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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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 1-4174

THE WILLIAMS COMPANIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	73-0569878 (I.R.S. Employer Identification No.)
ONE WILLIAMS CENTER, TULSA, OKLAHOMA (Address of principal executive offices)	74172 (Zip Code)

Registrant's telephone number, including area code: (918) 573-2000

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1.00 par value Preferred Stock Purchase Rights	New York Stock Exchange and the Pacific Stock Exchange

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

NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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]

The aggregate market value of the registrant's voting stock held by nonaffiliates as of the close of business on March 15, 2000, was approximately $20 billion.

The number of shares of the registrant's Common Stock outstanding at March 15, 2000, was 441,540,962, excluding 6,311,910 shares held by Williams.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement prepared for the solicitation of proxies in connection with the Annual Meeting of Stockholders of Williams for 2000 are incorporated by reference in Part III.

THE WILLIAMS COMPANIES, INC.

FORM 10-K

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

The Williams Companies, Inc. was incorporated under the laws of the State of Nevada in 1949 and was reincorporated under the laws of the State of Delaware in 1987. The principal executive offices of Williams are located at One Williams Center, Tulsa, Oklahoma 74172 (telephone (918) 573-2000).

On December 17, 1999, Williams Energy Services, a wholly owned subsidiary of Williams, completed the sale of Thermogas L.L.C. to Ferrellgas Partners L.P. for $443.7 million after Ferrellgas made an unsolicited offer to purchase Thermogas, the wholly owned subsidiary through which Williams had engaged in the retail distribution of propane. See Note 7 of Notes to Consolidated Financial Statements.

On October 6, 1999, a subsidiary of Williams, Williams Communications Group, Inc., closed an initial public offering (IPO) by selling shares of its Class A Common Stock to the public. In separate private placements, SBC Communications, Intel Corporation, and Telefonos de Mexico S.A. de C.V. each purchased a portion of the Class A Common Stock. As of March 15, 2000, there were 68,195,470 shares of the Class A Common Stock outstanding, and Williams owned 395,434,965 shares of the Class B Common Stock of Williams Communications, representing an approximate 85.3 percent ownership interest. Holders of the Class A Common Stock are entitled to one vote per share, and Williams, as holder of the Class B Common Stock of Williams Communications, is entitled to ten votes per share.

On March 28, 1998, Williams acquired MAPCO Inc. in a stock-for-stock transaction based upon a fixed exchange ratio of 1.665 shares of Williams common stock and 0.555 associated preferred stock purchase rights for each share of MAPCO common stock and associated preferred stock purchase rights. See Note 2 of Notes to Consolidated Financial Statements.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

See Part II, Item 8 -- Financial Statements and Supplementary Data.

(c) NARRATIVE DESCRIPTION OF BUSINESS

Williams, through Williams Gas Pipeline Company and Williams Energy Services and their subsidiaries, engages in the following types of energy-related activities:

- transportation and storage of natural gas and related activities through operation and ownership of five wholly owned interstate natural gas pipelines and several pipeline joint ventures;

- exploration and production of oil and gas through ownership of 1.05 Tcfe* of proved natural gas reserves primarily located in New Mexico, Wyoming, and Colorado;

- natural gas gathering, processing, and treating activities through ownership and operation of approximately 11,200 miles of gathering lines, ten natural gas treating plants, and 12 natural gas processing plants (one of which is partially owned);

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* The term "Mcf" means thousand cubic feet, "MMcf" means million cubic feet and "Bcf" means billion cubic feet. The term "Tcf" means trillion cubic feet. The term "Tcfe" means trillion cubic feet equivalent. All volumes of natural gas are stated at a pressure base of 14.73 pounds per square inch absolute at 60 degrees Fahrenheit. The term "Btu" means British Thermal Unit, "MMBtu" means one million British Thermal Units and "TBtu" means one trillion British Thermal Units. The term "Dth" means dekatherm. The term "MDth" means thousand dekatherms. The term "Mbbl" means one thousand barrels. The term "GWh" means gigawatt hour. The term "MW" means megawatt.

- natural gas liquids transportation through ownership and operation of approximately 13,360 miles of natural gas liquids pipeline;

- transportation of petroleum products and related terminal services through ownership or operation of approximately 9,170 miles of petroleum products pipeline and 75 petroleum products terminals;

- production and marketing of ethanol and bio-products through operation and ownership of two ethanol plants (one of which is partially owned);

- refining of petroleum products through operation and ownership of two refineries;

- light hydrocarbon/olefin transportation through 300 miles of pipeline in Southern Louisiana;

- ethylene production through a 5/12 interest in a 1.2 billion pound/year facility in Geismar, Louisiana;

- distributed power services;

- retail marketing through 227 convenience stores and 42 travel centers; and

- energy commodity marketing and trading.

Williams, through Williams Communications Group, Inc. and its subsidiaries, engages in the following types of communications-related activities:

- owner and operator of approximately 26,000 route miles of telecommunications fiber optic network;

- data-, voice-, and video-transmission related products and services;

- video services and other multimedia services for the broadcast industry;

- customer-premise voice and data equipment, sales, and services including installation, maintenance, and integration; and

- network integration and management services nationwide.

Williams, through subsidiaries, also directly invests in energy and telecommunications projects primarily in Canada, South America, Australia, and Lithuania and continues to explore and develop additional projects for international investments. It also invests in energy, telecommunications, and infrastructure development funds in Asia and Latin America.

Substantially all operations of Williams are conducted through subsidiaries. Williams performs certain management, legal, financial, tax, consultative, administrative, and other services for its subsidiaries and employs approximately 1,150 employees. Williams' principal sources of cash are from external financings, dividends and advances from its subsidiaries, investments, payments by subsidiaries for services rendered, and interest payments from subsidiaries on cash advances. The amount of dividends available to Williams from subsidiaries largely depends upon each subsidiary's earnings and operating capital requirements. The terms of certain subsidiaries' borrowing arrangements limit the transfer of funds to Williams.

On July 31, 1999, Williams completed the merger of Williams Holdings of Delaware, Inc., its wholly owned subsidiary, with and into itself and assumed all liabilities and obligations of Williams Holdings of Delaware, Inc.

To achieve organizational and operating efficiencies, Williams' interstate natural gas pipelines and pipeline joint venture investments are grouped together under its wholly owned subsidiary, Williams Gas Pipeline Company. The other energy operations are grouped into a wholly owned subsidiary, Williams Energy Services. The communications operations, including investments in international communications projects, are grouped into a majority owned subsidiary, Williams Communications Group, Inc. The international energy operations are grouped into a wholly owned subsidiary, Williams International Company. Item 1 of this report is formatted to reflect this structure.

WILLIAMS GAS PIPELINE COMPANY

Williams' interstate natural gas pipeline group, comprised of Williams Gas Pipeline Company and its subsidiaries, owns and operates a combined total of approximately 27,300 miles of pipelines with a total annual throughput of approximately 3,700 TBtu of natural gas and peak-day delivery capacity of approximately 15 Bcf of gas. The gas pipeline group consists of Transcontinental Gas Pipe Line Corporation, Northwest Pipeline Corporation, Kern River Gas Transmission Company, Texas Gas Transmission Corporation, and Williams Gas Pipelines Central, Inc. The gas pipeline group also holds minority interests in joint venture interstate and intrastate natural gas pipeline systems.

Williams' gas pipeline group has combined certain administrative functions, such as human resources, information services, technical services, and finance, of its operating companies in an effort to lower costs and increase efficiency. Although a single management team manages both Northwest Pipeline and Kern River and a single management team manages both Texas Gas and Central, each of these operating companies operates as a separate legal entity. Williams' gas pipeline group employs approximately 3,370 employees.

The gas pipeline group's transmission and storage activities are subject to regulation by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938 and under the Natural Gas Policy Act of 1978 (NGPA), and, as such, their rates and charges for the transportation of natural gas in interstate commerce, the extension, enlargement, or abandonment of jurisdictional facilities, and accounting, among other things, are subject to regulation. Each gas pipeline company holds certificates of public convenience and necessity issued by the FERC authorizing ownership and operation of all pipelines, facilities, and properties considered jurisdictional for which certificates are required under the Natural Gas Act. Each gas pipeline company is also subject to the Natural Gas Pipeline Safety Act of 1968, as amended by Title I of the Pipeline Safety Act of 1979, which regulates safety requirements in the design, construction, operation, and maintenance of interstate natural gas pipelines.

