
Bbl	Barrels, 1 barrel is equivalent to 42 United States gallons
Bbl/d	Barrels per day
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Black Mesa Pipeline	Black Mesa Pipeline, Inc.
Btu(s)	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit
Bushton Plant	Bushton Gas Processing Plant
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Act, as amended
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDAR	Net income plus interest expense, income taxes, depreciation and amortization and rent expense
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fort Union Gas Gathering	Fort Union Gas Gathering, L.L.C.
GAAP	Accounting principles generally accepted in the United States of America
Guardian Pipeline	Guardian Pipeline, L.L.C.
Heartland	Heartland Pipeline Company
IRS	Internal Revenue Service
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
LDCs	Local distribution companies
LIBOR	London Interbank Offered Rate
MBbl	Thousand barrels
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
Midwestern Gas Transmission	Midwestern Gas Transmission Company
MMBbl	Million barrels
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
Natural Gas Act	Natural Gas Act of 1938, as amended
Natural Gas Policy Act	Natural Gas Policy Act of 1978, as amended
NGL products	Marketable natural gas liquid purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline
NGL(s)	Natural gas liquid(s)

Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OBPI	ONEOK Bushton Processing Inc.
OCC	Oklahoma Corporation Commission
ONEOK	ONEOK, Inc.
ONEOK Credit Agreement	ONEOK's amended and restated $1.2 billion revolving credit agreement dated July 14, 2006
ONEOK Leasing Company	ONEOK Leasing Company, L.L.C.
ONEOK Partners	ONEOK Partners, L.P.

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ONEOK Partners Credit Agreement	ONEOK Partners' $1.0 billion amended and restated revolving credit agreement dated March 30, 2007
ONEOK Partners GP	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the sole general partner of ONEOK Partners
OPIS	Oil Price Information Service
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
RRC	Texas Railroad Commission
S&P	Standard & Poor's Rating Group
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
TransCanada	TransCanada Corporation
XBRL	eXtensible Business Reporting Language

The statements in this Annual Report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "pl "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled" and other v of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that such expectations and assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 1A, Risk Factors, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation and "Forward-Looking Statements," in this Annual Report.

PART I

ITEM 1. BUSINESS

GENERAL

We are a diversified energy company and successor to the company founded in 1906 known as Oklahoma Natural Gas Company. Our common stock is listed on the NYSE under the trading symbol "OKE." We are the sole general partner and, as of December 31, 2009, we owned 45.1 percent of ONEOK Partners, L.P. (NYSE: OKS), one of the largest publicly traded master limited partnerships. As a result of ONEOK Partners' February 2010 public offering of common units, we own a 42.8 percent aggregate equity interest. ONEOK Partners is a leader in the gathering, processing, storage and transportation of natural gas in the United States. In addition, ONEOK Partners owns one of the nation's premier natural gas liquids systems, connecting NGL supply in the Mid-Continent and Rocky Mountain regions with key market centers. We are the largest natural gas distributor in Oklahoma and Kansas and the third largest natural gas distributor in Texas, providing service as a regulated public utility to wholesale and retail customers. Our largest distribution markets are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas. Our energy services operation is engaged in providing premium natural gas marketing services to its customers across the United States.

DESCRIPTION OF BUSINESS

We report operations in the following business segments:

- ONEOK Partners;
- Distribution; and
- Energy Services.

Business Strategy

Our primary business strategy is to deliver consistent growth and sustainable earnings, while focusing on safe, reliable, environmentally responsible and legally compliant operations for our customers, employees, contractors and the public through the following:

- increasing distributable cash flow at our ONEOK Partners segment through a combination of strategic acquisitions and growth projects;
- increasing operating income within our Distribution segment through rate strategies, rate base growth and operating efficiencies, while targeting our allowed return on equity;
- continuing our focus on our key markets in our Energy Services segment;
- executing strategic acquisitions; and
- managing our balance sheet to maintain strong credit ratings at or above current investment-grade levels.

ONEOK Partners - ONEOK Partners' primary business objectives are to generate cash flow sufficient to pay quarterly cash distributions to its unitholders and to increase those distributions over time. ONEOK Partners' ability to maintain and grow its distributions to unitholders depends on, among other things, the growth of its existing businesses and strategic acquisitions. ONEOK Partners plans to continue pursuing internal growth opportunities and strategic acquisitions related to gathering, processing, fractionating, transporting, storing and marketing natural gas and NGLs that will utilize its core capabilities, minimize commodity price risk and provide long-term, sustainable and stable cash flows. ONEOK Partners' strategy focuses on maintaining stable cash flows and earnings through predominantly fee-based income and by managing commodity price and spread risk.

Distribution - Our integrated strategy for our LDCs incorporates a rates and regulatory plan that includes positive relationships with regulators, consistent strategies and synchronized rate case filings. We focus on growth of our customer count and rate base through efficient investment in our system while emphasizing safety and cost control. We provide customer choice programs designed to reduce volumetric sensitivity and create value for our customers.

Energy Services - Our Energy Services segment creates value by providing premium services to our customers in delivering physical and risk management products and services through our network of contracted gas supply and contracted transportation and storage assets. We optimize our storage and transportation capacity through the daily application of market knowledge and effective risk management.

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Outlook

We expect a moderate economic recovery in 2010, with inflationary pressures beginning in 2011. Although recent volatility in the financial markets could limit our access to financial markets on a timely basis or increase our cost of capital in the future, we anticipate improved credit markets during 2010, compared with 2009; however, inflation risks may increase the cost of capital. We anticipate the consolidation of underperforming assets in the industry, particularly those with high commodity price exposure and/or high levels of debt. Additionally, we anticipate an improving commodity price environment during 2010, compared with 2009.

ONEOK Partners - ONEOK Partners intends to pursue continued growth in its natural gas businesses through well connections and contract renegotiations and through new plant construction, expansions and extensions of its existing systems and plants. For its natural gas liquids business, ONEOK Partners will continue to focus on adding new supply connections and expanding existing assets. ONEOK Partners plans to spend approximately $362 million on capital expenditures in 2010, of which approximately $278 million is expected to be for growth projects. ONEOK Partners may also pursue strategic acquisitions related to gathering, processing, fractionating, storing, transporting or marketing natural gas and NGLs.

Distribution - In our Distribution segment, we plan to grow our asset base through efficient capital investment in infrastructure and technology and increase the level of sustainable earnings.

Energy Services - In our Energy Services segment, we will continue our emphasis on generating recurring margins by providing premium products and services to our core LDC and electric utility customers, while maintaining the focus on our contracted level of long-term storage and transportation contracts supporting these premium services. We will use our competitive position of long-term contracted assets to extract incremental value through the daily optimization of those assets. Additionally, we will use our risk management expertise to establish base margins and capture incremental margins related to location and seasonal differences.

SIGNIFICANT DEVELOPMENTS

Capital Projects - ONEOK Partners placed the following projects in-service during 2009:

- Guardian Pipeline’s natural gas pipeline expansion and extension project;
- Williston Basin natural gas processing plant expansion;
- Arbuckle natural gas liquids pipeline;
- D-J Basin lateral natural gas liquids pipeline; and
- Piceance lateral natural gas liquids pipeline.

For further discussion of these projects, see “Capital Projects” beginning on page 38.

ONEOK Partners’ Equity Issuances - In July 2009, ONEOK Partners completed an underwritten public offering of 5,486,690 common units, including the partial exercise by the underwriters of their over-allotment option, at $45.81 per common unit, generating net proceeds of approximately $241.6 million. In conjunction with the offering, ONEOK Partners GP contributed an aggregate of $5.1 million to ONEOK Partners in order to maintain its 2 percent general partner interest. ONEOK Partners used the proceeds from the sale of common units and the general partner contributions to repay borrowings under its existing ONEOK Partners Credit Agreement and for general partnership purposes.

In February 2010, ONEOK Partners completed an underwritten public offering of 5,500,900 common units, including the partial exercise by the underwriters of their over-allotment option, at $60.75 per common unit, generating net proceeds of approximately $322.6 million. In conjunction with the offering, ONEOK Partners GP contributed $6.8

million in order to maintain its 2 percent general partner interest. ONEOK Partners used the proceeds from the sale of common units and the general partner contribution to repay borrowings under the ONEOK Partners Credit Agreement and for general partnership purposes. As a result of these transactions, we hold a 42.8 percent aggregate equity interest in ONEOK Partners.

ONEOK Partners' Debt Issuance - In March 2009, ONEOK Partners completed an underwritten public offering of $500 million aggregate principal amount of 8.625 percent Senior Notes due 2019. ONEOK Partners used the net proceeds of approximately $494.3 million from the offering to repay indebtedness outstanding under the ONEOK Partners Credit Agreement.

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SEGMENT FINANCIAL INFORMATION

Operating Income, Customers and Total Assets - See Note N of the Notes to Consolidated Financial Statements in this Annual Report for operating income by segment and for a discussion of revenues from external customers under “Customers” and disclosure of total assets by segment within the “Operating Segment Information” table.

Intersegment Revenues - The following table sets forth the percentage of sales between operating segments to total revenues, for the periods and segments indicated:

	Years Ended December 31,		
Percentage of Intersegment Revenues to Total Revenue	2009	2008	2007
ONEOK Partners	7%	10%	11%
Distribution	*	*	*
Energy Services	9%	8%	7%

* Represents a value of less than 1 percent.

See Note N of the Notes to Consolidated Financial Statements in this Annual Report for additional information about intersegment revenues.

NARRATIVE DESCRIPTION OF BUSINESS

ONEOK Partners

Ownership - We own approximately 42.4 million common and Class B limited partner units, and the entire 2 percent general partner interest, which, together, represented a 45.1 percent ownership interest in ONEOK Partners as of December 31, 2009. As a result of ONEOK Partners’ February 2010 public offering of common units, we own a 42.8 percent aggregate equity interest in ONEOK Partners. We receive distributions from ONEOK Partners on our common and Class B units and our 2 percent general partner interest. See Note R of the Notes to Consolidated Financial Statements in this Annual Report for discussion of our incentive distribution rights.

Business Strategy - ONEOK Partners’ primary business objectives are to pay quarterly cash distributions to its unitholders and to increase those distributions over time. ONEOK Partners plans to accomplish these objectives while focusing on safe, environmentally responsible and legally compliant operations for its customers, employees, contractors and the public through the following:

- growing fee based earnings;
- developing and executing internally generated growth projects;
- executing strategic acquisitions; and
- managing its balance sheet to maintain its strong credit ratings at or above current investment-grade levels.

Description of Business - Our ONEOK Partners segment is engaged in the gathering and processing of natural gas and gathering, transportation and fractionation of NGLs, primarily in the Mid-Continent and Rocky Mountain regions, which include the Anadarko Basin of Oklahoma, Fort Worth Basin of Texas, Hugoton and Central Kansas Uplift Basins of Kansas; and the Williston Basin of Montana and North Dakota and the Powder River Basin of Wyoming, respectively. These operations include the gathering of natural gas produced from crude oil and natural gas wells. Through gathering systems, natural gas is aggregated and treated or processed for removal of water vapor, solids and other contaminants, and to extract NGLs in order to provide marketable natural gas, commonly referred to as residue gas. When the NGLs are separated from the unprocessed natural gas at the processing plants, the NGLs are generally in the form of a mixed, unfractionated NGL stream. In the Powder River Basin, the natural gas that ONEOK Partners gathers is coal bed methane, or dry gas, that does not require processing or NGL extraction, in order to be marketable; dry gas is gathered, compressed and delivered into a downstream pipeline or marketed for a fee.

Revenue from the gathering and processing business is primarily derived from the following three types of contracts:

- Percent of Proceeds - ONEOK Partners retains a percentage of the NGLs and/or a percentage of the residue gas as payment for gathering, treating, compressing and processing the producer's natural gas. This type of contract represented approximately 50 percent and 62 percent of gathering and processing net margin for 2009 and 2008, respectively.
- Fee - ONEOK Partners is paid a fee for the services it provides based on Btus gathered, treated, compressed and/or processed. This type of contract represented approximately 35 percent and 23 percent of gathering and processing net margin for 2009 and 2008, respectively.

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- Keep-Whole - ONEOK Partners extracts NGLs from unprocessed natural gas and returns to the producer volumes of residue gas containing the same amount of Btus as the unprocessed natural gas that was originally delivered. This type of contract represented approximately 15 percent of gathering and processing net margin for both 2009 and 2008, with approximately 84 percent and 89 percent of that contracted volume, respectively, containing language that effectively converts these contracts into fee contracts when the gross processing spread is negative.

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

Revenue for the natural gas liquids business is primarily derived from the following types of services:

- Exchange services - ONEOK Partners gathers and transports unfractionated NGLs to its fractionators, where they are separated into marketable NGL products and redelivered to a market center for a fee;
- Optimization and marketing - ONEOK Partners uses its asset base, portfolio of contracts and market knowledge to capture location and seasonal price differentials through transactions that optimize the flow of its NGL products between the major market centers in Conway, Kansas, and Mont Belvieu, Texas, as well as markets near Chicago, Illinois;
- Isomerization - ONEOK Partners converts normal butane to the more valuable iso-butane used by the refining industry to increase the octane of motor gasoline;
- Storage services - ONEOK Partners stores NGLs for a fee; and
- Transportation - ONEOK Partners transports NGLs under its FERC-regulated tariffs.

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

ONEOK Partners' revenues from its natural gas pipelines are typically derived from fee services under the following types of contracts:

- Firm service - Customers can reserve a fixed quantity of pipeline or storage capacity for the terms of their contracts. Under this type of contract, the customer pays a fixed fee for a specified quantity regardless of their actual usage and is generally guaranteed access to the capacity they reserve; and
- Interruptible service - Customers with interruptible service transportation and storage agreements may utilize available capacity after firm-service requests are satisfied or on an as available basis. Under the interruptible service contract, the customer is not guaranteed use of our pipelines and storage facilities unless excess capacity is available.

