

Higher AA costs dampen outlook

► The airline's updated forecast sparks worry among analysts.

FROM STAFF AND WIRE REPORTS

Analysts who expected the parent of American Airlines to break even or earn money in the fourth quarter now forecast a loss for the period, following the carrier's disclosure last week that costs are rising and revenue isn't growing as fast as Wall Street had hoped.

AMR Corp. said after the close of stock markets Friday that its costs were rising due to factors that included higher maintenance expenses and weather-related flight cancellations in November and December.

The update, in a filing with the Securities and Exchange Commission, indicated that costs as a ratio of capacity would be higher than many analysts expected.

The company employs about 7,000 people at its Maintenance & Engineering Center in Tulsa.

American recently announced a four-year, \$30 million contract to maintain aircraft operated by Las Vegas-based Allegiant Air. The work, to be done in Tulsa, is part of an effort by American to turn its maintenance facilities into profit centers by doing third-party work.

Jamie Baker, an analyst for J.P. Morgan, said in a note on Tuesday that AMR's recent filing prompted him to change from a break-even forecast to a fourth-quarter loss of 40 cents per share.

Before the SEC filing Friday, analysts had expected AMR to earn 50 cents per share in the fourth quarter, according to a survey by Thomson Financial.

AMR said Friday that revenue per passenger miles flown, including the American Eagle regional carrier, would rise 3.6 percent to 4.6 percent in the fourth quarter from a year earlier. Baker had expected a 5.6 percent boost.

Pointing to American's flight cancellations, Baker said last week's Denver blizzard might also push UAL Corp.'s United Airlines to a fourth-quarter loss. United has a major hub operation in Denver, where the airport was closed for two days.

Baker still expects AMR to post a profit for all of 2006 but lowered his prediction to 96 cents per share instead of his earlier \$1.27 per share. The Wall Street average was \$1.77 per share.

William J. Greene, an analyst for Morgan Stanley, also switched his AMR outlook Tuesday, going from

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MIKE SIMONS/Tulsa World

Above, plans call for the McBirney Mansion, 1414 S. Galveston Ave., to be converted into a boutique hotel. Below, an architectural rendering of the enhanced facility.

Mansion to change

► New owners of the historic McBirney property plan to make it an 80-suite hotel with a restaurant.

By ROBERT EVATT
World Staff Writer

The historic McBirney Mansion, long operating as a bed and breakfast, is about to change ownership and will soon become a 112,000-square-foot, 80-suite boutique hotel with a day spa, restaurant and underground parking.

Local investors George Warde, Jim Seawright and Jack Lee are under contract as WSL Properties LLC to purchase the mansion at 1414 Galveston Ave. from Caroline Cardin for an undisclosed sum, then spend \$25 million to \$30 million converting it. The sale is expected to close by the end of January.

Warde, a former American Air-

lines executive and co-founder of Tulsa Community College, said WSL hopes to create a thriving business as well as preserve one of Tulsa's most notable structures.

"This is an opportunity to create a true luxury hotel for the city of Tulsa that complements the mansion and assures its future as a historic landmark," he said. "We believe in Tulsa and by achieving progress through preservation, we will leave a lasting legacy to the citizens of Tulsa."

Construction is expected to conclude in April 2008.

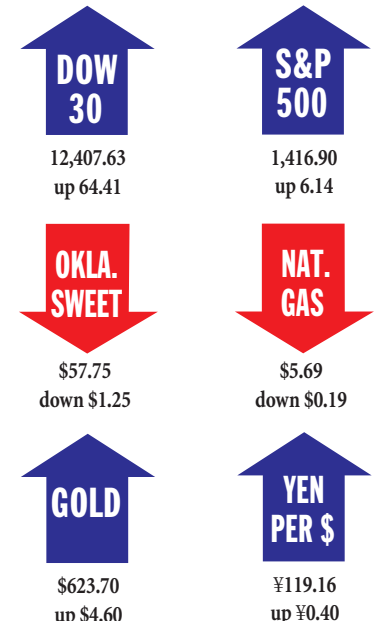
Seawright, managing partner of the group, said he and his partners were looking to create a boutique hotel in Tulsa long before

SEE PROJECT E-2



Tulsa World

MARKET WATCH



BIZ QUICKS

Wall Street posts gains in light holiday trading

Wall Street rebounded in light post-holiday trading Tuesday as investors added to their portfolios in the final days of the year.

Buyers came into the market after major indexes retreated last week with three straight down sessions. However, stocks were range-bound because of thin volume after the Christmas holiday and in the absence of major economic reports.

Trading volume is expected to remain light this week as many investors are on vacation, which tends to skew price moves and make them appear more dramatic than they perhaps are.

"You're just seeing a quiet week with added volatility," said Joe Ranieri, managing director of equity trading for Canaccord Adams.

The Dow Jones industrial average rose 64.41, or 0.52 percent, to 12,407.63.

Broader stock indicators were also higher. The Standard & Poor's 500 index was up 6.14, or 0.44 percent, at 1,416.90, and the Nasdaq composite index was up 12.33, or 0.51 percent, at 2,413.51.

The advance boosted the likelihood that all three indexes will finish the year with double-digit gains. The Dow is up 15.8 percent in 2006, the S&P has risen 13.5 percent, and the Nasdaq is up 9.4 percent.