As a result of the MAPCO merger in 1998, Williams acquired an approximately 4.8 percent investment interest in Alliance Pipeline. On December 31, 1999, Williams acquired an additional 9.8 percent interest in Alliance Pipeline. Alliance consists of two proposed segments, a Canadian segment and a United States segment. Alliance has filed applications for approval with the FERC in the United States and the National Energy Board (NEB) in Canada, to construct and operate an approximately 1,800 mile natural gas pipeline system extending from northeast British Columbia to the Chicago, Illinois, area market center, where it will interconnect with the North American pipeline grid. On September 17, 1998, the FERC granted a Certificate of Public Convenience and Necessity (CPCN) for the United States portion of the Alliance pipeline, and on December 3, 1998, the NEB granted a CPCN for the Canadian portion. Construction began in the spring of 1999 with an anticipated in-service date of October 2000. Total estimated cost of the Alliance pipeline is approximately $3 billion. At December 31, 1999, Williams had invested approximately $131 million in Alliance.

Buccaneer Gas Pipeline Company, L.L.C., a wholly owned subsidiary of WGP, announced in March 1999, that it would accept requests for firm transportation service to be made available on a proposed new natural gas pipeline system extending from the Mobile Bay area in Alabama to markets in Florida. Buccaneer anticipates that its pipeline system will extend from a point near Transcontinental Gas Pipe Line Corporation's Station 82 in Coden, Alabama, across the Gulf of Mexico to the west coast of Florida just north of Tampa. The pipeline will continue onshore in an easterly direction to serve power generation plants and other markets across the central part of the state, and will terminate in Volusia County, Florida. Lateral pipelines will be constructed in accordance with market demand. Buccaneer filed for FERC approval of the project in October 1999. In February 2000, a subsidiary of Duke Energy acquired a 50 percent ownership interest in Buccaneer. The estimated capital cost of the project is approximately $1.5 billion, and the target in-service date is April 2002.

A business description of the principal companies in the interstate natural gas pipeline group follows.

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

Transco is an interstate natural gas transportation company that owns a 10,500-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi, and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, and New Jersey to the New York City metropolitan area. The system serves customers in Texas and eleven southeast and Atlantic seaboard states, including major metropolitan areas in Georgia, North Carolina, New York, New Jersey, and Pennsylvania. Effective May 1, 1995, Transco transferred the operation of certain production area facilities to Williams Field Services Group, Inc., an affiliated company.

Pipeline System and Customers

At December 31, 1999, Transco's system had a mainline delivery capacity of approximately 3.8 Bcf of gas per day from its production areas to its primary markets. Using its Leidy Line and market-area storage capacity, Transco can deliver an additional 2.9 Bcf of gas per day for a system-wide delivery capacity total of approximately 6.7 Bcf of gas per day. Excluding the production area facilities operated by Williams Field Services Group, Inc., Transco's system is composed of approximately 7,200 miles of mainline and branch transmission pipelines, 41 compressor stations, and seven storage locations. Compression facilities at a sea level-rated capacity total approximately 1.3 million horsepower.

Transco's major natural gas transportation customers are public utilities and municipalities that provide service to residential, commercial, industrial, and electric generation end users. Shippers on Transco's system include public utilities, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers, and producers. No customer accounted for more than ten percent of Transco's total operating revenues in 1999. Transco's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Transco's business. Additionally, Transco offers interruptible transportation service under shorter term agreements.

Transco has gas storage capacity in five underground storage fields located on or near its system and/or market areas and operates three of these storage fields and two liquefied natural gas (LNG) storage facilities. The total gas storage capacity available to Transco and its customers is approximately 220 Bcf of gas. Storage capacity permits Transco's customers to inject gas into storage during the summer and off-peak periods for delivery during peak winter demand periods.

Expansion Projects

In 1999, Pine Needle LNG Company, LLC and Cardinal Pipeline Company, LLC, both of which are owned by wholly owned subsidiaries of Transco and several of its customers, completed construction of, and placed into service, two major projects, a LNG storage facility and the Cardinal Pipeline Project (Cardinal), respectively. Transco contributed $19 million to the total cost of the LNG storage facility which is located in Guilford County, North Carolina. The facility was placed into service in May 1999 and has 4 Bcf of storage capacity and 400 MMcf per day of withdrawal capacity. Wholly owned subsidiaries of Transco operate the facility and have a 35 percent ownership interest. On November 1, 1999, Cardinal Pipeline Company, LLC, a North Carolina limited liability company formed between wholly owned subsidiaries of Transco and three of Transco's North Carolina customers, placed Cardinal into service. Transco contributed $24 million to the total cost of this project which involved the acquisition of an existing 37-mile pipeline in North Carolina and construction of an approximately 67-mile extension of the pipeline to new interconnections near Clayton County, North Carolina. This pipeline provides transportation service of up to 270 MMcf per day of natural gas. Transco's wholly-owned subsidiary has a 45 percent ownership interest in Cardinal and a separate wholly-owned subsidiary of Transco is the operator of Cardinal.

In 1999, Cumberland Gas Pipeline Company, a partnership between wholly-owned subsidiaries of Transco and AGL Resources Inc., decided not to pursue its pipeline project at this time. In lieu of the project, Transco intends to expand the capacity of its North Georgia extension as part of the SouthCoast Expansion Project (see below) to meet the firm transportation service requirements of its shippers.

On May 13, 1998, Transco filed an application with the FERC for approval to construct and operate mainline and Leidy Line facilities (MarketLink) to create an additional 676 MMcf of firm transportation capacity per day to serve increased demand in the mid-Atlantic and south Atlantic regions of the United

States by a targeted in-service date of November 1, 2000. The estimated cost of the proposed facilities is $529 million. On December 17, 1999, the FERC issued an interim order giving Transco conditional approval for MarketLink, along with the Independence Pipeline Project, which is described below, and ANR Pipeline Company's Supply Link Project but withholding final certificate authorization until Independence Pipeline Company (Independence) and ANR Pipeline Company (ANR) file long-term, executed contracts with nonaffiliated shippers for at least 35 percent of the capacity of their respective projects. While the FERC has treated the three projects as interrelated, should Independence and ANR fail to meet the executed contract conditions, the interim order states that Transco may amend its MarketLink project to go forward on a stand-alone basis. Once construction begins, the order also imposed a number of additional environmental conditions, beyond those recommended in the Final Environmental Impact Statement. Transco has filed for rehearing of the interim order.

In March 1997, as amended in December 1997, Independence filed an application with FERC for approval to construct and operate a new pipeline consisting of approximately 400 miles of 36-inch pipe from ANR Pipeline Company's existing compressor station at Defiance, Ohio to Transco's facilities at Leidy, Pennsylvania. The Independence Pipeline Project is proposed to provide approximately 916 MMcf per day of firm transportation capacity by a requested in-service date of November 2000. Independence is owned equally by wholly-owned subsidiaries of Transco, ANR, and National Fuel Gas Company. The estimated cost of the project is $678 million, and Transco's equity contributions are estimated to be approximately $68 million based on its expected one-third ownership interest in the project. As mentioned above in connection with the MarketLink Project, on December 17, 1999 the FERC gave conditional approval for the Independence Pipeline project, subject to Independence filing long-term, executed contracts with nonaffiliated shippers for at least 35 percent of the capacity of the project. Also, the FERC imposed a number of additional environmental conditions once construction begins on the project. Independence has filed for rehearing of the interim order.

In April 1999, Transco filed an application with the FERC for its approval of the SouthCoast Expansion Project, which is designed to create approximately 200 MMcf per day of additional firm transportation capacity on Transco's system from the terminus of Transco's existing Mobile Bay Lateral in Choctaw County, Alabama, to delivery points in Transco's Rate Zone 4 (Alabama and Georgia). The project has a target in-service date of November 1, 2000 and an estimated cost of approximately $108 million.

In April 1999, Transco announced its Sundance Expansion Project, which would create approximately 228 MMcf per day of additional firm transportation capacity from Transco's Station 65 in Louisiana to delivery points in Georgia, South Carolina and North Carolina. Transco plans to file for FERC approval of the project in the first quarter of 2000. The project has a target in-service date of May 2002 and an estimated cost of approximately $129 million.

Operating Statistics. The following table summarizes transportation data for the periods indicated (in TBtu):

	1999	1998	1997
Market-area deliveries:			
Long-haul transportation	820	858	940
Market-area transportation	623	522	439
Total market-area deliveries	1,443	1,380	1,379
Production-area transportation	222	214	242
Total system deliveries	1,665	1,594	1,621
Average Daily Transportation Volumes	4.6	4.4	4.4
Average Daily Firm Reserved Capacity	6.3	5.8	5.5

Transco's facilities are divided into seven rate zones. Four are located in the production area, and three are located in the market area. Long-haul transportation involves gas that Transco receives in one of the production-area zones and delivers in a market-area zone. Market-area transportation involves gas that Transco both receives and delivers within the market-area zones. Production-area transportation involves gas that Transco both receives and delivers within the production-area zones.

NORTHWEST PIPELINE CORPORATION

Northwest Pipeline is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from the San Juan Basin in northwestern New Mexico and southwestern Colorado through Colorado, Utah, Wyoming, Idaho, Oregon, and Washington to a point on the Canadian border near Sumas, Washington. Northwest Pipeline provides services for markets in California, New Mexico, Colorado, Utah, Nevada, Wyoming, Idaho, Oregon, and Washington directly or indirectly through interconnections with other pipelines.