The main factors that affect ONEOK Partners' margins are:

- NGL transportation and fractionation volumes and associated fees;
- natural gas processing, gathering, transportation and storage volumes and associated fees;

- weather impacts on demand and operations;
- the Mid-Continent, Gulf Coast and Rocky Mountain natural gas price, crude oil price and the daily average OPIS price for its products sold;
- the relative value of ethane to natural gas; and
- regional and seasonal natural gas and NGL product price differentials.

Market Conditions and Seasonality - Supply - ONEOK Partners' business is affected by the economy, commodity price volatility and weather. The strength of the economy has a direct relationship on manufacturing and industrial companies' demand for natural gas and NGL products. Volatility in the commodity markets impacts the decisions of ONEOK Partners' customers related to the output from natural gas wells, storage activity for natural gas and natural gas liquids, and demand for the various NGL products. In addition, its natural gas liquids pipelines and fractionation facilities are affected by operational or market-driven changes in the output of the gas processing plants to which they are connected. Natural gas and NGL

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output from gas processing plants may increase or decrease, affecting the quality of natural gas and volume of NGLs transported through the systems, as a result of the gross processing spread, which is the difference between the relative Btu value of the composite price of NGLs and the Btu value of natural gas, primarily ethane and natural gas. In addition, volumes delivered through the system may increase or decrease as a result of the relative NGL price between the Mid-Continent and Gulf Coast regions. Natural gas transportation throughput fluctuates due to rainfall that impacts irrigation demand, warmer temperatures that affect power generation demand and cooler temperatures that affect heating demand.

Natural gas and NGL supply is affected by rig availability, operating capability and producer drilling activity, which is sensitive to commodity prices, exploration success, available capital and regulatory control. Higher crude oil prices in the second half of 2009 and advances in horizontal drilling and completion technology are having a positive impact on drilling activity in the shale areas, providing an offset to the less favorable supply projections in the non-shale areas.

Additionally, significant factors that can impact the supply of Canadian natural gas transported by ONEOK Partners' pipelines are the Canadian natural gas available for export, Canadian storage capacity and demand for Canadian natural gas in other U.S. consumer markets.

Demand - Demand for gathering and processing services is typically aligned with the production of natural gas. ONEOK Partners' plant operations can be adjusted to respond to market conditions, such as demand for ethane. By changing operating parameters at certain plants, ONEOK Partners can reduce, to some extent, the amount of ethane and propane recovered if prices or processing margins are unfavorable.

Demand for natural gas pipeline transportation service and natural gas storage is directly related to demand for natural gas in the markets that the natural gas pipelines and storage facilities serve, and is affected by weather, the economy, and natural gas price volatility. The effect of weather on ONEOK Partners' natural gas pipelines operations is discussed below under "Seasonality." The strength of the economy directly impacts manufacturing and industrial companies that consume natural gas. Commodity price volatility can influence customers' decisions related to the usage of natural gas versus alternative fuels and natural gas storage injection and withdrawal activity.

Demand for NGLs and the ability of natural gas processors to successfully and economically sustain their operations impacts the volume of unfractionated NGLs produced by natural gas processing plants, thereby affecting the demand for natural gas liquids gathering, fractionation and distribution services. Natural gas and propane are subject to weather-related seasonal demand. Other NGL products are affected by economic conditions and the demand associated with the various industries that utilize the commodity, such as butanes and natural gasoline, which are used by the refining industry as blending stocks for motor fuel, denaturant for ethanol and diluents for crude oil. Ethane/propane mix, propane, normal butane and natural gasoline are used by the petrochemical industry to produce chemical products, such as plastic, rubber and synthetic fiber.

Commodity Prices - During 2009 and 2008, both crude oil and natural gas prices were volatile, with NYMEX crude oil settlement prices ranging from $33.87 to $79.09 per Bbl in 2009, compared with $49.62 to $134.62 per Bbl in 2008. NYMEX natural gas settlement prices ranged from $2.84 to $6.14 per MMBtu in 2009, compared with $6.47 to $13.11 per MMBtu in 2008.

Seasonality - Some of ONEOK Partners' products, such as natural gas and propane used for heating, are subject to seasonality, resulting in more demand during the months of November through March. As a result, prices of these products are typically higher during that time period. Demand has also increased for natural gas in the summer periods, as more electric generation is now dependent upon natural gas as a fuel.

Competition - ONEOK Partners' natural gas and natural gas liquids businesses compete directly with other companies for natural gas and NGL supplies, markets and services. Competition for natural gas transportation services continues to increase as the FERC and state regulatory bodies continue to encourage more competition in the natural gas markets. Competition is based primarily on fees for services, quality of services provided, current and forward natural gas and NGL prices and proximity to supply areas and markets. ONEOK Partners believes that its assets enable it to effectively compete.

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ONEOK Partners' natural gas gathering and processing business competes for natural gas supplies with independent exploration and production companies that have gathering and processing assets, pipeline companies and their affiliated marketing companies, national and local natural gas gatherers and processors, and marketers in the Mid-Continent and Rocky Mountain regions. ONEOK Partners' natural gas liquids business competes with other fractionators, storage providers, gatherers and transporters for NGL supplies in the Rocky Mountain, Mid-Continent and Gulf Coast regions. The factors that typically affect ONEOK Partners' ability to compete for natural gas and NGL supplies are:

- fees charged under its contracts;
- pressures maintained on its gathering systems;
- location of its assets relative to those of its competitors;
- location of its assets relative to drilling activity;
- efficiency and reliability of its operations; and
- receipt and delivery capabilities that exist in each system, plant, fractionator and storage location.

ONEOK Partners is responding to these industry conditions by making capital investments to access new supplies, increase gathering, fractionation, storage and transportation capacity, increase storage, withdrawal and injection capabilities, improve natural gas processing efficiency and reduce operating costs, evaluating consolidation opportunities to maximize earnings, selling assets in non-core operating areas and renegotiating unprofitable contracts. The principal goal of the contract renegotiation effort is to eliminate unprofitable contracts and improve margins, primarily during periods when the gross processing spread is negative.

Government Regulation - The FERC has traditionally maintained that a processing plant is not a facility for the transportation or sale for resale of natural gas in interstate commerce and, therefore, is not subject to jurisdiction under the Natural Gas Act. Although the FERC has made no specific declaration as to the jurisdictional status of ONEOK Partners' natural gas processing operations or facilities, ONEOK Partners' natural gas processing plants are primarily involved in removing NGLs and, therefore, ONEOK Partners believes, its natural gas processing plants are exempt from FERC jurisdiction. The Natural Gas Act also exempts natural gas gathering facilities from the jurisdiction of the FERC. ONEOK Partners believes its gathering facilities and operations meet the criteria used by the FERC for non-jurisdictional gathering facility status. However, ONEOK Partners is subject to newly adopted FERC regulations that require it to publicly post certain gas flow information on ONEOK Partners' Web sites. Interstate transmission facilities remain subject to FERC jurisdiction. The FERC has historically distinguished between these two types of facilities, either interstate or intrastate, on a fact-specific basis. ONEOK Partners transports residue gas from its plants to interstate pipelines in accordance with Section 311(a) of the Natural Gas Policy Act.

Oklahoma, Kansas, Wyoming, Montana and North Dakota also have statutes regulating, in various degrees, the gathering of natural gas in those states. In each state, regulation is applied on a case-by-case basis if a complaint is filed against the gatherer with the appropriate state regulatory agency.

ONEOK Partners' interstate natural gas pipelines are regulated under the Natural Gas Act and Natural Gas Policy Act, which give the FERC jurisdiction to regulate virtually all aspects of the pipeline activities. ONEOK Partners' intrastate natural gas transportation assets in Oklahoma, Kansas and Texas are regulated by the OCC, KCC and RRC, respectively. ONEOK Partners has flexibility in establishing natural gas transportation rates with customers. However, there are maximum rates that ONEOK Partners can charge its customers in Oklahoma and Kansas.

ONEOK Partners' proprietary natural gas liquids gathering pipelines, fractionation and storage facilities in Oklahoma, Kansas and Texas are not regulated by the FERC or the states' respective corporation commissions. ONEOK Partners' remaining natural gas liquids gathering and distribution pipelines are interstate pipelines regulated by the FERC. ONEOK Partners transports unfractionated NGLs and NGL products pursuant to filed tariffs.

See further discussion in the "Environmental and Safety Matters" section.

Unconsolidated Affiliates - Our ONEOK Partners segment has the following unconsolidated affiliates:

- 50 percent interest in Northern Border Pipeline, an interstate, FERC-regulated pipeline which transports natural gas from the Montana-Saskatchewan border near Port of Morgan, Montana, to a terminus near North Hayden, Indiana;
- 49 percent ownership interest in Bighorn Gas Gathering, L.L.C., which operates a major coal bed methane gathering system serving a broad production area in northeast Wyoming;
- 37 percent ownership interest in Fort Union Gas Gathering, which gathers coal bed methane gas produced in the Powder River Basin and delivers natural gas into the interstate pipeline grid;

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- 35 percent ownership interest in Lost Creek Gathering Company, L.L.C., which gathers natural gas produced from conventional wells in the Wind River Basin of central Wyoming and delivers natural gas into the interstate pipeline grid;
- 10 percent ownership interest in Venice Energy Services Co., LLC, a gas processing complex near Venice, Louisiana;
- 50 percent ownership interest in Chisholm Pipeline Company, which operates an interstate natural gas liquids pipeline system extending approximately 185 miles from origin points in Oklahoma and Kansas;
- 50 percent ownership interest in the Heartland joint venture, which operates a terminal and pipeline systems that transport refined petroleum products in Kansas, Nebraska and Iowa; and
- 48 percent ownership interest in Sycamore Gas System, which is a gathering system with compression located in south central Oklahoma.

See Note P of the Notes to Consolidated Financial Statements in this Annual Report for additional discussion of unconsolidated affiliates.

Distribution

Business Strategy - Our Distribution segment focuses on increasing the level of sustainable earnings through safe, reliable, environmentally responsible and legally compliant natural gas distribution operations.

The integrated strategy for our LDCs incorporates:

- a rates and regulatory strategy that includes fostering positive relationships with regulators and synchronized rate case filings among our LDCs;
- a focus on the growth of our customer count and rate base through efficient investment in our system, while emphasizing safety and cost control; and
  - providing customer programs designed to reduce volumetric sensitivity and create value for our customers.

Our regulatory strategy incorporates rate features that provide strategies to reduce earnings lag, protect margin and mitigate risks. These strategies include performance-based rate mechanisms in Oklahoma and capital-recovery mechanisms in Kansas and portions of Texas. In Texas, we also have cost-of-service adjustments in certain markets served that address investments in rate base and changes in expense. Margin protection strategies include increased customer fixed charges in all three states, as well as weather normalization mechanisms. Risk mitigation strategies include fuel-related bad-debt recovery mechanisms in Oklahoma, Kansas and portions of Texas.

Description of Business - Our Distribution segment provides natural gas distribution services to more than two million customers in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively, each a division of ONEOK. We serve residential, commercial, industrial and transportation customers in all three states. In addition, our distribution companies in Oklahoma and Kansas serve wholesale customers.

Our operating results are primarily affected by the number of customers, usage and the ability to collect delivery rates that provide a reasonable rate of return on our investment and recovery of our cost of service. Natural gas costs are passed through to our customers based on the actual cost of gas purchased by the respective distribution companies and related expenses. Substantial fluctuations in natural gas sales can occur from year to year without materially or adversely impacting our net margin, since the fluctuations in natural gas costs affect natural gas sales and cost of gas by an equivalent amount. Higher natural gas costs may cause customers to conserve or, in the case of industrial customers, to use alternative energy sources. Higher natural gas costs may also adversely impact our accounts receivable collections, resulting in higher bad-debt expense. Recovery of the fuel-related portion of bad debts is allowed in all three states.

The rate structure for Oklahoma Natural Gas includes two service rate options for residential gas sales customers. Customers with usage greater than 50 dekatherms per month pay a fixed monthly service charge with no volumetric delivery fee, while customers with usage less than 50 dekatherms per month pay a lower monthly service charge coupled with a per dekatherm delivery charge.

Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service distribute natural gas as public utilities to approximately 87 percent, 70 percent and 13 percent of the distribution markets for Oklahoma, Kansas and Texas, respectively. Natural gas sold to residential and commercial customers accounts for approximately 80 and 19 percent of natural gas sales, respectively, in Oklahoma; 76 and 19 percent of natural gas sales, respectively, in Kansas; and 69 and 23 percent of natural gas sales, respectively, in Texas.

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Market Conditions and Seasonality - Supply - Our Distribution segment purchased 169 Bcf and 182 Bcf of natural gas supply in 2009 and 2008, respectively. Our gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. These contracts are awarded through competitive bid processes to ensure reliable and competitively priced gas supply. Our Distribution segment’s natural gas supply is purchased from a combination of direct wellhead production, natural gas processing plants, natural gas marketers and production companies.

We are responsible for acquiring sufficient natural gas supplies, interstate and intrastate pipeline capacity and storage capacity to meet customer requirements. As such, we must contract for both reliable and adequate supplies and delivery capacity to our distribution system, while considering: (i) the dynamics of the interstate and intrastate pipeline and storage capacity market; (ii) our peaking facilities and storage and contractual commitments; and (iii) the demand characteristics of our customer base.