Anadarko selling two Louisiana oil fields

Anadarko Petroleum Corp. said Tuesday it has agreed to sell two Louisiana oil fields to Exco Resources Inc. for \$1.6 billion in cash as it continues a campaign to erase debt.

The Vernon and Ansley fields in Jackson Parish produce 192 million cubic feet of equivalent per day from about 350 wells. The 66,000-acre fields have six drilling rigs in operation, in addition to four workover rigs, which are used to restore or increase production.

Anadarko has been selling assets to pay off debt and tighten its geographic focus after buying Oklahoma City-based Kerr-McGee Corp. and Denver-based Western Gas Resources Inc. in August.

"This divestiture is an important step in refocusing the portfolio following our acquisitions," said Jim Hackett, chairman, president and CEO of Houston-based Anadarko.

The company has been putting assets up for sale to reduce its roughly \$26 billion debt. Some operations in Venezuela and Texas are on the block; in November, Anadarko closed the \$4.24 billion sale of a Canadian subsidiary.

The sale of the two Louisiana fields is expected to close in the first quarter.

Level 3 acquiring content delivery network

Level 3 Communications Inc. said Tuesday it has agreed to buy the content delivery network services business of Savvis Inc. for \$135 million in cash.

The Savvis unit, based in Thousand Oaks, Calif., brought about \$15 million in revenue during the nine months ending Sept. 30, said Level 3, a phone and data-network operator.

The sale includes network elements, customer contracts and intellectual property, said Broomfield, Colo.-based Level 3. The division's services enhance video, Web 2.0 applications, and online gaming and software over the Internet.

The companies expect the acquisition to be completed during the first quarter, a news release stated.

Last year, Level 3 purchased Tulsa-based WiTel Communications Group Inc., owner of a fiber-optic data network, for \$680.5 million from New York-based Leucadia National Corp.

From Bloomberg, AP and staff reports



Hackett

FUNDING BOOST: RENEWABLES, CONSERVATION

Incoming Democrats target Big Oil breaks

By H. JOSEF HEBERT
Associated Press

WASHINGTON — House Democrats in the first weeks of the new Congress plan to establish a dedicated fund to promote renewable energy and conservation, using money from oil companies.

That's only one legislative hit the oil industry is expected to take next year as a Congress run by Democrats is likely to show little sympathy to the cash-rich, high-profile business.

Whether the issue is rolling back tax breaks — some approved by Congress only 18 months ago — pushing for more use of ethanol and other biofuels instead of gasoline, or investigations into shortfalls in royalty payments to the government, oil industry lobbyists will spend most of their time playing defense.

Details of a renewable fuels fund have yet to be worked out. Nonetheless, it's one of the initiatives the House will take up during its first 100 hours in session during January, ac-

ording to aides to Speaker-elect Nancy Pelosi. At least some of the money — revenue gained by rolling back some tax breaks — will go to a program to support research into making ethanol from sources other than corn.

"What we'll do is roll back the subsidies to Big Oil and use the resources to invest in a reserve for research in alternative energy," Pelosi, a California Democrat, recently told reporters.

But the oil issue likely to be first out of the legislative block in January concerns the ability of the federal government to recover royalties that many lawmakers believe have been unfairly avoided by oil and gas companies drilling in deep waters of the Gulf of Mexico.

The Interior Department has been trying to get more than 50 companies to rework 1998-99 drilling leases that allow the companies to avoid paying billions of dollars in royalties because of a government mistake in writing

SEE OIL E-2

Prices for oil, natural gas fall amid mild temperatures

► Unleaded gasoline futures slide 5.08 cents to settle at \$1.5722 a gallon.

FROM STAFF AND WIRE REPORTS

Oil and natural gas prices fell hard Tuesday amid mild winter weather that has depressed demand for home-heating fuels.

Trading volume was light, and that exaggerated the moves lower, analysts said.

U.N. sanctions against Iran that were approved over the weekend could raise concerns about supplies in 2007, though traders so far appear to have shrugged off the continuing dispute over Tehran's nuclear ambitions.

Light sweet crude for February delivery declined \$1.31, or 2 percent, to settle at \$61.10 a barrel on the New York Mercantile Exchange, which reopened Tuesday after a three-day closure for the Christmas weekend.

In other Nymex trading, natural gas prices dropped 52.2 cents, almost 8 percent, to settle at \$6.113 per 1,000 cubic feet; and heating oil fu-

tures fell 5.87 cents to settle at \$1.6233 a gallon.

Unleaded gasoline slid 5.08 cents to settle at \$1.5722 a gallon.

In Tulsa, the wholesale price for a gallon of regular unleaded gasoline Tuesday was \$1.98, down 1 cent from Friday. Locally, many convenience stores were posting a retail price of \$2.09 Tuesday evening.

Across the state, gasoline was averaging \$2.17, the lowest price in the nation, according to travel club AAA-Oklahoma.

"With so much retail competition in the Tulsa and Oklahoma City markets, Oklahoma tends to stay among the lowest-cost states," said Chuck Mai, spokesman for AAA-Oklahoma. "Tulsa also is close to the point where the major pipelines run from Houston."

Nationwide, energy traders seem to be focusing on temperatures to predict demand, analysts said.

"The weather is taking a big hold of this market," said Societe Generale commodity strategist Mike Guido, who estimated that consumption of home-heating fuels in the North-

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