Pipeline System and Customers

At December 31, 1999, Northwest Pipeline's system, having a mainline delivery capacity of approximately 2.9 Bcf of gas per day, was composed of approximately 3,900 miles of mainline and branch transmission pipelines and 41 compressor stations having sea level-rated capacity of approximately 318,000 horsepower.

In 1999, Northwest Pipeline transported natural gas for a total of 156 customers. Transportation customers include distribution companies, municipalities, interstate and intrastate pipelines, gas marketers, and direct industrial users. The two largest customers of Northwest Pipeline in 1999 accounted for approximately 15.2 percent and 13.6 percent, respectively, of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 1999. Northwest Pipeline's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Northwest Pipeline's business. Additionally, Northwest Pipeline offers interruptible transportation service under shorter term agreements.

As a part of its transportation services, Northwest Pipeline utilizes underground storage facilities in Utah and Washington enabling it to balance daily receipts and deliveries. Northwest Pipeline also owns and operates a LNG storage facility in Washington that provides a needle-peaking service for its system. These storage facilities have an aggregate delivery capacity of approximately 1,325 MMcf of gas per day.

Expansion Projects

The Columbia Gorge project provides firm transportation between a Stanfield, Washington, receipt point and a delivery point near Sumas, Washington, to serve the markets of BC Gas Utility Ltd. (a major gas distributor in lower British Columbia). Northwest Pipeline completed and placed into service on November 1, 1999, the first phase of 50,000 Dth per day. Total cost to complete the first phase was approximately $16 million.

Northwest Pipeline owns a one-third interest in the Jackson Prairie storage facility located in the state of Washington. In March 1998, Northwest Pipeline filed for certificate authority to realign authorized storage capacity for system balancing by replacing 3.04 Bcf of existing firm storage capacity at the Clay Basin storage facility located in eastern Utah (and 25.3 MMcf per day of associated firm deliverability) with 1.067 Bcf of Jackson Prairie expansion capacity (and 100 MMcf per day of associated firm deliverability). The FERC order authorizing expansion of the Jackson Prairie storage facility was received and accepted the last week of September 1998. The project was placed in service on November 1, 1999. The total cost of Northwest Pipeline's share of the expansion project was approximately $10 million.

Operating Statistics. The following table summarizes transportation data for the periods indicated (in TBtu):

	1999	1998	1997
Transportation Volumes	708	732	714
Average Daily Transportation Volumes	1.9	2.0	2.0
Average Daily Firm Reserved Capacity	2.5	2.6	2.5

KERN RIVER GAS TRANSMISSION COMPANY

Kern River is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from Wyoming through Utah and Nevada to California. Gas transported on the Kern River pipeline is used in enhanced oil recovery operations in the heavy oil fields and other markets in California. Gas is also transported to other natural gas consumers in Utah, southern Nevada and southern California for use in the production of electricity, cogeneration of electricity and steam and other applications. The system commenced operations in February 1992.

Pipeline System and Customers

At December 31, 1999, Kern River's system was composed of approximately 707 miles of mainline and branch transmission pipelines and five compressor stations having a mainline designed delivery capacity of approximately 700 MMcf of gas per day. The pipeline system interconnects with the pipeline facilities of another pipeline company at Daggett, California. From the point of interconnection, Kern River and the other pipeline company have a common 219-mile pipeline which is owned 63.6 percent by Kern River and 36.4 percent by the other pipeline company, as tenants in common, and is designed to accommodate the combined throughput of both systems. This common facility has a designed delivery capacity of 1.1 Bcf of gas per day.

In 1999, Kern River transported natural gas for customers in California, Nevada, and Utah. Kern River transported gas for use in enhanced oil recovery operations in the heavy oil fields in California and transported to other natural gas consumers in Utah, southern Nevada, and southern California for use in the production of electricity, cogeneration of electricity and steam and other applications. The three largest customers of Kern River in 1999 accounted for approximately 18 percent, 14 percent and 13 percent, respectively, of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 1999. Kern River transports natural gas for customers under firm long-term transportation agreements totaling 696 MMcf of gas per day.

Operating Statistics. The following table summarizes transportation data for the periods indicated (in TBtu):

	1999	1998	1997
Transportation Volumes	303	299	285
Average Daily Transportation Volumes	.83	.82	.78
Average Daily Firm Reserved Capacity	.72	.72	.73

TEXAS GAS TRANSMISSION CORPORATION

Texas Gas is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from the Louisiana Gulf Coast area and eastern Texas and running generally north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, and Indiana to Ohio, with smaller diameter lines extending into Illinois. Texas Gas's direct market area encompasses eight states in the South and Midwest, and includes the Memphis, Tennessee; Louisville, Kentucky; Cincinnati and Dayton, Ohio; and Indianapolis, Indiana, metropolitan areas. Texas Gas also has indirect market access to the Northeast through interconnections with unaffiliated pipelines.

Pipeline System and Customers

At December 31, 1999, Texas Gas' system, having a mainline delivery capacity of approximately 2.8 Bcf of gas per day, was composed of approximately 5,900 miles of mainline and branch transmission pipelines and 32 compressor stations having a sea level-rated capacity totaling approximately 555,000 horsepower.

In 1999 Texas Gas transported natural gas to customers in Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, Illinois, and Ohio, and indirectly to customers in the Northeast. Texas Gas transported gas for 98 distribution companies and municipalities for resale to residential, commercial, and industrial end users.

Texas Gas provided transportation services to approximately 18 industrial customers located along its system. At December 31, 1999, Texas Gas had transportation contracts with approximately 570 shippers. Transportation shippers include distribution companies, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers, and producers. The largest customer of Texas Gas in 1999 accounted for approximately 13.4 percent of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 1999. Texas Gas' firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Texas Gas's business. Additionally, Texas Gas offers interruptible transportation and storage services under agreements that are generally short-term.

Texas Gas owns and operates gas storage reservoirs in ten underground storage fields located on or near its system or market areas. The storage capacity of Texas Gas' certificated storage fields is approximately 177 Bcf of gas. Texas Gas' storage gas is used in part to meet operational balancing needs on its system, to meet the requirements of Texas Gas' firm and interruptible storage customers, and to meet the requirements of Texas Gas' no-notice transportation service, which allows Texas Gas' customers to temporarily draw from Texas Gas' storage gas to be repaid in-kind during the following summer season. A large portion of the gas delivered by Texas Gas to its market area is used for space heating, resulting in substantially higher daily requirements during winter months.

Operating Statistics. The following table summarizes transportation data for the periods indicated (in TBtu):

	1999	1998	1997
Transportation Volumes	749.6	752.4	773.6
Average Daily Transportation Volumes	2.1	2.1	2.1
Average Daily Firm Reserved Capacity	2.2	2.2	2.2

WILLIAMS GAS PIPELINES CENTRAL, INC.

Central, is an interstate natural gas transportation company that owns and operates a natural gas pipeline system located in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas, and Wyoming. The system serves customers in seven states, including major metropolitan areas in Kansas and Missouri, its chief market areas.

Pipeline System and Customers

At December 31, 1999, Central's system, having a mainline delivery capacity of approximately 2 Bcf of gas per day, was composed of approximately 6,000 miles of mainline and branch transmission and storage pipelines and 44 compressor stations having a sea level-rated capacity totaling approximately 234,000 horsepower.

In 1999, Central transported natural gas to customers in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas, and Wyoming. Central transported gas for 73 distribution companies and municipalities for resale to residential, commercial, and industrial end users in approximately 530 cities and towns. Central provided transportation services to approximately 283 industrial customers, federal and state institutions, and agricultural processing plants located principally in Kansas, Missouri, and Oklahoma. At December 31, 1999, Central had transportation contracts with approximately 166 shippers. Transportation shippers include distribution companies, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers, and producers.

In 1999, approximately 61 percent of Central's total operating revenues were generated from gas transportation services to Central's two largest customers, Kansas Gas Service Company, a division of Oneok, Inc. (approximately 31 percent), and Missouri Gas Energy Company (approximately 30 percent). Kansas Gas Service Company sells or resells gas to residential, commercial, and industrial customers principally in certain major metropolitan areas of Kansas. Missouri Gas Energy sells or resells gas to residential, commercial, and industrial customers principally in certain major metropolitan areas of Missouri. No other customer accounted for more than ten percent of operating revenues in 1999.

Central's firm transportation agreements have various expiration dates ranging from one to 20 years, with the majority expiring in three to eight years. Additionally, Central offers interruptible transportation services under shorter term agreements.