An objective of our supply sourcing strategy is to diversify our supply among multiple production areas and suppliers. This strategy is designed to protect receipt of supply from being curtailed by physical interruption, possible financial difficulties of a single supplier, natural disasters and other unforeseen force majeure events.

We do not anticipate problems with securing natural gas supply to satisfy customer demand. However, if supply shortages occur, each of our LDCs has curtailment tariff provisions in place that provide for: (i) reducing or discontinuing gas service to large industrial users; and (ii) requesting that residential and commercial customers reduce their gas requirements to an amount essential for public health and safety. In addition, during times of critical supply problems, curtailments of deliveries to customers with firm contracts may be made in accordance with guidelines established by appropriate federal, state and local regulatory agencies.

Natural gas supply requirements are affected by changes in the natural gas consumption pattern of our customers that are driven by factors other than weather. Economic conditions impact usage of commercial and industrial customers. Natural gas usage per residential customer may decline as customers change their consumption patterns in response to: (i) more volatile and higher natural gas prices, as discussed above; (ii) customers’ improving the energy efficiency of existing homes by replacing doors and windows and adding insulation, along with retrofitting natural gas appliances with more efficient appliances; (iii) more energy-efficient construction; and (iv) fuel switching. In each jurisdiction in which we operate, changes in customer usage profiles have been reflected in recent rate case proceedings where rates have been adjusted to reflect current customer usage.

In December 2007, Oklahoma Natural Gas was authorized by the OCC to implement a natural gas hedging program as a three-year pilot program, with up to $10 million per year in hedge costs to be recovered from customers. Kansas Gas Service has a natural gas hedging program in place, which was approved as a permanent program by the KCC in 2005 and is subject to annual KCC review. The program is designed to reduce volatility in the natural gas price paid by consumers. The costs of this program are borne by the Kansas Gas Service customers. Texas Gas Service also has a natural gas hedging program for certain of its jurisdictions.

In managing our gas supply portfolios, we partially mitigate gas price volatility using a combination of financial derivatives and the triggering of forward prices on certain gas supply contracts. Our Distribution segment does not utilize financial derivatives for speculative purposes nor does it have trading operations. In addition, we utilized 34.3 Bcf of contracted storage capacity in 2009, which allows gas to be purchased during the off-peak season and stored for use in the winter periods.

Demand - See discussion below under “Seasonality” and “Competition” for factors affecting demand.

Seasonality - Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas is used for heating. Accordingly, the volume of natural gas sales is normally higher during the months of November through March than in other months of the year. The impact on margins resulting from weather that is above or below normal is substantially offset through weather normalization adjustments (WNA), which are now approved by the regulatory authorities for all of our Oklahoma and Kansas service territories. WNA allows us to increase customer billing to offset lower gas usage when weather is warmer than normal and decrease customer billing to offset higher gas usage when weather is colder than normal. In 2009, approximately 94 percent of Texas Gas Service's margins were protected from abnormal weather due to a higher customer charge and/or WNA clauses.

Competition - We can face competition based on customers' preference for natural gas compared with other energy products, and the comparative prices of those products. The most significant product competition occurs between natural gas and electricity in the residential and small commercial markets. We compete for heating, cooking and other general energy needs. Customers and builders typically make the decision on the type of equipment to install at initial installation and use the chosen energy source for the life of the equipment. The markets in our service territories have become increasingly competitive. Changes in the competitive position of natural gas relative to electricity and other energy products have the potential of causing a decline in consumption or in the number of future natural gas customers.

However, recent studies have demonstrated that assessing energy efficiency in terms of full-cycle analysis highlights the high overall efficiency of natural gas as a preferred fuel in residential and commercial uses, compared with electricity. These studies may have a positive impact on the promotion of natural gas for these primary uses as national energy and environmental policies and standards are reshaped.

We believe that we must maintain a competitive advantage in order to retain our customers, and, accordingly, we focus on providing safe, reliable, efficient service and controlling costs. Our Distribution segment is subject to competition from other pipelines for our existing industrial load. Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service compete for service to large industrial and commercial customers, and competition has and may continue to impact margins.

Under our transportation tariffs, qualifying industrial and commercial customers are able to purchase their natural gas commodity from the supplier of their choice and have us transport it for a fee. A portion of transportation services provided is at negotiated rates that are generally below the maximum approved transportation tariff rates. Reduced rate transportation service may be negotiated when a competitive pipeline is in proximity or another viable energy option is available. Increased competition could potentially lower these rates. Texas Gas Service files all negotiated transportation service contracts under a separate, confidential tariff at the RRC.

Government Regulation - Rates charged by our Distribution segment for natural gas services are established by the OCC for Oklahoma Natural Gas and by the KCC for Kansas Gas Service. Texas Gas Service is subject to regulatory oversight by the various municipalities that it serves, which have primary jurisdiction in their respective areas. Rates in unincorporated areas and all appellate matters are subject to regulatory oversight by the RRC. Natural gas purchase costs are included in the Purchased Gas Adjustment (PGA) clause rate that is billed to customers. Our distribution companies do not make a profit on the cost of gas. Other changes in costs must be recovered through periodic rate adjustments approved by the OCC, KCC, RRC and various municipalities in Texas. See page 49 for a detailed description of our various regulatory initiatives.

Oklahoma Natural Gas has settled all known claims arising out of long-term gas supply contracts containing “take-or-pay” provisions that require us to pay for volumes of natural gas contracted for but not taken. The OCC has previously authorized recovery of the accumulated settlement costs over a 20-year period expiring in 2014 of approximately $7.0 million annually, through a combination of a surcharge from customers, revenue from transportation under Section 311(a) of the Natural Gas Policy Act and other intrastate transportation revenues.

See further discussion in the “Environmental and Safety Matters” section.

Energy Services

Business Strategy - Our Energy Services segment utilizes our network of contracted gas supply and contracted transportation and storage assets to provide premium services to our customers. The asset positions afford us the flexibility to develop innovative, customer-specific demand delivery services for those we serve, at a competitive cost. With these services and a focus on customer relationships, we expect to attract new customers and retain existing customers that generate recurring margins.

We follow a strategy of optimizing our storage and cross-regional transportation capacity through the application of market knowledge and effective risk management. We maximize value by actively hedging the risks associated with seasonal and locational price differentials that are inherent to storage and transportation contracts. At the same time, we capitalize on opportunities created by market volatility, weather-related events, supply-demand imbalances and market inefficiencies, which allow us to capture additional margin. Using market information, we manage these asset-based positions and seek to provide incremental margin in our trading portfolio.

Through our wholesale marketing and risk management capabilities, we are a full-service provider in our retail operations. We offer a broad range of products and are expanding our markets. We manage the commodity price and volumetric risk in these operations through a variety of risk management and hedging activities.

It is our intention to minimize the mark-to-market earnings impact that our forward hedges have on current period earnings. When possible, we implement effective hedging strategies using derivative instruments that qualify as hedges for accounting purposes.

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Our Energy Services segment requires working capital to purchase natural gas inventory, to reserve transportation and storage capacity and to meet cash collateral requirements associated with our risk management activities. Our inventory purchases and hedging strategies are implemented with consideration given to ONEOK's overall working capital requirements and liquidity. Restrictions on our access to working capital may impact our inventory purchases and risk management activities, which could impact our results.

Description of Business - Our Energy Services segment's primary focus is to create value for our customers by delivering physical natural gas products and risk management services through our network of contracted transportation and storage capacity and natural gas supply. This contracted storage and transportation capacity connects the major supply and demand centers throughout the United States and into Canada. Our customers are primarily LDCs, electric utilities and industrial end users. Our customers' natural gas needs vary with seasonal changes in weather and are therefore somewhat unpredictable.

To ensure natural gas is available when our customers need it, we offer premium services and products that satisfy our customers' swing and peaking natural gas commodity requirements on a year-round basis. We also provide no-notice service, weather-related protection and other custom solutions based on our customers' specific needs. Our storage and transportation capacity not only enables us to provide these services, but also during periods when customers do need these services, it also provides us opportunities to optimize our contracted assets through the application of market knowledge and risk management skills.

We actively manage the commodity price and volatility risks associated with providing energy risk management services to our customers by executing derivative instruments in accordance with the parameters established in our commodity risk management policy. The derivative instruments consist of over-the-counter transactions such as forward, swap and option contracts, and NYMEX futures and option contracts.

We utilize our experience to optimize the value of our contracted assets, and we use our risk management and marketing capabilities to both manage risk and generate additional margins. We apply a combination of cash flow and fair value hedge accounting when implementing hedging strategies that take advantage of favorable market conditions. See Note D of the Notes to Consolidated Financial Statements in this Annual Report for additional information. Additionally, certain non-trading transactions, which are economic hedges of our accrual transactions, such as our storage and transportation contracts, will not qualify for hedge accounting treatment. These economic hedges receive mark-to-market accounting treatment, as they are derivative contracts and are not designated as part of a hedge relationship. As a result, the underlying risk being hedged receives accrual accounting treatment, while we use mark-to-market accounting treatment for the economic hedges. We cannot predict the earnings fluctuations from mark-to-market accounting, and the impact on earnings could be material.

Our working capital requirements related to our inventory in storage were as high as $684.8 million during 2009 but had decreased to $264.0 million by December 31, 2009. In addition, our use of financial derivatives can result in the need for increased working capital due to margin requirements. During 2009, our margin requirements with counterparties ranged from zero to $107.7 million.

Our Energy Services segment conducts business with our ONEOK Partners and our Distribution segments. These services are provided under agreements with market-based terms. Additionally, business with our Distribution segment is awarded through a competitive bidding process.

Market Conditions and Seasonality - Supply - Our Energy Services segment maintains a gas supply portfolio consisting of various term-length contracted supply in all of the major producing regions, including the Rocky Mountain, Mid-Continent and Gulf Coast. During periods of high natural gas demand, we utilize storage capacity to supplement natural gas supply volumes to meet our peak day demand obligations or market needs.

Demand - Demand under our swing and peaking natural gas requirements contracts in our wholesale operation is usually driven by the extent to which temperatures vary from normal levels. A significant portion of this business is contracted during the winter period of November through March. Our retail business' demand for natural gas is primarily driven by industrial process requirements and the use of residential heating and is significantly impacted by temperature variations.

Seasonality - Due to the seasonality of natural gas consumption, storage withdrawals and demand for our products and services, earnings are normally higher during the winter months than the summer months. Natural gas sales volumes are typically higher in the winter heating months than in the summer months, reflecting increased demand due to greater heating requirements and, typically, higher natural gas prices. During periods of high natural gas demand, we utilize storage capacity to supplement natural gas supply volumes to meet our premium product and service obligations or market needs.

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Competition - Market conditions continue to affect credit and liquidity, as there are fewer counterparties with which we conduct business, compared with last year, when several counterparties exited this business or scaled back their operations. In response to a competitive marketing environment, our strategy is to concentrate our efforts on providing reliable service during peak demand periods and capturing opportunities created by short-term pricing volatility. We can effectively compete in the market by utilizing our contracted storage and transportation assets. We continue to focus on building and strengthening supplier and customer relationships to execute our strategy and increase our market presence.

Government Regulation - Our Energy Services segment purchases natural gas for resale at negotiated rates in interstate commerce. As such, it has automatically been granted by FERC a blanket certificate of public convenience and necessity authorizing such sales. This is a limited certificate that does not subject Energy Services to any other regulation of FERC under its Natural Gas Act jurisdiction. Holders of blanket marketing certificates are subject to certain reporting and document retention requirements, and Energy Services is in compliance with such requirements.

It is unclear how Congress and the current Administration’s efforts to improve market transparency and stabilize the over-the-counter (OTC) derivative markets will impact our ability to access OTC energy derivatives products and markets, which are critical to our business. We currently use the OTC markets to manage business risks including fluctuating currency rates, and commodity prices and for the hedging of inventory and capacity contracts. Most of the current proposals before Congress contain exemptions for these activities that would limit the impact on our operations. Additional matters associated with this action that are not yet defined include the potential for increased capital requirements and a reduction in the overall liquidity of the markets. We anticipate that there will also be an administrative burden of new reporting and record keeping that will be required by one or more of the federal agencies providing market oversight.

Other

Through ONEOK Leasing Company and ONEOK Parking Company, L.L.C., we own a parking garage and an office building (ONEOK Plaza) in downtown Tulsa, Oklahoma, where our headquarters are located. ONEOK Leasing Company leases excess office space to others and operates our headquarters office building. ONEOK Parking Company, L.L.C. owns and operates a parking garage adjacent to our headquarters.

ENVIRONMENTAL AND SAFETY MATTERS

Additional information about our environmental matters is included in Note L of the Notes to Consolidated Financial Statements in this Annual Report.

Pipeline Safety - We are subject to United States Department of Transportation regulations, including integrity management regulations. The Pipeline Safety Improvement Act of 2002 requires pipeline companies to perform integrity assessments on pipeline segments that pass through densely populated areas or near specifically designated high consequence areas. We are in compliance with all material requirements associated with the various pipeline safety regulations. We cannot provide assurance that existing pipeline safety regulations will not be revised or interpreted in a different manner or that new regulations will not be adopted that could result in increased compliance costs or additional operating restrictions.

Air and Water Emissions - The Clean Air Act, the Clean Water Act and analogous state laws impose restrictions and controls regarding the discharge of pollutants into the air and water in the United States. Under the Clean Air Act, a federally enforceable operating permit is required for sources of significant air emissions. We may be required to incur certain capital expenditures for air pollution-control equipment in connection with obtaining or maintaining permits and approvals for sources of air emissions. The Clean Water Act imposes substantial potential liability for the removal of pollutants discharged to waters of the United States and remediation of waters affected by such discharge. We are in compliance with all material requirements associated with the various air and water quality regulations.

