ONEOK

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March 31, 2005

Jonathon G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: File Number 4-497

Dear Mr. Katz:

ONEOK, Inc. ("ONEOK") appreciates the opportunity to submit comments regarding our experiences in implementing the internal control requirements under Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"). We are encouraged by the Commission's pursuit of feedback and recommendations for improving the SOX 404 requirements.

ONEOK, a diversified energy company, is the largest natural gas distributor in Kansas and Oklahoma, and the third largest in Texas, serving over 2 million customers. We gather, process, store and transport natural gas in the mid-continent region of the United States. Our energy services operation focuses primarily on marketing natural gas and related services throughout the United States. We are also involved in oil and gas production in Oklahoma and Texas. ONEOK is the majority general partner of Northern Border Partners L.P., one of the largest publicly-traded limited partnerships. Northern Border acquires, owns and manages pipelines and other midstream energy assets and is a leading transporter of natural gas imported from Canada into the United States.

ONEOK's 2004 consolidated revenues were $6.0 billion. Our estimated total cost for first year compliance with SOX 404 was approximately $4.4 million (which does not include the significant increase in our independent auditor's fee from $1.2 million to $2.9 million. Included in these implementation costs are approximately 14,000 hours for the company's core internal SOX team, 22,000 hours for external consultants, and 31,000 hours for business process employees.

ONEOK fully supports the intent of SOX 404 to improve the reliability of financial reporting and recognizes that many of the desired improvements are now being realized. However, ONEOK believes the following refinements of, and clarifications to, the requirements will retain the benefits of SOX 404 while simultaneously greatly reducing the cost of compliance going forward.

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IT General Controls

Broad differences of opinion exist regarding which areas of IT general controls (ITGCs) are in scope for SOX 404. The SEC and PCAOB need to provide more definitive guidance regarding this matter. The major accounting firms took the position that most areas for ITGCs apply, at least to some degree, to SOX 404. Because of the general lack of guidance, many companies, including ONEOK, spent significant resources documenting and assessing certain ITGC areas which, at most, had only an indirect relationship to reliability of financial reporting. Our discussions with other companies revealed great inconsistencies regarding which ITGC areas were included for SOX 404, and the level to which those areas were addressed. However, in spite of these obvious differences in approach and effort, most of the companies we contacted were judged by their outside auditors to have made the appropriate decisions regarding ITGCs. Because the assessment of ITGCs was an extremely costly portion of ONEOK's SOX 404 effort, it is frustrating to see that other companies are receiving similar assessments even though they did much less than ONEOK in the ITGCs area.

Definitions and Thresholds

Current standards establish reporting requirements for material weaknesses and significant deficiencies. Although the standards do include language which is intended to provide definition to the terms "material" and "significant", it is very vague and open to broad differences in interpretation. In hindsight, many companies, including ONEOK, were probably overly conservative in establishing materiality levels. In ONEOK's case, we set our materiality thresholds at approximately half of what we have now come to believe would have been appropriate, thereby resulting in excessive effort and cost. Our discussions with other registrants revealed that these terms were interpreted and applied much differently. ONEOK recommends these terms be more clearly defined.

Rotational Testing of Controls

As the rules now stand, every key control must be tested every year. ONEOK suggests allowing companies to test most controls, especially process-level controls, on a rotational basis. For those processes that remain relatively static from year to year, a three-year cycle – supplemented through annual walkthroughs or self-assessments - would be sufficient. Entity-wide controls, and controls within processes directly involved in the preparation of financial statements, should continue to be tested annually.

Testing Evidence

Audit Standard No. 2 describes four types of evidence (i.e., inquiry, observation, inspection, and reperformance) as being appropriate. However, in practice, the independent audit firms tend to share a common opinion that controls must be documented in order to be deemed working effectively. While this view may be appropriate for many situations, ONEOK believes there are times when controls can still be tested and determined to be operating as designed without layering on additional documentation requirements. The COSO internal control framework explicitly recognizes the appropriateness of having some controls that are informal and/or undocumented. Just because an internal control is not documented does not mean it is not operating effectively, or that it cannot be evaluated through other traditional means. This is a significant issue for most companies, which will continue to exact a high cost in terms of efficiency and efforts to document every control unless more reasonable standards are applied.

Another aspect of testing evidence that should be clarified is the length of time a control must be in place and operating effectively before it can be relied upon. While recognizing that varying answers should be yielded depending upon the frequency of each control's occurrence, it would be helpful for all companies to be making such decisions based on a common barometer.

Redundant Assessments
Current standards require that management perform its own assessment of internal controls, followed by two separate opinions on internal controls by the independent auditor. One of these two opinions is the independent auditor's assessment of management's own assessment. ONEOK believes the effort and cost necessary to provide this opinion serves limited, if any, incremental value over what is already provided by the independent auditor's opinion on internal control and should be eliminated. The primary interest of the investing public is whether or not controls are effective.

Appropriateness of Focus
Although much of the cost and effort expended on SOX 404 pertained to detailed process-level controls, it was the absence and/or breakdown of higher level entity-wide controls that resulted in most of the events that led Congress to create and pass the Sarbanes-Oxley Act of 2002. The lower level process controls are much less effective in preventing or detecting such behaviors. Therefore, ONEOK suggests limiting the focus on process-level controls while continuing to emphasize the more effective entity-wide controls that address ethical behavior, oversight and communication. This would reduce the cost and effort of SOX compliance while still meeting the intent of Congress and preserving areas of greatest value to the companies and the investing public.

Reliance on Work of Others
PCAOB standards require that certain controls be evaluated directly by the independent auditor and, for other controls, restrict the extent of reliance that the independent auditor can place on the work of others. This requirement results in unnecessary duplicative work by the auditor and management. ONEOK suggests allowing a greater amount on reliance on work performed by others, including the company's internal auditors, after considering their competence, objectivity and independence.

Lack of Guidance – Fraud and Entity-wide Controls
In addition to the points addressed above where the need for greater guidance was addressed, there are other areas where improved clarity would be very helpful. Areas of note include fraud and entity-wide controls. While many aspects of these areas are obvious, we did note a considerable variation among companies as to what was included in each – and the extent to which they were addressed. Given the importance of these two areas in maintaining investor

confidence and ensuring reliable financial reporting, it would seem that improved consistency would be desirable.

ONEOK appreciates your consideration of our views, which we believe would greatly reduce the burden of compliance with SOX 404, while still effectively addressing its objectives. We would be pleased to discuss our concerns and recommendations, along with any questions you may have, at your convenience.

Sincerely,

Jim Kneale

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