Central operates eight underground storage fields with an aggregate gas storage capacity of approximately 43 Bcf and an aggregate delivery capacity of approximately 1.2 Bcf of gas per day. Central's customers inject gas into these fields when demand is low and withdraw it to supply their peak requirements. During periods of peak demand, approximately two-thirds of the firm gas delivered to customers is supplied from these storage fields. Storage capacity enables Central's system to operate more uniformly and efficiently during the year.

Operating Statistics. The following table summarizes transportation data for the periods indicated (in TBtu):

	1999	1998	1997
Transportation Volumes	324	329	337
Average Daily Transportation Volumes	.9	.9	.9
Average Daily Firm Reserved Capacity	2.2	2.1	2.1

REGULATORY MATTERS

Each interstate natural gas pipeline company has various regulatory proceedings pending. Each company establishes its rates primarily through the FERC's ratemaking process. Key determinants in the ratemaking process are (1) costs of providing service, including depreciation expense, (2) allowed rate of return, including the equity component of the capital structure and related income taxes, and (3) volume throughput assumptions. The FERC determines the allowed rate of return in each rate case. Rate design and the allocation of costs between the demand and commodity rates also impact profitability. As a result of these proceedings, the pipeline companies have collected a portion of their revenues subject to refund. See Note 12 of Notes to Consolidated Financial Statements for the amount accrued for potential refund at December 31, 1999.

Each of the interstate natural gas pipeline companies that were formerly gas supply merchants have undertaken the reformation of its respective gas supply contracts. None of the pipeline companies have any significant pending supplier take-or-pay, ratable-take, or minimum-take claims. In 1999, Central paid various parties amounts that had been accrued in 1998 to resolve its three remaining gas supply contracts. For information on outstanding issues with respect to contract reformation, gas purchase deficiencies, and related regulatory issues, see Note 19 of Notes to Consolidated Financial Statements.

COMPETITION

The FERC continues to regulate each of Williams' interstate natural gas pipeline companies pursuant to the Natural Gas Act and the NGPA. However, competition for natural gas transportation has intensified in recent years due to customer access to other pipelines, rate competitiveness among pipelines, customers' desire to have more than one transporter, and regulatory developments. Future utilization of pipeline capacity will depend on competition from other pipelines, use of alternative fuels, the general level of natural gas demand, and weather conditions. Electricity and distillate fuel oil are the primary competitive forms of energy for residential and commercial markets. Coal and residual fuel oil compete for industrial and electric generation markets. Nuclear and hydroelectric power and power purchased from electric transmission grid arrangements among electric utilities also compete with gas-fired electric generation in certain markets.

Suppliers of natural gas are able to compete for any gas markets capable of being served by pipelines using nondiscriminatory transportation services provided by the pipeline companies. As the regulated environment has matured, many pipeline companies have faced reduced levels of subscribed capacity as contractual terms expire and customers opt to reduce firm capacity under contract in favor of alternative sources of transmission and related services. This situation, known in the industry as "capacity turnback," is forcing the pipeline companies to evaluate the consequences of major demand reductions in traditional long-term contracts. It could also result in significant shifts in system utilization, and possible realignment of cost structure for remaining customers since all interstate natural gas pipeline companies continue to be authorized to charge maximum rates approved by the FERC on a cost of service basis.

Williams is aware that several state jurisdictions have been involved in implementing changes similar to the changes that have occurred at the federal level. States, including New York, New Jersey, Pennsylvania, Maryland, Georgia, and Delaware, are currently in the process of finalizing regulations for their respective local distribution companies. Management expects these regulations to encourage greater competition in the natural gas marketplace.

OWNERSHIP OF PROPERTY

Each of Williams' interstate natural gas pipeline companies generally owns its facilities in fee, with certain portions, such as certain offshore facilities, being held jointly with third parties. However, a substantial portion of each pipeline company's facilities is constructed and maintained pursuant to rights-of-way, easements, permits, licenses, or consents on and across properties owned by others. Compressor stations, with appurtenant facilities, are located in whole or in part either on lands owned or on sites held under leases or permits issued or approved by public authorities. The storage facilities are either owned or contracted under long-term leases or easements.

ENVIRONMENTAL MATTERS

Each interstate natural gas pipeline is subject to the National Environmental Policy Act and federal, state, and local laws and regulations relating to environmental quality control. Management believes that, with respect to any capital expenditures and operation and maintenance expenses required to meet applicable environmental standards and regulations, the FERC would grant the requisite rate relief so that, for the most part, the pipeline companies could recover these expenditures in their rates. For this reason, management believes that compliance with applicable environmental requirements by the interstate pipeline companies is not likely to have a material effect upon Williams' earnings or competitive position.

For a discussion of specific environmental issues involving the interstate pipelines, including estimated cleanup costs associated with certain pipeline activities, see "Environmental" under Management's Discussion and Analysis of Financial Condition and Results of Operations and "Environmental matters" in Note 19 of Notes to Consolidated Financial Statements.

WILLIAMS ENERGY SERVICES

Williams Energy is comprised of four major business units: Exploration & Production, Midstream Gas & Liquids, Petroleum Services, and Energy Marketing & Trading. Through its business units, Williams Energy engages in energy production and exploration activities; natural gas gathering, processing, and treating; natural gas liquids transportation, fractionation, and storage; petroleum products transportation and terminal services; ethanol production; refining; ethylene production; light hydrocarbon/olefin transportation; convenience store retailing; and energy commodity marketing and trading.

Williams Energy, through its subsidiaries, owns 1.05 Tcfe of proved natural gas reserves located primarily in New Mexico, Wyoming and Colorado, and owns or operates approximately 11,200 miles of gathering pipelines (including certain gathering lines owned by Transcontinental Gas Pipe Line Corporation but operated by Midstream Gas & Liquids), approximately 13,360 miles of natural gas liquids pipelines, ten natural gas treating plants, 12 natural gas processing plants (one of which is partially owned), 75 petroleum products terminals, two ethanol production facilities (one of which is partially owned), two refineries, 269 convenience stores/travel centers, and approximately 9,170 miles of petroleum products pipeline. Physical and notional volumes marketed and traded by subsidiaries of Williams Energy approximated 18,889 TBtu equivalents in 1999. Williams Energy, through its subsidiaries, employs approximately 7,760 employees.

Segment revenues and segment profit for Williams Energy are reported in Note 22 of Notes to Consolidated Financial Statements herein.

A business description of each of Williams Energy's business units follows.

EXPLORATION & PRODUCTION

Williams Energy, through its wholly owned subsidiary Williams Production Company in its Exploration & Production unit (E&P), owns and operates producing natural gas leasehold properties in the United States. In addition, E&P is exploring for oil and natural gas.

Oil and gas properties. E&P's properties are located primarily in the Rocky Mountains and Gulf Coast areas. Rocky Mountain properties are located in New Mexico, Wyoming, Colorado, and Utah. Gulf Coast properties are located in Louisiana, and east and south Texas.

Gas Reserves. At December 31, 1999, 1998, and 1997, E&P had proved developed natural gas reserves of 548 Bcf, 476 Bcf, and 362 Bcf, respectively, and proved undeveloped reserves of 504 Bcf, 232 Bcf, and 238 Bcf, respectively. Of E&P's total proved reserves, 78 percent are located in the San Juan Basin of Colorado and New Mexico, and 17 percent are located in Wyoming. No major discovery or other favorable or adverse event has caused a significant change in estimated gas reserves since year end.

Customers and Operations. At December 31, 1999, the gross and net developed leasehold acres owned by E&P totaled 277,544 and 118,892, respectively, and the gross and net undeveloped acres owned were 322,713 and 106,613 respectively. At December 31, 1999, E&P owned interests in 3,676 gross producing wells (731 net) on its leasehold lands.

Operating Statistics. The following tables summarize drilling activity for the periods indicated:

1999 WELLS	GROSS	NET
Development		
Drilled	248	47
Completed	248	47
Exploration		
Drilled	4	2
Completed	1	.5

COMPLETED DURING	GROSS WELLS	NET WELLS
1999	249	48
1998	177	49
1997	207	35

The majority of E&P's gas production is currently being sold in the spot market at market prices. Total net production sold during 1999, 1998, and 1997 was 57.9 Bcf, 43.2 Bcf, and 37.1 Bcf, respectively. The average production costs, including production taxes, per Mcf of gas produced were $.46, $.37, and $.42, in 1999, 1998, and 1997, respectively. The average wellhead sales price per Mcf was $1.48, $1.31, and $1.62, respectively, for the same periods.

In 1993 E&P conveyed a net profits interest in certain of its properties to the Williams Coal Seam Gas Royalty Trust. Williams subsequently sold Trust Units to the public in an underwritten public offering. Williams owns 3,568,791 Trust Units representing 36.8 percent of outstanding Units. Substantially all of the production attributable to the properties conveyed to the Trust was from the Fruitland coal formation and constituted coal seam gas. Production information reported herein includes E&P's interest in these Units.