The United States Congress is actively considering legislation to reduce greenhouse gas emissions, including carbon dioxide and methane. In addition, other federal, state and regional initiatives to regulate greenhouse gas emissions are under way. We are monitoring federal and state legislation to assess the potential impact on our operations. We estimate our direct greenhouse gas emissions annually as we collect all applicable greenhouse gas emission data for the previous year. Our most recent estimate for ONEOK and ONEOK Partners indicates that our emissions are less than 5 million metric tons of carbon dioxide equivalents on an annual basis. We expect to complete our annual estimate for 2009 during the second quarter of 2010 and will post the information on our Web site when available. We will continue efforts to improve our ability to quantify our direct greenhouse gas emissions and will report such emissions as required by the EPA's Mandatory Greenhouse Gas Reporting rule released in September 2009. The rule requires greenhouse gas emissions reporting for affected facilities on an annual basis, beginning with our 2010 emissions report that will be due in March 2011 and will require us to track the emission equivalents for the gas delivered by us to our distribution customers and emission equivalents for all NGLs

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delivered to customers of ONEOK Partners. At this time, no legislation or other rules have been enacted as to what costs, fees or expenses will be associated with any of these emissions. In addition, the EPA has issued a proposed rule on air-quality standards, "National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines," also known as RICE NESHAP, scheduled to be adopted in early 2013. The proposed rule will require capital expenditures over the next three years for the purchase and installation of new emissions-control equipment. We do not expect these expenditures to have a material impact on our results of operations, financial position or cash flows.

Superfund - The Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA or Superfund, imposes liability, without regard to fault or the legality of the original act, on certain classes of persons who contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of a facility where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at the facility. Under CERCLA, these persons may be liable for the costs of cleaning up the hazardous substances released into the environment, damages to natural resources and the costs of certain health studies.

Chemical Site Security - The United States Department of Homeland Security (Homeland Security) released an interim rule in April 2007 that requires companies to provide reports on sites where certain chemicals, including many hydrocarbon products, are stored. We completed the Homeland Security assessments, and our facilities were subsequently assigned, on a preliminary basis, one of four risk-based tiers ranging from high (Tier 1) to low (Tier 4) risk, or not tiered at all due to low risk. One of our facilities has been given a Tier 4 rating, and four of our facilities have been given a preliminary Tier 4 rating. We are currently waiting for Homeland Security's analysis to determine if any of our other facilities will be tiered and require Site Security Plans and possible physical security enhancements.

Pipeline Security - Homeland Security's Transportation Security Administration, along with the United States Department of Transportation have completed a review and inspection of our "critical facilities" and identified no material security issues.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to minimize the impact of our operations on the environment. These strategies include: (i) developing and maintaining an accurate greenhouse gas emissions inventory, according to new rules issued by the EPA; (ii) improving the efficiency of our various pipelines, natural gas processing facilities and natural gas liquids fractionation facilities; (iii) following developing technologies for emission control; (iv) following developing technologies to capture carbon dioxide to keep it from reaching the atmosphere; and (v) analyzing options for future energy investment.

Currently, certain subsidiaries of ONEOK Partners participate in the Processing and Transmission sectors, and LDCs in our Distribution segment participate in the Distribution sector of the EPA's Natural Gas STAR Program to voluntarily reduce methane emissions. A subsidiary in our ONEOK Partners' segment was honored in 2008 as the "Natural Gas STAR Gathering and Processing Partner of the Year" for its efforts to positively address environmental issues through voluntary implementation of emission-reduction opportunities. In addition, we continue to focus on maintaining low rates of lost-and-unaccounted-for methane gas through expanded implementation of best practices to limit the release of methane during pipeline and facility maintenance and operations. Our most recent calculation of our annual lost-and-unaccounted-for natural gas, for all of our business operations, is less than 1 percent of total throughput. We expect to complete our annual estimate for 2009 during the second quarter of 2010 and will post the information on our Web site when available.

EMPLOYEES

We employed 4,758 people at January 31, 2010, including 681 people employed by Kansas Gas Service, who are subject to collective bargaining contracts. The following table sets forth our contracts with collective bargaining units at January 31, 2010:

Union	Employees	Contract Expires
The United Steelworkers	369	October 27, 2011
International Union of Operating Engineers	11	October 27, 2011
International Brotherhood of Electrical Workers	301	June 30, 2010

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EXECUTIVE OFFICERS

All executive officers are typically elected at the annual meeting of our Board of Directors, and each serves until such person resigns, is removed or is otherwise disqualified to serve, or until such officer's successor is duly elected. Our executive officers listed below include the officers who have been designated by our Board of Directors as our Section 16 executive officers.

Name and Position	Age	Business Experience in Past Five Years	
John W. Gibson	57	2010	President and Chief Executive Officer
President, Chief Executive Officer		2007 to 2009	Chief Executive Officer
and Member of Board of Directors		2006 to present	Member of the Board of Directors
		2010	Chairman, President and Chief Executive Officer, ONEOK Partners, L.P.
		2007 to 2009	Chairman and Chief Executive Officer, ONEOK Partners, L.P.
		2006	President and Chief Operating Officer, ONEOK Partners, L.P.
		2005 to 2006	President, ONEOK Energy Companies
		2000 to 2005	President, Energy
John R. Barker	62	2004 to present	Senior Vice President, General Counsel and Assistant Secretary
Senior Vice President, General Counsel and Assistant Secretary			
Curtis L. Dinan	42	2007 to present	Senior Vice President, Chief Financial Officer and Treasurer
Senior Vice President, Chief Financial Officer and Treasurer		2004 to 2006	Senior Vice President and Chief Accounting Officer
Caron A. Lawhorn	48	2009 to present	Senior Vice President - Corporate Planning and Development
Senior Vice President,		2007 to 2009	Senior Vice President and Chief Accounting Officer
Corporate Planning and Development		2005 to 2006	Senior Vice President, Financial Services and Treasurer
		2004 to 2005	Vice President and Controller
Terry K. Spencer	50	2009 to present	Chief Operating Officer, ONEOK Partners, L.P.
Chief Operating Officer,		2007 to 2009	Executive Vice President - Natural Gas Liquids
ONEOK Partners, L.P.		2006	President - Natural Gas Liquids
		2005	Senior Vice President - Natural Gas Liquids
Robert F. Martinovich	52	2009 to present	Chief Operating Officer
Chief Operating Officer		2007 to 2009	President - Gathering and Processing
		2006 to 2007	Group Vice President, EHS, Operations & Technical Services, DCP Midstream LLC

		2002 to 2006	Senior Vice President, Northern Division (Mid-Continent and Rockies), DCP Midstream LLC
Derek S. Reiners	38	2009 to present	Senior Vice President and Chief Accounting Officer
Senior Vice President and Chief Accounting Officer		2004 to 2009	Partner, Grant Thornton LLP

No family relationships exist between any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

INFORMATION AVAILABLE ON OUR WEB SITE

We make available on our Web site (www.oneok.com) copies of our Annual Reports, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Copies of our Code of Business Conduct, Corporate Governance Guidelines and Director Independence Guidelines are also available on our Web site, and we will provide copies of these documents upon request. Our Web site and any contents thereof are not incorporated by reference into this report.

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

ITEM 1A. RISK FACTORS

Our investors should consider the following risks that could affect us and our business. Although we have tried to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Investors should carefully consider the following discussion of risks and the other information included or incorporated by reference in this Annual Report, including "Forward-Looking Statements," which are included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation.

RISK FACTORS INHERENT IN OUR BUSINESS

Market volatility and capital availability could adversely affect our business.

The capital and credit markets have been experiencing volatility and disruption. During the fourth quarter of 2008 and continuing into 2009, the volatility and disruption reached unprecedented levels. In many cases, the capital markets have exerted downward pressure on equity values and reduced the credit capacity for certain companies. Our ability to grow could be constrained if we do not have regular access to the capital and credit markets. If similar or more severe levels of market disruption and volatility return, our access to capital and credit markets could be disrupted, making growth through acquisitions and development projects difficult or impractical to pursue until such time as markets stabilize.

Our operating results may be materially adversely affected by unfavorable economic and market conditions.

Economic conditions worldwide have from time to time contributed to slowdowns in the oil and gas industry, as well as in the specific segments and markets in which we operate, resulting in reduced demand and increased price competition for our products and services. Our operating results in one or more geographic regions may also be affected by uncertain or changing economic conditions within that region. Volatility in commodity prices may have an impact on many of our customers, which, in turn, could have a negative impact on their ability to meet their obligations to us. If global economic and market conditions (including volatility in commodity markets), or economic conditions in the United States or other key markets, remain uncertain or persist, spread or deteriorate further, we may experience material impacts on our business, financial condition, results of operations, and liquidity.

Uncertainty in the capital markets may increase the cost of debt and equity capital, which may have a material adverse effect on our results of operations and business.

In 2008 and continuing into 2009, economic conditions in the United States experienced a downturn, primarily due to the sub-prime lending crisis, volatile energy prices, inflation concerns, slower economic activity, decreased consumer confidence, reduced corporate profits and capital spending, and increased unemployment. These conditions had an adverse impact on the credit markets. Although some of these conditions have improved in 2009 and 2010, continued uncertainty about market conditions may have an adverse effect on us resulting from, but not limited to, difficulty in obtaining financing necessary to expand facilities or acquire assets, increased financing cost and increasingly restrictive covenants.

Our cash flow depends heavily on the earnings and distributions of ONEOK Partners.

Our partnership interest in ONEOK Partners is one of our largest cash-generating assets. Therefore, our cash flow is heavily dependent upon the ability of ONEOK Partners to make distributions to its partners. A significant decline in ONEOK Partners' earnings and/or cash distributions would have a corresponding negative impact on us. For information on the risk factors inherent in the business of ONEOK Partners, see the section below entitled "Risk Factors Related to ONEOK Partners' Business" and Item 1A. Risk Factors in the ONEOK Partners Annual Report.

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Some of our nonregulated businesses have a higher level of risk than our regulated businesses.

Some of our nonregulated operations, which includes ONEOK Partners' gathering and processing business, most of its natural gas liquids business, and our energy services business, have a higher level of risk than our regulated operations, which include our distribution and ONEOK Partners' natural gas pipelines business and a portion of its natural gas liquids business. We and ONEOK Partners expect to continue investing in natural gas and natural gas liquids projects and other related projects, some or all of which may involve nonregulated businesses or assets. These projects could involve risks associated with operational factors, such as competition and dependence on certain suppliers and customers, and financial, economic and political factors, such as rapid and significant changes in commodity prices, the cost and availability of capital and counterparty risk, including the inability of a counterparty, customer or supplier to fulfill a contractual obligation.

Our LDCs have recorded certain assets that may not be recoverable from our customers.

Accounting principles that govern our LDCs permit certain assets that result from the regulatory process to be recorded on our balance sheet that could not be recorded under GAAP for nonregulated entities. We consider factors such as rate orders from regulators, previous rate orders for substantially similar costs, written approval from the regulators and analysis of recoverability from internal and external legal counsel to determine the probability of future recovery of these assets. If we determine future recovery is no longer probable, we would be required to write off the regulatory assets at that time.

Terrorist attacks aimed at our facilities could adversely affect our business.

Since the September 11, 2001, terrorist attacks, the United States government has issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be future targets of terrorist organizations. These developments may subject our operations to increased risks. Any future terrorist attack that may target our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

Our businesses are subject to market and credit risks.

We are exposed to market and credit risks in all of our operations. To minimize the risk of commodity price fluctuations, we periodically enter into derivative transactions to hedge anticipated purchases and sales of natural gas, NGLs, crude oil, fuel requirements and firm transportation commitments. Interest-rate swaps are also used to manage interest-rate risk. Currency forward contracts are used to mitigate unexpected changes that may occur in anticipated revenue streams of our Canadian natural gas sales and purchases driven by currency rate fluctuations. However, financial derivative instrument contracts do not eliminate the risks. Specifically, such risks include commodity price changes, market supply shortages, interest rate changes and counterparty default. The impact of these variables could result in our inability to fulfill contractual obligations, significantly higher energy or fuel costs relative to corresponding sales contracts, or increased interest expense.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by customers of our Energy Services segment. The customers of our Energy Services segment are predominantly LDCs, industrial customers, natural gas producers and marketers that may experience deterioration of their financial condition as a result of changing market conditions or financial difficulties that could impact their creditworthiness or ability to pay for our services. Although we attempt to obtain adequate security for these risks, if we fail to adequately assess the creditworthiness of existing or future customers, unanticipated deterioration in their creditworthiness and any resulting nonpayment and/or nonperformance could adversely impact results of operations for our Energy Services segment. In addition, if any of our Energy Services segment's customers filed for bankruptcy protection, we may not be able to recover amounts owed, which could materially negatively impact the results of operations for our Energy Services segment.

Increased competition could have a significant adverse financial impact on us.

The natural gas and natural gas liquids industries are expected to remain highly competitive. The demand for natural gas and NGLs is primarily a function of commodity prices, including prices for alternative energy sources, customer usage rates, weather, economic conditions and service costs. Our ability to compete also depends on a number of other factors, including competition from other pipelines for our existing load, the efficiency, quality and reliability of the services we provide, and competition for throughput for our gathering systems, pipelines, processing plants, fractionators and storage facilities.

We cannot predict when we will be subject to changes in legislation or regulation, nor can we predict the impact of these changes on our financial position, results of operations or cash flows. Although we believe our businesses are positioned to compete effectively in the energy market, there are no assurances that this will be true in the future.

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We may not be able to successfully make additional strategic acquisitions or integrate businesses we acquire into our operations.