MIDSTREAM GAS & LIQUIDS

Williams Energy, through Williams Field Services Group, Inc. and its subsidiaries, Williams Natural Gas Liquids, Inc. and its subsidiaries, and Williams Midstream Natural Gas Liquids, Inc. (collectively Midstream Gas & Liquids), owns and operates natural gas gathering, processing and treating, and natural gas liquids transportation, fractionation, and storage facilities in northwestern New Mexico, southwestern Colorado, southwestern Wyoming, eastern Utah, northwestern Oklahoma, Kansas, northern Missouri, eastern Nebraska, Iowa, southern Minnesota, Tennessee, and also in areas offshore and onshore in Texas, Alabama, Mississippi, and Louisiana. Midstream Gas & Liquids also operates gathering facilities, owned by Transcontinental Gas Pipe Line Corporation, an affiliated interstate natural gas pipeline company, that are currently regulated by the FERC.

Expansion Projects. During 1999 Midstream Gas & Liquids continued to expand its operations in the Gulf Coast region through the Mobile Bay projects. The Mobile Bay processing plant was completed in the second quarter of 1999. Contracts are currently in place to supply approximately 70 percent of the processing plant's 600 MMcf per day of capacity. Liquids from this plant are handled by three separate joint ventures including: Tri-States Pipeline, a 16.7 percent owned system with a capacity of 95,000 bbl per day; Wilprise Pipeline, a 37.3 percent owned system with capacity of 60,000 bbl per day; and a 31.6 percent owned fractionation facility with a capacity of 60,000 bbl per day.

In the fourth quarter of 1999, Midstream Gas & Liquids completed construction on an expansion of its Rocky Mountain natural gas liquids pipeline which increased capacity from 75,000 bbl per day to 125,000 bbl per day through construction of a 412-mile pipeline parallel to the existing Mid-America Pipeline System.

Customers and Operations. Facilities owned and/or operated by Midstream Gas & Liquids consist of approximately 11,200 miles of gathering pipelines (including certain gathering lines owned by Transco but operated by Midstream Gas & Liquids), ten natural gas treating plants, 12 natural gas processing plants (one of which is partially owned), and approximately 13,360 miles of natural gas liquids pipeline, of which approximately 4,418 miles are partially owned. The aggregate daily inlet capacity is approximately 8 Bcf for the gathering systems and 7.3 Bcf for the gas processing, treating, and dehydration facilities. Midstream Gas & Liquids' pipeline operations provide customers with one of the nation's largest natural gas liquids transportation systems, while gathering and processing customers have direct access to interstate pipelines, including affiliated pipelines, which provide access to multiple markets.

During 1999 Midstream Gas & Liquids gathered gas for 308 customers, processed gas for 126 customers, and provided transportation to 82 customers. The largest customer accounted for approximately 15 percent of total gathered volumes, and the two largest processing customers accounted for 17 percent and 11 percent, respectively, of processed volumes. The two largest transportation customers accounted for 18 percent and 10 percent, respectively, of transportation volumes. No other customer accounted for more than ten percent of gathered, processed, or transported volumes. Midstream Gas & Liquids' gathering and processing agreements with large customers are generally long-term agreements with various expiration dates. These long-term agreements account for the majority of the gas gathered and processed by Midstream Gas & Liquids. The natural gas liquids transportation contracts are tariff-based and generally short-term in nature with some long-term contracts for system-connected processing plants.

Acquisitions. On March 31, 1999, Williams acquired Union Texas Petrochemical, Inc. from Atlantic Richfield Company for $163 million. In addition to a 5/12 interest in an olefin plant located near Geismar, La., operated by the Petroleum Services segment, the acquisition included several NGL transportation and storage assets in Louisiana, including a 215-mile ethane transportation system and partial ownership in an 85-mile olefin pipeline and storage network, which connects, either directly or indirectly, most major natural gas liquids producers and olefin consumers in Louisiana.

On April 1, 1999, Midstream purchased a 10 million barrel underground storage facility from Koch Industries. The facility is located west of McPherson, Kansas, and consists of 85 underground NGL storage wells. In addition, the purchase included loading/unloading facilities to accommodate 20 tank railcars and three tanker trucks.

On May 1, 1999, Midstream acquired a 20 percent ownership interest in the West Texas LPG Pipeline Limited Partnership, which owns and operates the West Texas LPG Pipeline. Under terms of the agreement, Williams contributed a portion of its NGL gathering system located in southeastern New Mexico and western Texas, near Hobbs, Texas, to the partnership.

Operating Statistics. The following table summarizes gathering, processing, natural gas liquid sales, and transportation volumes for the periods indicated. The information includes operations attributed to facilities owned by Transco but operated by Midstream Gas & Liquids.

	1999	1998	1997
Gas volumes:			
Gathering (TBtu)	2,085	2,117	2,153
Processing (TBtu)	539	536	520
Natural gas liquids sales (millions of gallons)	838	576	551
Natural gas liquids transportation (MMbbl)	282	285	289

PETROLEUM SERVICES

Williams Energy, through wholly owned subsidiaries in its Petroleum Services unit, owns and operates a petroleum products pipeline system, two ethanol production plants (one of which is majority owned), and petroleum products terminals and provides services and markets products related thereto. Included in this business unit are two refineries, 269 convenience stores/travel centers, trucking and rail operations for propane and refined products, and mobile information management systems.

Transportation. A subsidiary in the Petroleum Services unit, Williams Pipe Line Company, owns and operates a petroleum products pipeline system that covers an 11-state area extending from Oklahoma to North Dakota, Minnesota and Illinois. The system is operated as a common carrier offering transportation and terminalling services on a nondiscriminatory basis under published tariffs. The system transports refined products and liquified petroleum gases.

At December 31, 1999, the system traverses approximately 7,100 miles of right-of-way and includes approximately 9,170 miles of pipeline in various sizes up to 16 inches in diameter. The system includes 77 pumping stations, 22.4 million barrels of storage capacity, and 40 delivery terminals. The terminals are equipped to deliver refined products into tank trucks and tank rail cars. The maximum number of barrels that the system can transport per day depends upon the operating balance achieved at a given time between various segments of the system. Because the balance is dependent upon the mix of products to be shipped and the demand levels at the various delivery points, the exact capacity of the system cannot be stated. In 1999 total system shipments averaged 610 thousand barrels per day.

The operating statistics set forth below relate to the system's operations for the periods indicated:

	1999	1998	1997
Shipments (thousands of barrels):			
Refined products:			
Gasolines	132,444	131,600	132,428
Distillates	70,466	72,471	71,694
Aviation fuels	12,060	10,038	10,557
LP-Gases	7,521	8,644	13,322
Lube extracted fuel oil	--	1,246	7,471
Crude oil	--	--	31
Total Shipments	222,491	223,999	235,503
Daily average (thousands of barrels)	610	614	645
Barrel miles (millions)	67,768	61,043	61,086

Williams Pipe Line and a subsidiary of Williams Pipe Line, Longhorn Enterprises of Texas, Inc. (LETI), own a total 31.5 percent interest in Longhorn Partners Pipeline, LP, a joint venture formed to construct and operate a refined products pipeline from Houston to El Paso, Texas. Pipeline construction is complete, and operations are expected to commence in 2000, pending review and approval of an environmental assessment. Williams Pipe Line has designed and constructed and will operate the pipeline, and Williams Pipe Line and LETI have contributed a total of $95.8 million to the joint venture.

Olefins. In the first quarter of 1999, Williams Energy purchased Union Texas Petrochemicals Corporation, a wholly owned subsidiary of ARCO, for $163 million. UTP's assets include a 215-mile light hydrocarbon transportation and partial ownership in an 85-mile olefin pipeline and storage network, which connects, either directly or indirectly, most major natural gas liquids producers and olefin consumers in Louisiana. UTP also is the leading merchant marketer of ethylene in Louisiana and owns and operates a 5/12 interest in a 1.2 billion pounds per year ethylene plant near Geismar, Louisiana. In connection with the acquisition, the Energy Marketing & Trading unit entered into a financial agreement, backed by an A credit-rated third party to manage the risks related to the earnings volatility typically associated with ethylene production.

Terminal Services and Development. Williams Energy, through its wholly owned subsidiary Williams Energy Ventures (WEV), provides independent terminal services to the refining and marketing industries via distribution of petroleum products through wholly owned and joint interest terminals. WEV owns and/or operates 32 strategically located independent terminals covering a 14-state area in the South, Southeast, Southwest, and Midwest.

The terminals are supplied with refined products and ethanol by barge, tanker, truck, rail, and various common carrier pipelines. WEV provides scheduling and inventory management, access to an expanded transportation and information services network, additive injection services, and custom terminalling services such as octane and oxygenate blending. On a selective basis, WEV provides temporary leased storage.

In early 1999 WEV purchased 12 terminals in the Southeast from Amoco and three Gulf Coast area terminals from Amerada Hess.

Terminal barrels delivered for the periods indicated are noted below.

	1999	1998	1997
Terminal Barrels Delivered (mbbls).........................	91,005	28,787	17,336

Bio-Energy. WEV, doing business as Williams Bio-Energy, is engaged in the production and marketing of ethanol. Williams Bio-Energy owns and operates two ethanol plants for which corn is the principal feedstock. The Pekin, Illinois, plant has an annual production capacity of 100 million gallons of fuel-grade and industrial ethanol and also produces various coproducts and Bio-Products. The Aurora, Nebraska, plant (in which WEV owns a 74.9 percent interest) has an annual production capacity of 30 million gallons. Williams Bio-Products also markets ethanol produced by third parties. Bio-Products, mainly flavor enhancers, produced at the Pekin plant are marketed primarily to food processing companies.

The sales volumes set forth below include ethanol produced by third parties as well as by WEV for the periods indicated:

	1999	1998	1997
Ethanol sold (thousands of gallons).....................	200,077	172,056	145,612

Distribution Services. Petroleum Services, through its distribution services group, provides petroleum trucking, and rail car operations for Williams Energy and third parties. The petroleum trucking operation, operated out of Memphis, Tennessee, under the name "GENI Transport," works with local jobbers to supply their retail outlets and with several of Williams Energy's Energy Marketing & Trading unit's wholesale customers to develop transportation arrangements. GENI Transport is also the primary transportation provider to Petroleum Services' retail petroleum group.

Refining. Petroleum Services, through its subsidiaries, owns and operates two refineries: the North Pole, Alaska, refinery and the Memphis, Tennessee, refinery. The financial results of the North Pole refinery and the Memphis refinery may be significantly impacted by changes in market prices for crude oil and refined products. Petroleum Services cannot predict the future of crude oil and product prices or their impact on its financial results.

North Pole Refinery. The North Pole Refinery includes the refinery located at North Pole, Alaska, and a terminal facility at Anchorage, Alaska. The refinery, the largest in the state, is located approximately two miles from its supply point for crude oil, the Trans-Alaska Pipeline System (TAPS). The refinery's processing capability is approximately 215,000 barrels per day. At maximum crude throughput, the refinery can produce 67,000 barrels per day of refined products. These products are jet fuel, gasoline, diesel fuel, heating oil, fuel oil, naphtha, and asphalt. Williams Energy's Energy Marketing & Trading unit markets these refined products in Alaska, Western Canada, and the Pacific Rim principally to wholesale, commercial, industrial, and governmental customers and Petroleum Services' retail petroleum group. Petroleum Services completed construction of a third crude unit at the refinery in October 1998 that can produce an additional 17,000 barrels per day of refined products, including 14,000 barrels per day of jet fuel. The new crude unit was completed at a cost of $75 million.

Average daily throughput and barrels processed and transferred by the North Pole Refinery per day are noted below:

	1999	1998	1997
Throughput (bbl)......................................	185,921	142,471	132,238
Barrels Processed and Transferred (bbl)................	53,385	44,561	42,201

The North Pole Refinery's crude oil is purchased through Williams Energy's Energy Marketing & Trading unit from the state of Alaska or is purchased or received on exchanges from crude oil producers. The refinery has two long-term agreements with the state of Alaska for the purchase of royalty oil, both of which are scheduled to expire on December 31, 2003. The agreements provide for the purchase of up to 63,000 barrels per day (approximately 29 percent of the refinery's supply) of the state's royalty share of crude oil produced from Prudhoe Bay, Alaska. These volumes, along with crude oil either purchased from crude oil producers or received under exchange agreements or other short-term supply agreements with the state of Alaska, are utilized as throughput in the production of products at the refinery. Approximately 34 percent of the throughput is refined and sold as finished product and the remainder of the throughput is returned to the TAPS and either delivered to repay exchange obligations or sold.

Memphis Refinery. The Memphis Refinery, which includes three petroleum products terminals, two of which were acquired in 1999 from Truman Arnold Companies, is the only refinery in the state of Tennessee and has a throughput capacity of approximately 160,000 barrels per day. During June 1999, the refinery's alkylation unit was expanded approximately 4,000 barrels per day to 12,000 barrels per day. In November 1999, the refinery commissioned an expansion of its East Crude Unit increasing crude production capacity by approximately 20,000 barrels per day to 160,000 barrels per day. During the same time period, the refinery's fluid catalytic cracking unit was expanded by approximately 5,000 barrels per day to 70,000 barrels per day. Williams Energy is also constructing a 36,000 barrels per day continuous catalyst regeneration reformer, slated for completion in May 2000. The reformer will enable the refinery to produce 100 percent of customer demand for premium gasoline in the mid-South region of the United States.

The Memphis Refinery produces gasoline, low sulfur diesel fuel, jet fuel, K-1 kerosene, refinery-grade propylene, No. 6 fuel oil, propane, and elemental sulfur. These products are exchanged or marketed primarily in the Mid-South region of the United States by Williams Energy's Energy Marketing & Trading unit to wholesale customers, such as industrial and commercial consumers, jobbers, independent dealers, other refiner/marketers, and to Petroleum Services' retail petroleum group.

The Memphis Refinery has access to crude oil from the Gulf Coast via common carrier pipeline and by river barges. In addition to domestic crude oil, the Memphis Refinery has the capability of receiving and processing certain foreign crudes.

Average daily barrels processed and transferred by the Memphis Refinery are noted below:

	1999	1998	1997
Barrels Processed and Transferred (bbl)................	133,494	120,985	113,040

Retail Petroleum. Petroleum Services, primarily under the brand names "Williams TravelCenters" and "MAPCO Express," is engaged in the retail marketing of gasoline, diesel fuel, other petroleum products, convenience merchandise, and restaurant and fast food items. The retail petroleum group operates 42 interstate TravelCenter locations and 227 convenience stores. The TravelCenter sites consist of 27 modern facilities providing gasoline and diesel fuel, merchandise, and restaurant offerings for both traveling consumers and professional drivers, and 15 locations providing fuel and merchandise. The convenience store sites are primarily concentrated in the vicinities of Nashville and Memphis, Tennessee, and the state of Alaska. All of the motor fuel sold by Williams TravelCenters and MAPCO Express stores is supplied either by exchanges, directly from either the Memphis or North Pole Refineries or through Williams Energy's Energy Marketing & Trading unit.

Convenience merchandise, restaurants, and fast food accounted for approximately 57 percent of the retail petroleum group's gross margins in 1999 and in 1998. Gasoline and diesel sales volumes for the periods indicated are noted below:

	1999	1998	1997
Gasoline (mgals)	339,470	329,821	292,644
Diesel (mgals)	264,248	188,401	137,219

Williams Energy intends to construct up to 25 new travel centers in 2000, the majority of which are expected to open in the third and fourth quarters of 2000.

ENERGY MARKETING & TRADING

Williams Energy, through subsidiaries, primarily Williams Energy Marketing & Trading Company and its subsidiaries (EM&T), is a national energy services provider that buys, sells, and transports a full suite of energy commodities, including natural gas, electricity, refined products, natural gas liquids, crude oil, propane, liquefied natural gas, and liquified petroleum gas, primarily on a wholesale level, serving over 4,000 customers. The number of customers has declined from approximately 300,000 in 1998 due to the sale of EM&T's retail propane marketing business in December 1999. In addition, EM&T provides price-risk management services through a variety of financial instruments including exchange-traded futures, as well as over-the-counter forwards, options, and swap agreements related to various energy commodities. See Note 18 of Notes to Consolidated Financial Statements for information on financial instruments.

EM&T markets natural gas throughout North America and increased its total volumes (physical and notional) to an average of 34.1 Bcf per day in 1999. EM&T's core business has traditionally been natural gas marketing in the Gulf Coast and Eastern regions of the United States, using the pipeline systems owned by Williams, but also includes marketing on approximately 70 non-Williams' pipelines. EM&T's natural gas customers include producers, industrials, local distribution companies, utilities, and other gas marketers.

During 1999, EM&T marketed 285,413 GWh (physical and notional) of electricity. As part of its electricity supply portfolio, EM&T has entered into a number of long-term agreements (15-20 years) to market capacity of electricity generating facilities, either existing or to be constructed at various locations throughout the country totaling approximately 8,800 MW (including Alabama -- approximately 850 MW, California -- approximately 4,000 MW, Louisiana -- approximately 750 MW, New Jersey -- approximately 750 MW, and Pennsylvania -- approximately 650 MW). Under these arrangements, EM&T supplies fuel for conversion to electricity and markets capacity, energy, and ancillary services, related to the generating facilities owned and operated by various counterparties. Approximately 4,000 MW of generation capacity, located in Southern California, is already operational. Commercial operational dates for the remaining capacity range from June 2000 through May 2002. EM&T also has marketing rights for energy and capacity for two natural gas-fired electric generating plants of approximately 60 MW each that are owned by affiliated companies and located near Bloomfield, New Mexico, and in Hazleton, Pennsylvania.