Our ability to successfully make strategic acquisitions and investments will depend on: (i) the extent to which acquisitions and investment opportunities become available; (ii) our success in bidding for the opportunities that do become available; (iii) regulatory approval, if required, of the acquisitions on favorable terms; and (iv) our access to capital, including our ability to use our equity in acquisitions or investments, and the terms upon which we obtain capital. If we are unable to make strategic investments and acquisitions, we may be unable to grow. If we are unable to successfully integrate new businesses into our operations, we could experience increased costs and losses on our investments.

Acquisitions that appear to be accretive may nevertheless reduce our cash from operations on a per share basis.

Any acquisition involves potential risks that may include, among other things:

- mistaken assumptions about volumes, revenues and costs, including potential synergies;
- an inability to successfully integrate the businesses we acquire;
- decrease in our liquidity as a result of our using a significant portion of our available cash or borrowing capacity to finance the acquisition;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance the acquisition;
- the assumption of unknown liabilities for which we are not indemnified or for which our indemnity is inadequate;
- an inability to hire, train or retain qualified personnel to manage and operate the acquired business and assets;
- limitations on rights to indemnity from the seller;
- mistaken assumptions about the overall costs of equity or debt;
- the diversion of management's and employees' attention from other business concerns;
- unforeseen difficulties operating in new product areas or new geographic areas;
- increased regulatory burdens;
- customer or key employee losses at an acquired business; and
- increased regulatory requirements.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and investors will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of our resources to future acquisitions.

Any reduction in our credit ratings could materially and adversely affect our business, financial condition, liquidity and results of operations.

Our long-term senior unsecured debt has been assigned an investment-grade rating by S&P of "BBB" (Stable) and Moody's of "Baa2" (Stable). However, we cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Specifically, if S&P or Moody's were to downgrade our long-term rating, particularly below investment grade, our borrowing costs would increase, which would adversely affect our financial results, and our potential pool of investors and funding sources could decrease. If S&P or Moody's were to downgrade the long-term ratings of ONEOK Partners below investment grade, ONEOK Partners would, under certain circumstances, be required to offer to repurchase certain of its senior notes. Further, if our short-term ratings were to fall below A-2 (capacity to meet its financial commitment on the obligation is satisfactory) or P-2 (strong ability to repay short-term debt obligations), the current ratings assigned by S&P and Moody's, respectively, it could significantly limit our access to the commercial paper market. Any such downgrade of our long- or short-term ratings could significantly increase our cost of capital and reduce the availability of capital and, thus, have a material adverse effect on our business, financial condition, liquidity and results of operations. Ratings from credit agencies are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating.

A downgrade in our credit ratings below investment grade would negatively affect the operations of our Energy Services segment. If our credit ratings fall below investment grade, ratings triggers and/or adequate assurance clauses in many of our financial and wholesale physical contracts would be in effect. A ratings trigger or adequate assurance clause gives a counterparty the right to suspend or terminate the agreement unless margin thresholds are met. Margin requirements related to the trading activities of our Energy Services segment may also increase as a result of market volatility without regard to our credit rating. The additional increase in capital required to support our Energy Services segment would materially negatively impact our ability to compete, as well as our ability to actively manage the risk associated with existing storage and transportation contracts.

Employees within our marketing and trading operations may violate our risk management policies.

We have developed and implemented a comprehensive set of policies and procedures that involve both our senior management and the Audit Committee of our Board of Directors to assist us in managing risks associated with, among other things, the trading activities of our Energy Services segment. However, if our employees fail to adhere to these mandatory policies and procedures, we may be exposed to greater risk than we had anticipated.

Our indebtedness could impair our financial condition and our ability to fulfill our other obligations.

As of December 31, 2009, we had total indebtedness for borrowed money of approximately $1.9 billion, which excludes the debt of ONEOK Partners. Our indebtedness could have significant consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our notes and our other indebtedness due to the increased debt-service obligations, which could in turn result in an event of default on such other indebtedness or our notes;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general business purposes;
- diminish our ability to withstand a downturn in our business or the economy;
- require us to dedicate a substantial portion of our cash flow from operations to debt-service payments, reducing the availability of cash for working capital, capital expenditures, acquisitions, or general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared with our competitors that have proportionately less debt.

We are not prohibited under the indentures governing our senior notes from incurring additional indebtedness, but our debt agreements do subject us to certain operational limitations summarized in the next paragraph. If we incur significant additional indebtedness, it could worsen the negative consequences mentioned above and could adversely affect our ability to repay our other indebtedness.

Our revolving debt agreements with banks contain provisions that restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, certain of these agreements contain provisions that, among other things, limit our ability to make loans or investments, make material changes to the nature of our business, merge, consolidate or engage in asset sales, grant liens, or make negative pledges. Certain agreements also require us to maintain certain financial ratios, which limit the amount of additional indebtedness we can incur, as described in the "Liquidity and Capital Resources" section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation. These restrictions could result in higher costs of borrowing and impair our ability to generate additional cash. Future financing agreements we may enter into may contain similar or more restrictive covenants.

If we are unable to meet our debt-service obligations, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

We are subject to comprehensive energy regulation by governmental agencies, and the recovery of our costs is dependent on regulatory action.

We are subject to comprehensive regulation by several federal, state and municipal utility regulatory agencies, which significantly influences our operating environment and our ability to recover our costs from utility customers. The utility regulatory authorities in Oklahoma, Kansas and Texas regulate many aspects of our utility operations, including customer service and the rates that we can charge customers. Federal, state and local agencies also have jurisdiction over many of our other activities, including regulation by the FERC of our storage and interstate pipeline assets. The profitability of our regulated operations is dependent on our ability to pass costs related to providing energy and other commodities through to our customers by filing synchronized rate cases. The regulatory environment applicable to our regulated businesses could impair our ability to recover costs historically absorbed by our customers.

We are unable to predict the impact that the future regulatory activities of these agencies will have on our operating results. Changes in regulations or the imposition of additional regulations could have an adverse impact on our business, financial condition and results of operations. Further, the results of our LDCs' operations could be negatively impacted if the cost recovery mechanisms authorized by our rate cases do not function as anticipated.

Additionally, the regulatory authorities of each state in which we operate allow LDC's to obtain weather protection. If the weather protection clause is disallowed, it would affect our business.

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The volatility of natural gas prices may negatively impact LDC customers' perception of natural gas.

Natural gas costs are passed through to the customers of our LDCs based on the actual cost of the natural gas purchased by the particular LDC. Substantial fluctuations in natural gas prices can occur from year to year. Sustained periods of high natural gas prices or of pronounced natural gas price volatility may negatively impact our LDC customers' perception of natural gas, which could lead to customers selecting other energy alternatives, such as electricity, and to difficulties in the rate-making process. Additionally, high natural gas prices may cause customers to conserve more and may also adversely impact our accounts receivable collections, resulting in higher bad-debt expense.

Our business is subject to increased regulatory oversight and potential penalties.

The natural gas industry historically has been heavily regulated; therefore, there is no assurance that a more stringent regulatory approach will not be pursued by the FERC and the United States Congress, especially in light of previous market power abuse by certain companies engaged in interstate commerce. In response to this issue, the United States Congress, in the Energy Policy Act of 2005 (EPACT), developed requirements intended to ensure that the energy market is not impacted by the exercise of market power or manipulative conduct. The FERC then adopted the Market Manipulation Rules to implement the authority granted under EPACT. These rules are intended to prohibit fraud and manipulation and are subject to broad interpretation. EPACT also gave the FERC increased penalty authority for violations of these rules, as well as other FERC rules.

Demand for services of our Distribution and Energy Services segments and for certain of ONEOK Partners' products is highly weather sensitive and seasonal.

The demand for natural gas and for certain of ONEOK Partners' products, such as propane, is weather sensitive and seasonal, with a significant portion of revenues derived from sales to retail markets for heating during the winter months. Weather conditions directly influence the volume of, among other things, natural gas and propane delivered to customers. Deviations in weather from normal levels and the seasonal nature of certain of our segments' business can create large variations in earnings and short-term cash requirements.

Proposed KCC "ring-fencing" regulations may have a significant impact on our natural gas distribution business in Kansas.

The KCC is considering new regulations, commonly known as "ring-fencing," that would require us to operate our Kansas Gas Service division in a separate, financially independent entity. This new entity would not be permitted to rely upon the overall credit of ONEOK to obtain financing for its operations, potentially increasing the cost of its financing. In addition, this new entity may be required to register with the SEC as a reporting entity, repurchase and reissue public debt (including the payment of prepayment premiums), and negotiate separate credit facilities, all at substantial cost. If these additional costs, along with the other costs and expenses associated with the reorganization, are not recoverable from Kansas Gas Service customers, it would lower the earnings of our Distribution segment. Adoption by the KCC of certain of these proposed regulations may require prior authorization from the Kansas legislature.

We are subject to environmental regulations that could be difficult and costly to comply with.

We are subject to multiple environmental laws and regulations affecting many aspects of present and future operations, including air emissions, water quality, wastewater discharges, solid and hazardous wastes and hazardous material and substance management. These laws and regulations generally require us to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties and/or interruptions in our operations that could be material to the results of operations. If a leak or spill of hazardous substance occurs from our lines or facilities in the process of transporting natural gas or NGLs or at any facility that we own, operate or otherwise use, we could be held jointly and severally liable for all resulting liabilities, including investigation and clean-up costs, which could materially affect our results of operations and cash flows. In addition, emission controls required under the federal Clean Air Act and other similar federal and state laws could require unexpected capital expenditures at our facilities. In addition, the EPA has issued a proposed rule on air-quality standards, "National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines," also known as RICE NESHAP, scheduled to be adopted in early 2013. The proposed rule will require capital expenditures over the next three years for the purchase and installation of new emissions-control equipment. We do not expect these expenditures to have a material impact on our results of operations, financial position or cash flows. We cannot assure that existing environmental regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material adverse effect on our business, financial condition and results of operations. For further discussion on this topic, see Note L of the Notes to Consolidated Financial Statements in this Annual Report.

We are subject to risks that could limit our access to capital, thereby increasing our costs and adversely affecting our results of operations.

We have grown rapidly in the last several years as a result of acquisitions. Further acquisitions may require additional capital. If we are not able to access capital at competitive rates, our strategy of enhancing the earnings potential of our existing assets, including through acquisitions of complementary assets or businesses, will be adversely affected. A number of factors could adversely affect our ability to access capital, including: (i) general economic conditions; (ii) capital market conditions; (iii) market prices for natural gas, NGLs and other hydrocarbons; (iv) the overall health of the energy and related industries; (v) our ability to maintain our investment-grade credit ratings; and (vi) our capital structure. Much of our business is capital intensive, and achievement of our long-term growth targets is dependent, at least in part, upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes significantly constrained, our interest costs will likely increase and our financial condition and future results of operations could be significantly harmed.

Energy efficiency and technological advances may affect the demand for natural gas and adversely affect our operating results.

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, may decrease the demand for natural gas by residential customers. More strict conservation measures in the future or technological advances in heating, conservation, energy generation or other devices could adversely affect our operations.

The cost of providing pension and postretirement health care benefits to eligible employees and qualified retirees is subject to changes in pension fund values and changing demographics and may increase.

We have a defined benefit pension plan for certain employees and postretirement welfare plans that provide postretirement medical and life insurance benefits to certain employees who retire with at least five years of service. The cost of providing these benefits to eligible current and former employees is subject to changes in the market value of our pension and postretirement benefit plan assets, changing demographics, including longer life expectancy of plan participants and their beneficiaries and changes in health care costs. For further discussion of our defined benefit pension plan, see Note K of the Notes to Consolidated Financial Statements in this Annual Report.

Any sustained declines in equity markets and reductions in bond yields may have a material adverse effect on the value of our pension and postretirement benefit plan assets. In these circumstances, additional cash contributions to our pension plans may be required.

Our business could be adversely affected by strikes or work stoppages by our unionized employees.

As of January 31, 2010, 681of our 4,758 employees were represented by collective bargaining units under collective bargaining agreements. We are involved periodically in discussions with collective bargaining units representing some of our employees to negotiate or renegotiate labor agreements. We cannot predict the results of these negotiations, including whether any failure to reach new agreements will have a negative effect on our business, financial condition and results of operations or whether we will be able to reach any agreement with the collective bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending on the operations and the length of the work stoppage, have a material adverse effect on our business, financial condition and results of certain operations.

We may face significant costs to comply with the regulation of greenhouse gas emissions.

Greenhouse gas emissions originate primarily from combustion engine exhaust, heater exhaust and fugitive methane gas emissions. Various federal and state legislative proposals have been introduced to regulate the emission of greenhouse gases, particularly carbon dioxide and methane, and the United States Supreme Court has ruled that carbon dioxide is a pollutant subject to regulation by the EPA. In addition, there have been international efforts seeking legally binding reductions in emissions of greenhouse gases.

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We believe it is likely that future governmental legislation and/or regulation may require us either to limit greenhouse gas emissions from our operations or to purchase allowances for such emissions that are actually attributable to our distribution customers or attributable to NGL customers of ONEOK Partners. However, we cannot predict precisely what form these future regulations will take, the stringency of the regulations, or when they will become effective. Several bills have been introduced in the United States Congress that would require carbon dioxide emission reductions. Previously considered proposals have included, among other things, limitations on the amount of greenhouse gases that can be emitted (so called “caps”) together with systems of emissions allowances. This system could require us to reduce emissions, even though the technology is not currently available for efficient reduction, or to purchase allowances for such emissions. Emissions also could be taxed independently of limits.

In addition to activities on the federal level, state and regional initiatives could also lead to the regulation of greenhouse gas emissions sooner and/or independent of federal regulation. These regulations could be more stringent than any federal legislation that is adopted.