In 1999, EM&T provided supply, distribution, and related risk management services to petroleum producers, refiners, and end-users in the United States and various international regions. During 1999 EM&T's total crude oil and petroleum products (physical and notional) marketed averaged 2,420.8 Mbbl per day. During 1999 EM&T also marketed natural gas liquids with total volumes (physical) averaging 244.9 Mbbl per day.

In early 1999, EM&T announced its intent to focus the natural gas and electric business on large end-use customers and away from sales to commercial and retail customers. In keeping with that direction, the subsidiaries, principally Volunteer Energy L.L.C., which were engaged in retail natural gas and electric sales, were sold during 1999. In addition, EM&T's retail propane business conducted by Thermogas L.L.C. was sold to Ferrellgas Partners L.P. on December 17, 1999, pursuant to an unsolicited offer (see Note 7 of Notes to Consolidated Financial Statements).

Operating Statistics. The following table summarizes marketing and trading volumes for the periods indicated (natural gas volumes include sales by the retail gas and electric business, which has now been divested; propane gallons in 1999 represent sales by Thermogas through December 17, 1999, the date Thermogas was sold; includes propane gallons during 1997 and a portion of 1998 during which Williams did not own MAPCO Inc.):

	1999	1998	1997
Average marketing and trading volumes (physical and notional):			
Natural gas (Bcf per day).............................	34.1	27.7	22.3
Refined products, natural gas liquids, crude oil (mbbl per day).....................................	2,665.7	2,115.4	1,521.3
Electricity (GWh).....................................	285,413	148,400	72,390
Propane gallons (millions)............................	267.6	262.6	297.2

REGULATORY MATTERS

Midstream Gas & Liquids. In May 1994, after reviewing its legal authority in a Public Comment Proceeding, the FERC determined that while it retains some regulatory jurisdiction over gathering and processing performed by interstate pipelines, pipeline-affiliated gathering and processing companies are outside its authority under the Natural Gas Act. An appellate court has affirmed the FERC's determination, and the United States Supreme Court has denied requests for certiorari. As a result of these FERC decisions, some of the individual states in which Midstream Gas & Liquids conducts its operations have considered whether to impose regulatory requirements on gathering companies. Kansas, Oklahoma, and Texas currently regulate gathering activities using complaint mechanisms under which the state commission may resolve disputes involving an individual gathering arrangement. Other states may also consider whether to impose regulatory requirements on gathering companies.

In February 1996, Midstream Gas & Liquids and Transco filed applications with the FERC to spindown all of Transco's gathering facilities to Midstream Gas & Liquids. The FERC subsequently denied the request in September 1996. Midstream Gas & Liquids and Transco sought rehearing in October 1996. In August 1997, Midstream Gas & Liquids and Transco filed a second request for expedited treatment of the rehearing request. The FERC has yet to rule on this request for rehearing. In February 1998 Midstream Gas & Liquids and Transco filed separate applications to spindown an onshore gathering system located in Texas, the Tilden/ McMullen gathering system, which was also one of the subjects of the pending rehearing request. In May of 1999, FERC approved the spindown application only for the facilities upstream of the Tilden treating plant. The transfer of ownership of these facilities is planned for April 2000. As a result of a court appeal reversing and remanding the Commission's decision that the offshore system of Sea Robin pipeline were transmission facilities regulated by FERC under the Natural Gas Act, in June 1998. FERC issued a Notice of Inquiry into its policy related to jurisdiction over pipeline facilities located on the Outer Continental Shelf. Instead of issuing a policy or rule, in June 1999, FERC issued an order in the Sea Robin remand proceeding finding that the upstream portions of the Sea Robin system are nonjurisdictional gathering but the downstream portion is regulated transmission. Rehearing requests are pending. In June 1999, FERC issued a Notice of Proposed Rulemaking under the Outer Continental Shelf Lands Act, proposing certain reporting requirements (including prices, terms and conditions), for facilities located on the Outer Continental Shelf. FERC has not issued a final rule in that proceeding.

Midstream Gas & Liquids' natural gas liquids group is subject to various federal, state, and local environmental and safety laws and regulations. Midstream Gas & Liquids' pipeline operations are subject to the provisions of the Hazardous Liquid Pipeline Safety Act. In addition, the tariff rates, shipping regulations, and other practices of the Mid-America, Rio Grande, Seminole, Wilprise, and Tri-States pipelines are regulated by the FERC pursuant to the provisions of the Interstate Commerce Act applicable to interstate common carrier petroleum and petroleum products pipelines. The tariff rates and practices of the ammonia system are regulated by the Surface Transportation Board under the provisions of the Interstate Commerce Commission Termination Act of 1995 applicable to pipeline carriers. Both of these statutes require the filing of reasonable and nondiscriminatory tariff rates and subject Midstream Gas & Liquids to certain other regulations concerning its terms and conditions of service. The Mid-America, Rio Grande, Seminole, Wilprise and Tri-States pipelines also file tariff rates covering intrastate movements with various state commissions. The United States Department of Transportation has prescribed safety regulations for common carrier pipelines. The pipeline systems are subject to various state laws and regulations concerning safety standards, exercise of eminent domain, and similar matters.

Petroleum Services. Williams Pipe Line, as an interstate common carrier pipeline, is subject to the provisions and regulations of the Interstate Commerce Act. Under this Act, Williams Pipe Line is required, among other things, to establish just, reasonable, and nondiscriminatory rates, to file its tariffs with the FERC, to keep its records and accounts pursuant to the Uniform System of Accounts for Oil Pipeline Companies, to make annual reports to the FERC, and to submit to examination of its records by the audit staff of the FERC. Authority to regulate rates, shipping rules, and other practices and to prescribe depreciation rates for common carrier pipelines is exercised by the FERC. The Department of Transportation, as authorized by the 1995 Pipeline Safety Reauthorization Act, is the oversight authority for interstate liquids pipelines. Williams Pipe Line is also subject to the provisions of various state laws applicable to intrastate pipelines.

On December 31, 1989, a rate cap, which resulted from a settlement with several shippers and had effectively frozen Williams Pipe Line's rates for the previous five years, expired. Williams Pipe Line filed a revised tariff on January 16, 1990, with the FERC and the state commissions. The tariff set an average increase in rates of 11 percent and established volume incentives and proportional rate discounts. Certain shippers on the Williams Pipe Line system and a competing pipeline carrier filed protests with the FERC alleging that the revised rates were not just and reasonable and were unlawfully discriminatory. Williams Pipe Line elected to bifurcate this proceeding in accordance with the then-current FERC policy. Phase I of the FERC's bifurcated proceeding provided Williams Pipe Line the opportunity to justify its rates and rate structure by demonstrating that its markets were workably competitive. Rates to markets that were not deemed workably competitive in Phase I required cost justification in Phase II. Subsequent rate increases filed by Williams Pipe Line were stayed pending ultimate resolution of Phase II.

In the Phase I proceeding, the FERC found all but 12 of Williams Pipe Line's markets to be workably competitive and, thus, eligible for market-based rates. On July 15, 1998, the FERC issued its decision in Phase II finding that Williams Pipe Line failed to demonstrate that the rates at issue for the 12 less competitive markets were just and reasonable and that Williams Pipe Line must roll back those rates to pre-1990 levels and pay refunds with interest to its shippers. Williams Pipe Line sought rehearing of the July 15, 1998, order and was granted leave to stay the order's refund requirement until the FERC acted on rehearing. Williams Pipe Line accrued an appropriate liability in 1998 for the July 15, 1998, order. Subsequent to the July 15, 1998, order, Williams Pipe Line entered into settlement discussions with the parties to the case and with the Commission Staff. These discussions resulted in a settlement that the Commission approved on October 13, 1999. The settlement resolved all issues related to the 1990 rate filing, including all appeals and requests for rehearing for both Phase I and Phase II. Moreover, the settlement also addressed all the subsequent rate filings that had been held in abeyance. Pursuant to the settlement, the rate refunds that Williams Pipe Line was required to make are less than the amounts it had accrued for such refunds, and its rates were given status equivalent to "just and reasonable" rates grandfathered under the Commission's regulations.

Environmental regulations and changing crude oil supply patterns continue to affect the refining industry. The industry's response to environmental regulations and changing supply patterns will directly affect volumes and products shipped on the Williams Pipe Line system. Environmental Protection Agency regulations, driven by the Clean Air Act, require refiners to change the composition of fuel manufactured. A pipeline's ability to respond to the effects of regulation and changing supply patterns will determine its ability to maintain and capture new market shares. Williams Pipe Line has successfully responded to changes in diesel fuel composition and product supply and has adapted to new gasoline additive requirements. Reformulated gasoline regulations have not yet significantly affected Williams Pipe Line. Williams Pipe Line will continue to attempt to position itself to respond to changing regulations and supply patterns but cannot predict how future changes in the marketplace will affect its market areas.