Future legislation and/or regulation designed to reduce greenhouse gas emissions could make some of our activities uneconomic to maintain or operate. Further, we may not be able to pass on the higher costs to our customers or recover all costs related to complying with greenhouse gas regulatory requirements. Our future results of operations, cash flows or financial condition could be adversely affected if such costs are not recovered through regulated rates or otherwise passed on to our customers.

We continue to monitor legislative and regulatory developments in this area. Although the regulation of greenhouse gas emissions may have a material impact on our operations and rates, we believe it is premature to attempt to quantify the potential costs of the impacts.

We do not fully hedge against commodity price changes, time differentials or locational differentials. This could result in decreased revenues and increased costs, thereby resulting in lower margins and adversely affecting our results of operations.

Certain of our nonregulated businesses are exposed to market risk and the impact of market price fluctuations of natural gas, NGLs and crude oil. Market risk refers to the risk of loss of cash flows and future earnings arising from adverse changes in commodity prices. Our Energy Services segment’s primary exposures arise from seasonal and locational price differentials and our ability to execute hedges. Our ONEOK Partners segment’s primary exposures arise from commodity prices with respect to processing agreements and the differentials between NGL and natural gas prices and their impact on our natural gas and NGL transportation, fractionation and exchange throughputs; the differentials between the individual NGL products; differentials between NGL prices at different locations and the seasonal differentials impacting the volume of natural gas and NGLs stored. Our ONEOK Partners and Energy Services segments are also exposed to the risk of changing prices or the cost of transportation resulting from purchasing natural gas or NGLs at one location and selling it at another (referred to as basis risk). To minimize the risk from market price fluctuations of natural gas, NGLs and crude oil, we use physical forward transactions and commodity derivative instruments such as futures contracts, swaps and options to manage market risk of existing or anticipated purchases and sales of natural gas, NGLs and crude oil. We adhere to policies and procedures that monitor our exposure to market risk from open positions. However, we do not fully hedge against commodity price changes, and therefore, we retain some exposure to market risk. Accordingly, any adverse changes to commodity prices could result in decreased revenue and/or increased costs.

Our Distribution segment uses storage to minimize the volatility of natural gas costs for our customers by storing natural gas in periods of low demand for consumption in peak demand periods. In addition, various natural gas supply contracts allow us the option to convert index-based purchases to fixed prices. Also, we use derivative instruments to hedge the cost of anticipated natural gas purchases during the winter heating months to protect customers from upward volatility in the market price of natural gas.

Federal, state and local jurisdictions may challenge our tax return positions.

The positions taken in our federal and state tax return filings require significant judgments, use of estimates and the interpretation and application of complex tax laws. Significant judgment is also required in assessing the timing and amounts of deductible and taxable items. Despite management’s belief that our tax return positions are fully supportable, certain positions may be successfully challenged by federal, state and local jurisdictions.

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Although we control ONEOK Partners, we may have conflicts of interest with ONEOK Partners which could subject us to claims that we have breached our fiduciary duty to ONEOK Partners and its unitholders.

We are the sole general partner and owned 45.1 percent of ONEOK Partners as of December 31, 2009. Conflicts of interest may arise between us and ONEOK Partners and its unitholders. In resolving these conflicts, we may favor our own interests and the interests of our affiliates over the interests of ONEOK Partners and its unitholders as long as the resolution does not conflict with the ONEOK Partners' partnership agreement or our fiduciary duties to ONEOK Partners and its unitholders.

We are subject to physical and financial risks associated with climate change.

There is a growing belief that emissions of greenhouse gases may be linked to global climate change. Climate change creates physical and financial risk. Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes may require us to invest in more pipeline and other infrastructure to serve increased demand. A decrease in energy use due to weather changes may affect our financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Weather conditions outside of our operating territory could also have an impact on our revenues. Severe weather impacts our operating territories primarily through hurricanes, thunderstorms, tornadoes and snow or ice storms. To the extent the frequency of extreme weather events increases, this could increase our cost of providing service. We may not be able to pass on the higher costs to our customers or recover all the costs related to mitigating these physical risks. To the extent financial markets view climate change and emissions of greenhouse gases as a financial risk, this could negatively affect our ability to access capital markets or cause us to receive less favorable terms and conditions in future financings. Our business could be affected by the potential for lawsuits against greenhouse gas emitters, based on links drawn between greenhouse gas emissions and climate change.

RISK FACTORS RELATED TO ONEOK PARTNERS' BUSINESS

The volatility of natural gas, crude oil and NGL prices could adversely affect ONEOK Partners' cash flow.

A significant portion of ONEOK Partners' revenues are derived from the sale of commodities that are received as payment for gathering and processing services, for the transportation and storage of natural gas, and for the sale of purity NGL products in ONEOK Partners' natural gas liquids business. Commodity prices have been volatile and are likely to continue to be so in the future. The prices ONEOK Partners receives for its commodities are subject to wide fluctuations in response to a variety of factors beyond ONEOK Partners' control, including the following:

- overall domestic and global economic conditions;
- relatively minor changes in the supply of, and demand for, domestic and foreign energy;
- market uncertainty;
- the availability and cost of transportation capacity;
- the level of consumer product demand;
- geopolitical conditions impacting supply and demand for natural gas and crude oil;
- weather conditions;
- domestic and foreign governmental regulations and taxes;
- the price and availability of alternative fuels;
- speculation in the commodity futures markets;
- overall domestic and global economic conditions;
- the price of natural gas, crude oil, NGL and liquefied natural gas imports; and

- the effect of worldwide energy conservation measures.

These external factors and the volatile nature of the energy markets make it difficult to reliably estimate future prices of commodities and the impact commodity price fluctuations have on our customers and their need for our services. As commodity prices decline, ONEOK Partners is paid less for its commodities, thereby reducing its cash flow. In addition, production could also decline.

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ONEOK Partners' use of financial instruments to hedge market risk may result in reduced income.

ONEOK Partners utilizes financial instruments to mitigate its exposure to interest rate and commodity price fluctuations. Hedging instruments that are used to reduce its exposure to interest rate fluctuations could expose it to risk of financial loss where it has contracted for variable-rate swap instruments to hedge fixed-rate instruments and the variable rate exceeds the fixed rate. In addition, these hedging arrangements may limit the benefit ONEOK Partners would otherwise receive if it has contracted for fixed-rate swap agreements to hedge variable-rate instruments and the variable rate falls below the fixed rate. Hedging arrangements that are used to reduce ONEOK Partners' exposure to commodity price fluctuations may limit the benefit ONEOK Partners would otherwise receive if market prices for natural gas, crude oil and NGLs exceed the stated price in the hedge instrument for these commodities.

ONEOK Partners' inability to develop and execute growth projects and acquire new assets could result in reduced cash distributions to its unitholders and to ONEOK.

ONEOK Partners' primary business objectives are to generate cash flow sufficient to pay quarterly cash distributions to unitholders and to increase quarterly cash distributions over time. ONEOK Partners' ability to maintain and grow its distributions to unitholders, including ONEOK, depends on the growth of its existing businesses and strategic acquisitions. Accordingly, if ONEOK Partners is unable to implement business development opportunities and finance such activities on economically acceptable terms, its future growth will be limited, which could adversely impact its and our results of operations and cash flows.

Growing ONEOK Partners' business by constructing new pipelines and plants or making modifications to its existing facilities subjects ONEOK Partners to construction risks and risks that adequate natural gas or NGL supplies will not be available upon completion of the facilities.

One of the ways ONEOK Partners intends to grow its business is through the construction of new pipelines and new gathering, processing, storage and fractionation facilities and through modifications to ONEOK Partners' existing pipelines and existing gathering, processing, storage and fractionation facilities. The construction and modification of pipelines and gathering, processing, storage and fractionation facilities may require significant capital expenditures, which may exceed ONEOK Partners' estimates, and involves numerous regulatory, environmental, political and legal uncertainties. Construction projects in ONEOK Partners' industry may increase demand for labor, materials and rights of way, which, may, in turn, impact ONEOK Partners' costs and schedule. If ONEOK Partners undertakes these projects, it may not be able to complete them on schedule or at the budgeted cost. Additionally, ONEOK Partners' revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if ONEOK Partners builds a new pipeline, the construction will occur over an extended period of time, and ONEOK Partners will not receive any material increases in revenues until after completion of the project. ONEOK Partners may have only limited natural gas or NGL supplies committed to these facilities prior to their construction. Additionally, ONEOK Partners may construct facilities to capture anticipated future growth in production in a region in which anticipated production growth does not materialize. ONEOK Partners may also rely on estimates of proved reserves in ONEOK Partners' decision to construct new pipelines and facilities, which may prove to be inaccurate because there are numerous uncertainties inherent in estimating quantities of proved reserves. As a result, new facilities may not be able to attract enough natural gas or NGLs to achieve ONEOK Partners' expected investment return, which could materially adversely affect ONEOK Partners' results of operations and financial condition.

ONEOK Partners does not own all of the land on which its pipelines and facilities are located, and it leases certain facilities and equipment, which could disrupt its operations.

ONEOK Partners does not own all of the land on which certain of its pipelines and facilities are located, and is, therefore, subject to the risk of increased costs to maintain necessary land use. ONEOK Partners obtains the rights to construct and operate certain of its pipelines and related facilities on land owned by third parties and governmental agencies for a specific period of time. ONEOK Partners' loss of these rights, through its inability to renew right-of-way contracts on acceptable terms or increased costs to renew such rights, could have a material adverse effect on our financial condition, results of operations and cash flows.

Additionally, certain gas processing or other facilities (or parts thereof) used by ONEOK Partners are leased from third parties for specific periods. ONEOK Partners' inability to renew equipment leases or otherwise maintain the right to utilize such facilities and equipment on acceptable terms, or the increased costs to maintain such rights, could have a material adverse effect on our results of operations and cash flows.

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ONEOK Partners' operations are subject to operational hazards and unforeseen interruptions, which could materially adversely affect its business and for which ONEOK Partners may not be adequately insured.

ONEOK Partners' operations are subject to all of the risks and hazards typically associated with the operation of natural gas and natural gas liquids gathering and transportation pipelines, storage facilities and processing and fractionation plants. Operating risks include, but are not limited to, leaks, pipeline ruptures, the breakdown or failure of equipment or processes, and the performance of pipeline facilities below expected levels of capacity and efficiency. Other operational hazards and unforeseen interruptions include adverse weather conditions, accidents, the collision of equipment with ONEOK Partners' pipeline facilities (for example, this may occur if a third party were to perform excavation or construction work near ONEOK Partners' facilities) and catastrophic events such as explosions, fires, hurricanes, earthquakes, floods or other similar events beyond ONEOK Partners' control. It is also possible that ONEOK Partners' infrastructure facilities could be direct targets or indirect casualties of an act of terrorism. A casualty occurrence might result in injury or loss of life, extensive property damage or environmental damage. Liabilities incurred and interruptions to the operation of ONEOK Partners' pipeline caused by such an event could reduce revenues generated by ONEOK Partners and increase expenses, thereby impairing ONEOK Partners' ability to meet its obligations. Insurance proceeds may not be adequate to cover all liabilities or expenses incurred or revenues lost, and ONEOK Partners is not fully insured against all risks inherent to ONEOK Partners' business.

As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Consequently, ONEOK Partners may not be able to renew existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. If ONEOK Partners was to incur a significant liability for which ONEOK Partners was not fully insured, it could have a material adverse effect on ONEOK Partners' financial position and results of operations. Further, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur.

A shortage of skilled labor may make it difficult for ONEOK Partners to maintain labor productivity and competitive costs, which could affect operations and cash flows available for distribution.

ONEOK Partners' operations require skilled and experienced laborers with proficiency in multiple tasks. In recent years, a shortage of workers trained in various skills associated with the midstream energy business has caused ONEOK Partners to conduct certain operations without full staff, thus hiring outside resources, which decreases its productivity and increases its costs. This shortage of trained workers is the result of experienced workers reaching retirement age, combined with the difficulty of attracting new laborers to the midstream energy industry. This shortage of skilled labor could continue over an extended period. If the shortage of experienced labor continues or worsens, it could have an adverse impact on ONEOK Partners' labor productivity and costs and ONEOK Partners' ability to expand production in the event there is an increase in the demand for ONEOK Partners' products and services, which could adversely affect its operations and cash flows available for distribution to unitholders.

If the level of drilling and production in the Mid-Continent, Rocky Mountain, Texas and Gulf Coast regions substantially declines near its assets, ONEOK Partners' volumes and revenue could decline.

ONEOK Partners' ability to maintain or expand its businesses depends largely on the level of drilling and production by third parties in the Mid-Continent, Rocky Mountain, Texas and Gulf Coast regions. Drilling and production are impacted by factors beyond ONEOK Partners' control, including:

- demand and prices for natural gas, NGLs and crude oil;
- producers' finding and developing costs of reserves;
- producers' desire and ability to obtain necessary permits in a timely and economic manner;
- natural gas field characteristics and production performance;

- surface access and infrastructure issues; and
- capacity constraints on natural gas, crude oil and natural gas liquids pipelines from the producing areas and ONEOK Partners' facilities.

In addition, drilling and production may be impacted by environmental regulations governing water discharge. If the level of drilling and production in any of these regions substantially declines, ONEOK Partners' volumes and revenue could be materially reduced.

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If production from the Western Canada Sedimentary Basin remains flat or declines and demand for natural gas from the Western Canada Sedimentary Basin is greater in market areas other than the Midwestern United States, demand for ONEOK Partners' interstate gas transportation services could significantly decrease.

ONEOK Partners depends on natural gas supply from the Western Canada Sedimentary Basin for some of ONEOK Partners' interstate pipelines, primarily ONEOK Partners' investment in Northern Border Pipeline, that transport Canadian natural gas from the Western Canada Sedimentary Basin to the Midwestern U.S. market area. If demand for natural gas increases in Canada or other markets not served by ONEOK Partners' interstate pipelines and/or production remains flat or declines, demand for transportation service on ONEOK Partners' interstate natural gas pipelines could decrease significantly, which could adversely impact ONEOK Partners' results of operations and cash flows available for distributions.

Pipeline integrity programs and repairs may impose significant costs and liabilities.

Pursuant to a United States Department of Transportation rule, pipeline operators were required to develop integrity management programs for intrastate and interstate natural gas and natural gas liquids pipelines located near high consequence areas, where a leak or rupture could do the most harm. The rule also requires operators to perform ongoing assessments of pipeline integrity; identify and characterize applicable threats to pipeline segments that could impact a high consequence area; improve data collection, integration and analysis; repair and remediate the pipeline as necessary; and implement preventive and mitigating actions. The results of these testing programs could cause ONEOK Partners to incur significant capital and operating expenditures to make repairs or take remediation, preventive or mitigating actions that are determined to be necessary.

ONEOK Partners' regulated pipelines' transportation rates are subject to review and possible adjustment by federal and state regulators.

ONEOK Partners' regulated pipelines are subject to extensive regulation by the FERC and state regulatory agencies, which regulate most aspects of ONEOK Partners' pipeline business, including ONEOK Partners' transportation rates. Under the Natural Gas Act, which is applicable to interstate natural gas pipelines, and the Interstate Commerce Act, which is applicable to crude oil and natural gas liquids pipelines, interstate transportation rates must be just and reasonable and not unduly discriminatory.

Action by the FERC or a state regulatory agency could adversely affect ONEOK Partners' pipeline business' ability to establish or charge rates that would cover future increases in their costs, or even to continue to collect rates that cover current costs, including a reasonable return. ONEOK Partners cannot assure unitholders that its pipeline systems will be able to recover all of its costs through existing or future rates.

ONEOK Partners' regulated pipeline companies have recorded certain assets that may not be recoverable from its customers.

Accounting policies for FERC-regulated companies permit certain assets that result from the regulated ratemaking process to be recorded on ONEOK Partners balance sheet that could not be recorded under GAAP for nonregulated entities. ONEOK Partners considers factors such as regulatory changes and the impact of competition to determine the probability of future recovery of these assets. If ONEOK Partners determines future recovery is no longer probable, ONEOK Partners would be required to write off the regulatory assets at that time.

ONEOK Partners' operations are subject to federal and state laws and regulations relating to the protection of the environment, which may expose it to significant costs and liabilities.

The risk of incurring substantial environmental costs and liabilities is inherent in ONEOK Partners' business. ONEOK Partners' operations are subject to extensive federal, state and local laws and regulations governing the discharge of materials into, or otherwise relating to the protection of, the environment. Examples of these laws include:

- the Clean Air Act and analogous state laws that impose obligations related to air emissions;
- the Clean Water Act and analogous state laws that regulate discharge of waste water from ONEOK Partners' facilities to state and federal waters;
- the federal CERCLA and analogous state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by ONEOK Partners or locations to which ONEOK Partners has sent waste for disposal;
- the federal Resource Conservation and Recovery Act and analogous state laws that impose requirements for the handling and discharge of solid and hazardous waste from ONEOK Partners' facilities; and
- the EPA has issued a proposed rule on air quality standards, known as RICE NESHAP, scheduled to be adopted in early 2013.

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Various governmental authorities, including the EPA, have the power to enforce compliance with these laws and regulations and the permits issued under them. Violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Joint and several, strict liability may be incurred without regard to fault under the CERCLA, Resource Conservation and Recovery Act and analogous state laws for the remediation of contaminated areas.

There is an inherent risk of incurring environmental costs and liabilities in ONEOK Partners' business due to its handling of the products it gathers, transports, processes and stores, air emissions related to its operations, historical industry operations and waste disposal practices, some of which may be material. Private parties, including the owners of properties through which ONEOK Partners' pipeline systems pass, may have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage arising from ONEOK Partners' operations. Some sites ONEOK Partners operates are located near current or former third-party hydrocarbon storage and processing operations, and there is a risk that contamination has migrated from those sites to ONEOK Partners' sites. In addition, increasingly strict laws, regulations and enforcement policies could significantly increase ONEOK Partners' compliance costs and the cost of any remediation that may become necessary, some of which may be material. Additional information is included under Item 1, Business under "Environmental and Safety Matters" and in Note L of the Notes to Consolidated Financial Statements in this Annual Report.

ONEOK Partners' insurance may not cover all environmental risks and costs or may not provide sufficient coverage in the event an environmental claim is made against ONEOK Partners. ONEOK Partners' business may be materially adversely affected by increased costs due to stricter pollution-control requirements or liabilities resulting from non-compliance with required operating or other regulatory permits. New environmental regulations might also materially adversely affect ONEOK Partners' products and activities, and federal and state agencies could impose additional safety requirements, all of which could materially affect ONEOK Partners' profitability.

In the competition for customers, ONEOK Partners may have significant levels of uncontracted or discounted transportation and storage capacity on its natural gas and natural gas liquids pipelines, processing, fractionation and storage assets.

ONEOK Partners' natural gas and natural gas liquids pipelines, processing, fractionation and storage assets compete with other pipelines, processing, fractionation and storage facilities for natural gas and NGL supplies delivered to the markets it serves. As a result of competition, at any given time ONEOK Partners may have significant levels of uncontracted or discounted capacity on its pipelines, processing, fractionation and in its storage assets, which could have a material adverse impact on ONEOK Partners' results of operations.

ONEOK Partners is exposed to the credit risk of its customers or counterparties, and its credit risk management may not be adequate to protect against such risk.

ONEOK Partners is subject to the risk of loss resulting from nonpayment and/or nonperformance by ONEOK Partners' customers or counterparties. ONEOK Partners' customers or counterparties may experience rapid deterioration of their financial condition as a result of changing market conditions or financial difficulties that could impact their creditworthiness or ability to pay ONEOK Partners for its services. ONEOK Partners assesses the creditworthiness of its customers or counterparties and obtains collateral as it deems appropriate. If ONEOK Partners fails to adequately assess the creditworthiness of existing or future customers or counterparties, unanticipated deterioration in their creditworthiness and any resulting nonpayment and/or nonperformance could adversely impact ONEOK Partners' results of operations. In addition, if any of ONEOK Partners' customers or counterparties files for bankruptcy protection, this could have a material negative impact on ONEOK Partners' results of operations.

Any reduction in ONEOK Partners' credit ratings could materially and adversely affect its business, financial condition, liquidity and results of operations.

ONEOK Partners' senior unsecured long-term debt has been assigned an investment-grade rating by Moody's of "Baa2" (Stable) and by S&P of "BBB" (Stable). However, we cannot provide assurance that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Specifically, if Moody's or S&P were to downgrade ONEOK Partners' long-term debt rating, particularly below investment grade, its borrowing costs would increase, which would adversely affect its financial results, and its potential pool of investors and funding sources could decrease. Ratings from credit agencies are not recommendations to buy, sell or hold ONEOK Partners' securities. Each rating should be evaluated independently of any other rating.

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A downgrade of ONEOK Partners' credit rating may require ONEOK Partners to offer to repurchase certain of its senior notes or may impair its ability to access capital.

ONEOK Partners could be required to offer to repurchase certain of its senior notes due 2010 and 2011 at par value, plus any accrued and unpaid interest, if Moody's or S&P rates those senior notes below investment grade (Baa3 for Moody's and BBB- for S&P) and the investment-grade rating is not reinstated within a period of 40 days; however, once the $250 million 2010 senior notes have been retired, whether by maturity, redemption or otherwise, ONEOK Partners will no longer have any obligation to offer to repurchase the $225 million 2011 senior notes in the event its credit rating falls below investment grade. Further, the indenture governing ONEOK Partners' senior notes due 2010 and 2011 include an event of default upon acceleration of other indebtedness of $25 million or more, and the indentures governing ONEOK Partners' senior notes due 2012, 2016, 2019, 2036 and 2037 include an event of default upon the acceleration of other indebtedness of $100 million or more that would be triggered by such an offer to repurchase. Such an event of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding senior notes due 2010, 2011, 2012, 2016, 2019, 2036 and 2037 to declare those notes immediately due and payable in full. ONEOK Partners may not have sufficient cash on hand to repurchase and repay any accelerated senior notes, which may cause ONEOK Partners to borrow money under its credit facilities or seek alternative financing sources to finance the repurchases and repayment. ONEOK Partners could also face difficulties accessing capital or its borrowing costs could increase, impacting its ability to obtain financing for acquisitions or capital expenditures, to refinance indebtedness and to fulfill its debt obligations.

ONEOK Partners has adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of its limited partner units.

When ONEOK Partners issues additional units or engages in certain other transactions, ONEOK Partners determines the fair market value of its assets and allocates any unrealized gain or loss attributable to its assets to the capital accounts of its unitholders and its general partner. ONEOK Partners' methodology may be viewed as understating the value of its assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under ONEOK Partners' current valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to ONEOK Partners' tangible assets and a lesser portion allocated to ONEOK Partners' intangible assets. The IRS may challenge ONEOK Partners' valuation methods or ONEOK Partners' allocation of the Section 743(b) adjustment attributable to ONEOK Partners' tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of ONEOK Partners' unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to ONEOK Partners' unitholders. It also could affect the amount of gain from ONEOK Partners unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to ONEOK Partners unitholders' tax returns without the benefit of additional deductions.

ONEOK Partners' treatment of a purchaser of common units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of the common units.

Because ONEOK Partners cannot match transferors and transferees of common units, ONEOK Partners is required to maintain the uniformity of the economic and tax characteristics of these units in the hands of the purchasers and sellers of these units. ONEOK Partners does so by adopting certain depreciation conventions that do not conform to all aspects of the United States Treasury regulations. An IRS challenge to these conventions could adversely affect the tax benefits to a unitholder of ownership of the common units and could have a negative impact on their value or result in audit adjustments to ONEOK Partners unitholders' tax returns.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 2. PROPERTIES

DESCRIPTION OF PROPERTIES

ONEOK Partners

Property - Our ONEOK Partners segment owns the following assets:
- approximately 10,200 miles and 4,800 miles of natural gas gathering pipelines in the Mid-Continent and Rocky Mountain regions, respectively;
- nine active natural gas processing plants with approximately 645 MMcf/d of processing capacity in the Mid-Continent region, and four active natural gas processing plants, with approximately 124 MMcf/d of processing capacity in the Rocky Mountain region;
- approximately 24 MBbl/d of natural gas liquids fractionation capacity at various natural gas processing plants in the Mid-Continent and Rocky Mountain regions;
- approximately 1,500 miles of FERC-regulated interstate natural gas pipelines with approximately 3.1 Bcf/d of peak transportation capacity;
- approximately 5,600 miles of intrastate natural gas gathering and state-regulated intrastate transmission pipelines with peak transportation capacity of approximately 3.4 Bcf/d;
- approximately 51.6 Bcf of total active working natural gas storage capacity;
- approximately 2,400 miles of natural gas liquids gathering pipelines with peak capacity of approximately 502 MBbl/d;
- approximately 160 miles of natural gas liquids distribution pipelines with peak transportation capacity of approximately 66 MBbl/d;
- two natural gas liquids fractionators with operating capacity of approximately 260 MBbl/d;
- 150 MBbl/d of fractionation capacity, including leased capacity;
- 80 percent ownership interest in one natural gas liquids fractionator with ONEOK Partners' proportional share of operating capacity of approximately 128 MBbl/d;
- interest in one natural gas liquids fractionator with ONEOK Partners' proportional share of operating capacity of approximately 11 MBbl/d;
- one isomerization unit with operating capacity of 9 MBbl/d;
- six NGL storage facilities and four other leased facilities in Oklahoma, Kansas and Texas, with approximately 23.2 MMBbl of total operating underground NGL storage capacity;
- approximately 1,800 miles of FERC-regulated natural gas liquids gathering pipelines with peak capacity of approximately 298 MBbl/d;
- approximately 3,500 miles of FERC-regulated natural gas liquids and refined petroleum products distribution pipelines with peak transportation capacity of 691 MBbl/d;
- eight NGL product terminals in Missouri, Nebraska, Iowa and Illinois; and
- above- and below-ground storage facilities associated with its FERC-regulated natural gas liquids pipeline operations in Iowa, Illinois, Nebraska and Kansas with 978 MBbl operating capacity.

ONEOK Partners' natural gas pipelines business owns five underground natural gas storage facilities in Oklahoma, three underground natural gas storage facilities in Kansas and three underground natural gas storage facilities in Texas. One of its natural gas storage facilities in Kansas has been idle since 2001, following natural gas explosions and eruptions of natural gas geysers. ONEOK Partners began injecting brine into the idled facility in the first quarter of 2007 in order to ensure the long-term integrity of the idled facility. ONEOK Partners expects to complete the injection process by the end of 2011. Monitoring of the facility and review of the data for the geoengineering studies are ongoing, in compliance with a KDHE order while ONEOK Partners evaluates the alternatives for the facility. Following the testing of the gathered data, ONEOK Partners expects that the facility will be returned to storage service, although most likely for a product other than natural gas. The return to service will require KDHE approval.

It is possible, however, that testing could reveal that it is not safe to return the facility to service or that the KDHE will not grant the required permits to resume service.

Utilization - The utilization rates for ONEOK Partners' various assets for 2009 and 2008, respectively, were as follows:

- natural gas processing plants were approximately 68 percent and 71 percent utilized, respectively;
- natural gas pipelines were approximately 86 percent and 83 percent subscribed, and storage facilities were fully subscribed;
- non-FERC-regulated natural gas liquids pipelines were approximately 51 percent and 73 percent subscribed;
- average contracted natural gas storage volumes were approximately 58 percent and 74 percent of storage capacity;
- natural gas liquids fractionators were approximately 88 percent and 87 percent utilized;

- FERC-regulated natural gas liquids gathering pipelines were approximately 58 percent and 55 percent utilized; and
- FERC-regulated natural gas liquids distribution pipelines were approximately 62 percent and 49 percent utilized.

ONEOK Partners calculates utilization on its assets using a weighted-average approach, adjusting for the in-service dates of assets placed in service during 2009 and 2008. The utilization rate of ONEOK Partners' non-FERC regulated NGL pipelines and FERC-regulated NGL gathering pipelines reflects the Arbuckle pipeline placed in service in August 2009. The utilization rate of ONEOK Partners' fractionation facilities reflects approximate proportional capacity associated with ownership interests noted above.

On January 1, 2007, the Bushton Plant was temporarily idled as a result of a decline in natural gas volumes available for natural gas processing at this straddle plant. Volumes declined due to natural field declines and as a result of contract terminations, as differing process technology made it more cost efficient to process natural gas at other facilities. ONEOK Partners has contracted for all of ONEOK's capacity at the plant.

During 2008, ONEOK Partners added new natural gas liquids fractionation facilities at the Bushton location, in conjunction with other changes that were made to the NGL fractionation capabilities of the existing plant. Although the Bushton Plant remains idled, ONEOK Partners currently has 150 MBbl/d of active NGL fractionation capacity as a result of combining the previously existing fractionation equipment with the new fractionation facilities. ONEOK Partners resumed fractionating NGLs at the facilities in the second half of 2008.

Distribution

Property - We own approximately 18,200 miles of pipeline and other distribution facilities in Oklahoma, approximately 12,800 miles of pipeline and other distribution facilities in Kansas, and approximately 9,600 miles of pipeline and other distribution facilities in Texas.

Energy Services

Property - Our total natural gas storage capacity under lease is 82.8 Bcf, with maximum withdrawal capability of 2.3 Bcf/d and maximum injection capability of 1.4 Bcf/d. Our current natural gas transportation capacity is 1.7 Bcf/d. Our contracted storage and transportation capacity connects major supply and demand centers throughout the United States and into Canada. Our storage leases are spread across 23 different contracts and two facilities in Canada.

Other

Property - We own the 17-story ONEOK Plaza office building, with approximately 517,000 square feet of net rentable space and an associated parking garage. In March 2008, ONEOK Leasing Company, a subsidiary of ONEOK, purchased ONEOK Plaza for the total purchase price of approximately $48 million, which included $17.1 million for the present value of the remaining lease payments and $30.9 million for the base purchase price.

ITEM 3. LEGAL PROCEEDINGS

Will Price, et al. v. Gas Pipelines, et al. (f/k/a Quinque Operating Company, et al. v. Gas Pipelines, et al.), 26th Judicial District, District Court of Stevens County, Kansas, Civil Department, Case No. 99C30 ("Price I"). Plaintiffs brought suit on May 28, 1999, against us and our division, Oklahoma Natural Gas, four subsidiaries of ONEOK Partners, Mid-Continent Market Center, L.L.C., ONEOK Field Services Company, L.L.C., ONEOK WesTex Transmission, L.L.C. and ONEOK Hydrocarbon, L.P. (formerly Koch Hydrocarbon, LP, successor to Koch Hydrocarbon Company), as well as approximately 225 other defendants. Plaintiffs sought class certification for their claims for monetary damages, alleging that the defendants had underpaid gas producers and royalty owners throughout the United States by intentionally understating both the volume and the heating content of purchased gas. After extensive briefing and a hearing, the Court refused to certify the class sought by plaintiffs. Plaintiffs then filed an amended petition limiting the purported class to gas producers and royalty owners in Kansas, Colorado and Wyoming and limiting the claim to undermeasurement of volumes. Oral argument on the plaintiffs' motion to certify this suit as a class action was conducted on April 1, 2005. On September 18, 2009, the Court denied the plaintiffs' motions for class certification, which, in effect, limits the named plaintiffs to pursuing individual claims against only those defendants who purchased or measured their gas. On October 2, 2009, the plaintiffs filed a motion for reconsideration of the Court's denial of class certification, and the defendants filed their brief on January 18, 2010, in opposition to plaintiffs' motion. Oral argument on the motion was held on February 10, 2010, and the Court took the matter under advisement.

Will Price and Stixon Petroleum, et al. v. Gas Pipelines, et al., 26th Judicial District, District Court of Stevens County, Kansas, Civil Department, Case No. 03C232 ("Price II"). This action was filed by the plaintiffs on May 12, 2003, after the Court denied class status in Price I. Plaintiffs are seeking monetary damages based upon a claim that 21 groups of defendants, including us and our division, Oklahoma Natural Gas, four subsidiaries of ONEOK Partners, Mid-Continent Market Center, L.L.C., ONEOK Field Services Company, L.L.C., ONEOK WesTex Transmission, L.L.C. and ONEOK Hydrocarbon, L.P. (formerly Koch Hydrocarbon, LP, successor to Koch Hydrocarbon Company), intentionally underpaid gas producers and royalty owners by understating the heating content of purchased gas in Kansas, Colorado and Wyoming. Price II has been consolidated with Price I for the determination of whether either or both cases may properly be certified as class actions. Oral argument on the plaintiffs' motion to certify this suit as a class action was conducted on April 1, 2005. On September 18, 2009, the Court denied the plaintiffs' motions for class certification, which, in effect, limits the named plaintiffs to pursuing individual claims against only those defendants who purchased or measured their gas. On October 2, 2009, the plaintiffs filed a motion for reconsideration of the Court's denial of class certification, and the defendants filed their brief on January 18, 2010, in opposition to plaintiffs' motion. Oral argument on the motion is scheduled for February 10, 2010. Oral argument on the motion was held on February 10, 2010, and the Court took the matter under advisement.

Mont Belvieu Emissions, Texas Commission on Environmental Quality - The Texas Commission on Environmental Quality (TCEQ) issued a Notice of Enforcement on March 13, 2009, alleging that air emissions at the ONEOK Partners Mont Belvieu fractionator operated by ONEOK Hydrocarbon Southwest, L.L.C. (OHSL), a subsidiary of ONEOK Partners, exceeded the emissions allowed under its air permit and that OHSL failed to isolate the source of the emissions in a timely manner. OHSL reached agreement with the TCEQ staff on the terms of a settlement under which it would pay $160,000 and confirm that it has adopted a plan to timely address similar emissions issues in the future. Half of the OHSL payment obligation would be satisfied by contributions to local environmental projects in Texas. This settlement was incorporated into an Agreed Order, which was approved by the TCEQ on January 27, 2010. Payment of all amounts due under the order has been made, and the matter is concluded.

Gas Index Pricing Litigation: We, ONEOK Energy Services Company, L.P. ("OESC") and one other affiliate are defending, either individually or together, against the following lawsuits that claim damages resulting from the alleged market manipulation or false reporting of prices to gas index publications by us and others: Samuel P. Leggett, et al. v. Duke Energy Corporation, et al. (filed in the Chancery Court for the Twenty-Fifth Judicial District at Somerville, Tennessee, in January 2005); Sinclair Oil Corporation v. ONEOK Energy Services Corporation, L.P., et al. (filed in the United States District Court for the District of Wyoming in September 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); J.P. Morgan Trust Company v. ONEOK, Inc., et al. (filed in the District Court of Wyandotte County, Kansas, in October 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); Learjet, Inc., et al. v. ONEOK, Inc., et al. (filed in the District Court of Wyandotte, Kansas, in November 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); Breckenridge Brewery of Colorado, LLC, et al. v. ONEOK, Inc., et al. (filed in the District Court of Denver County, Colorado, in May 2006, transferred to MDL-1566 in the United States District Court for the District of Nevada); Missouri Public Service Commission v. ONEOK, Inc., et al. (filed in the Sixth Judicial Circuit Court of Jackson County, Missouri, in October 2006); Arandell Corporation, et al. v. Xcel Energy, Inc., et al. (filed in the Circuit Court for Dane County, Wisconsin, in December 2006, transferred to MDL-1566 in the United States District Court for the District of Nevada); Heartland Regional Medical Center, et al. v. ONEOK, Inc., et al. (filed in the Circuit Court of Buchanan County, Missouri, in March 2007, transferred to MDL-1566 in the United States District Court for the District of Nevada); NewPage Wisconsin System v. CMS Energy Resource Management Company, et al. (filed in the Circuit Court for Wood County, Wisconsin, in March 2009, transferred to MDL-1566 in the United States District Court for the District of Nevada). In each of these lawsuits, the plaintiffs allege that we, OESC and one other affiliate and approximately ten other energy companies and their affiliates engaged in an illegal scheme to inflate natural gas prices by providing false information to gas price index publications during the years from 2000 to 2002. All of the complaints arise out of the U.S. Commodity Futures Trading Commission investigation into and reports concerning false gas price index-reporting or manipulation in the energy marketing industry. Other than as noted below, each of the cases are in pretrial discovery.

Motions to dismiss were granted in the Leggett, Sinclair, Breckenridge, and Missouri Public Service Commission cases. The dismissal of the Sinclair case was appealed to the United States Court of Appeals for the Ninth Circuit, but is in the process of being remanded back to the multi-district litigation matter MDL-1566 in the United States District Court for the District of Nevada for further proceedings. The dismissal of the Leggett case was reversed by the Tennessee Court of Appeals on October 29, 2008, but the defendants, including us and OESC, appealed the decision to the Tennessee Supreme Court which heard oral argument on November 5, 2009. On January 8, 2009, summary judgment was granted in favor of all of the defendants except one in the Breckenridge case and judgment was entered against the plaintiffs in favor of those defendants, including us, OESC and our other affiliate. The dismissal of the Missouri Public Service Commission case was affirmed by the Missouri Court of Appeals on December 8, 2009, but the plaintiff has filed a motion for rehearing and an application to transfer the appeal to the Missouri Supreme Court. We continue to analyze all of these claims and are vigorously defending against them.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of our security holders, through the solicitation of proxies or otherwise, during the fourth quarter 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION AND HOLDERS

Our common stock is listed on the NYSE under the trading symbol "OKE." The corporate name ONEOK is used in newspaper stock listings. The following table sets forth the high and low closing prices of our common stock for the periods indicated:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	High	Low	High	Low
First Quarter	$ 31.08	$ 18.19	$ 49.21	$ 43.93
Second Quarter	$ 30.34	$ 23.07	$ 50.63	$ 45.62
Third Quarter	$ 36.76	$ 27.91	$ 49.59	$ 33.41
Fourth Quarter	$ 44.57	$ 35.18	$ 34.35	$ 23.17

At February 12, 2010, there were 13,538 holders of record of our 106,140,524 outstanding shares of common stock.

DIVIDENDS

The following table sets forth the quarterly dividends declared and paid per share of our common stock during the periods indicated:

	Years Ended December 31,	
	2009	2008
First Quarter	$ 0.40	$ 0.38
Second Quarter	$ 0.40	$ 0.38
Third Quarter	$ 0.42	$ 0.40
Fourth Quarter	$ 0.42	$ 0.40

In January 2010, we declared a dividend of $0.44 per share ($1.76 per share on an annualized basis) for the fourth quarter of 2009, which was paid on February 12, 2010, to shareholders of record as of January 29, 2010.

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ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information relating to our purchases of our common stock for the periods shown:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Be Purchased Under the Plans or Programs
October 1-31, 2009	23,007 (a), (b)	$ 19.08	-	-
November 1-30, 2009	43,274 (a)	$ 21.20	-	-
December 1-31, 2009	9,200 (a)	$ 18.01	-	-
Total	75,481	$ 20.17	-	-

(a) - Includes shares withheld pursuant to attestation of ownership and deemed tendered to us in connection with the exercise
of stock options under the ONEOK, Inc. Long-Term Incentive Plan, as follows:
22,938 shares for the period of October 1-31, 2009
43,274 shares for the period of November 1-30, 2009
9,200 shares for the period of December 1-31, 2009

(b) - Includes shares repurchased directly from employees, pursuant to our Employee Stock Award Program, as follows:
69 shares for the period October 1-31, 2009

EMPLOYEE STOCK AWARD PROGRAM

Under our Employee Stock Award Program, we issued, for no consideration, to all eligible employees (all full-time employees and employees on short-term disability) one share of our common stock when the per-share closing price of our common stock on the NYSE was for the first time at or above $26 per share, and we have issued and will continue to issue, for no consideration, one additional share of our common stock to all eligible employees when the closing price on the NYSE is for the first time at or above each one dollar increment above $26 per share. The total number of shares of our common stock available for issuance under this program is 300,000.

Through December 31, 2009, a total of 144,352 shares have been issued to employees under this program. The shares issued under this program have not been registered under the Securities Act, in reliance upon the position taken by the SEC (see Release No. 6188, dated February 1, 1980) that the issuance of shares to employees pursuant to a program of this kind does not require registration under the Securities Act. See Note O of the Notes to Consolidated Financial Statements in this Annual Report for additional information.

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PERFORMANCE GRAPH

The following performance graph compares the performance of our common stock with the S&P 500 Index and the S&P Utilities Index during the period beginning on December 31, 2004, and ending on December 31, 2009. The graph assumes a $100 investment in our common stock and in each of the indices at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.

Cumulative Total Return
Years Ended December 31,

2004	2005