Energy Marketing & Trading. EM&T's business is subject to a variety of laws and regulations at the local, state, and federal levels. At the federal level, important regulatory agencies include the Federal Energy Regulatory Commission (regarding energy commodity transportation and wholesale trading) and the Commodity Futures Trading Commission (regarding various over-the-counter derivative transactions and exemptions and exclusions from the Commodity Exchange Act). Management believes that EM&T's activities are conducted in substantial compliance with the marketing affiliate rules of FERC Order 497. Order 497 imposes certain nondiscrimination, disclosure, and separation requirements upon interstate natural gas pipelines with respect to their natural gas trading affiliates. EM&T has taken steps to ensure it does not share employees or officers with affiliated interstate natural gas pipelines and does not receive information from affiliated interstate natural gas pipelines that is not also available to unaffiliated natural gas trading companies.

COMPETITION

Exploration & Production. Williams Energy's E&P unit competes with a wide variety of independent producers as well as integrated oil and gas companies for markets for its production. E&P has three general phases of operations: acquiring oil and gas properties, developing non-producing properties, and operating producing properties. In the process of acquiring minerals, the primary methods of competition are on acquisition price and terms such as duration of the mineral lease, the amount of the royalty payment, and special conditions related to rights to use the surface of the land under which the mineral interest lies. In the process of developing non-producing properties, E&P does not face significant competition. In the operating phase, the primary method of competition involves operating efficiencies related to the cost to produce the hydrocarbons from the reservoir.

Midstream Gas & Liquids. Williams Energy competes for gathering and processing business with interstate and intrastate pipelines, producers, and independent gatherers and processors. Numerous factors impact any given customer's choice of a gathering or processing services provider, including rate, term, timeliness of well connections, pressure obligations, and the willingness of the provider to process for either a fee or for liquids taken in-kind. Competition for the natural gas liquids pipelines include other pipelines, tank cars, trucks, barges, local sources of supply (refineries, gasoline plants, and ammonia plants), and other sources of energy such as natural gas, coal, oil, and electricity. Factors that influence customer transportation decisions include rate, location, and timeliness of delivery.

Petroleum Services. Williams Pipe Line operates without the protection of a federal certificate of public convenience and necessity that might preclude other entrants from providing like service in its area of operations. Further, Williams Pipe Line must plan, operate, and compete without the operating stability inherent in a broad base of contractually obligated or owner-controlled usage. Because Williams Pipe Line is a common carrier, its shippers need only meet the requirements set forth in its published tariffs in order to avail themselves of the transportation services offered by Williams Pipe Line.

Competition exists from other pipelines, refineries, barge traffic, railroads, and tank trucks. Competition is affected by trades of products or crude oil between refineries that have access to the system and by trades among brokers, traders, and others who control products. These trades can result in the diversion from the Williams Pipe Line system of volume that might otherwise be transported on the system. Shorter, lower revenue hauls may also result from these trades. Williams Pipe Line also is exposed to interfuel competition whereby an energy form shipped by a liquids pipeline, such as heating fuel, is replaced by a form not transported by a liquids pipeline, such as electricity or natural gas. While Williams Pipe Line faces competition from a variety of sources throughout its marketing areas, the principal competition is other pipelines. A number of pipeline systems, competing on a broad range of price and service levels, provide transportation service to various areas served by the system. The possible construction of additional competing products or crude oil pipelines, conversions of crude oil or natural gas pipelines to products transportation, changes in refining capacity, refinery closings, changes in the availability of crude oil to refineries located in its marketing area, or conservation and conversion efforts by fuel consumers may adversely affect the volumes available for transportation by Williams Pipe Line.

Williams Bio-Energy's fuel ethanol operations compete in local, regional, and national fuel additive markets with other ethanol products and other fuel additive producers, such as refineries and MTBE producers. Williams Bio-Energy's other products compete in global markets against a variety of competitors and substitute products.

The principal competitive forces affecting Williams Energy's refining businesses are feedstock costs, refinery efficiency, refinery product mix, and product distribution. Some of Memphis Refinery's competitors can process sour crude, and accordingly, are more flexible in the crudes that they can process. Williams Energy has limited crude oil reserves and does not engage in crude oil exploration, and it must therefore obtain its crude oil requirements from unaffiliated sources. Williams Energy believes that it will be able to obtain adequate crude oil and other feedstocks at generally competitive prices for the foreseeable future.

The principal competitive factors affecting Williams Energy's retail petroleum business are location, product price and quality, appearance and cleanliness of stores, and brand-name identification. Competition in the convenience store industry is intense. Within the travel center industry, Williams TravelCenters strives to be a market leader in customer service to the local consumer, traveling consumer, and professional driver. Averaging 12,000 square feet, the facilities seamlessly blend these customer groups, resulting in greater revenue and income diversification than traditional convenience stores.

Energy Marketing & Trading. Williams Energy's operations directly compete with large independent energy marketers, marketing affiliates of regulated pipelines and utilities, and natural gas producers. The financial trading business competes with other energy-based companies offering similar services as well as certain brokerage houses. This level of competition contributes to a business environment of constant pricing and margin pressure.

OWNERSHIP OF PROPERTY

The majority of Williams Energy's ownership interests in exploration and production properties are held as working interests in oil and gas leaseholds.

Williams Energy's gathering and processing facilities and natural gas liquids pipelines are owned in fee. Midstream Gas & Liquids constructs and maintains gathering and natural gas liquids pipeline systems pursuant to rights-of-way, easements, permits, licenses, and consents on and across properties owned by others. The compressor stations and gas processing and treating facilities are located in whole or in part on lands owned by subsidiaries of Williams Energy or on sites held under leases or permits issued or approved by public authorities.

Williams Energy owns its petroleum pipeline system in fee. However, a substantial portion of the system is operated, constructed, and maintained pursuant to rights-of-way, easements, permits, licenses, or consents on and across properties owned by others. The terminals, pump stations, and all other facilities of the system are located on lands owned in fee or on lands held under long-term leases, permits, or contracts. The North Pole Refinery is located on land leased from the state of Alaska under a long-term lease scheduled to expire in 2025 and renewable at that time by Williams Energy. The Anchorage, Alaska, terminal is located on land leased from the Alaska Railroad Corporation under two long-term leases. The Memphis Refinery is located on land owned by Williams Energy. Williams Energy owns approximately one-half of the properties upon which its Retail Petroleum stores are located and leases the remainder from third parties. Williams Energy management believes its assets are in such a condition and maintained in such a manner that they are adequate and sufficient for the conduct of business.

The primary assets of Williams Energy's energy marketing and trading unit are its term contracts, employees, related systems and technological support.

ENVIRONMENTAL MATTERS

Williams Energy is subject to various federal, state, and local laws and regulations relating to environmental quality control. Management believes that Williams Energy's operations are in substantial compliance with existing environmental legal requirements. Management expects that compliance with existing environmental legal requirements will not have a material adverse effect on the capital expenditures, earnings, and competitive position of Williams Energy. See Note 19 of Notes to Consolidated Financial Statements.

The EPA has named Williams Pipe Line as a potentially responsible party as defined in Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act, for a site in Sioux Falls, South Dakota. The EPA placed this site on the National Priorities List in July 1990. In April 1991 Williams Pipe Line and the EPA executed an administrative consent order under which Williams Pipe Line agreed to conduct a remedial investigation and feasibility study for this site. The EPA issued its "No Action" Record of Decision in 1994, concluding that there were no significant hazards associated with the site subject to two additional years of monitoring for arsenic in certain existing monitoring wells. Williams Pipe Line completed monitoring in the second quarter of 1997 and submitted a report of results to the EPA, which published a Notice of Intent to delete the Sioux Falls site in the January 4, 1999, Federal Register. The public comment period has ended with no significant comments needing to be addressed. Williams Pipe Line was issued a closure letter from the EPA on April 2, 1999. All monitoring is completed, and no further work is anticipated in association with the site.

Groundwater monitoring and remediation are ongoing at both refineries and air and water pollution control equipment is operating at both refineries to comply with applicable regulations. The Clean Air Act Amendments of 1990 continue to impact Williams Energy's refining businesses through a number of programs and provisions. The provisions include Maximum Achievable Control Technology rules which are being developed for the refining industry, controls on individual chemical substances, new operating permit rules and new fuel specifications to reduce vehicle emissions. The provisions impact other companies in the industry in similar ways and are not expected to adversely impact Williams Energy's competitive position.

WILLIAMS COMMUNICATIONS GROUP, INC.

On October 6, 1999, Williams Communications Group, Inc., closed an initial public offering (IPO) by selling shares of its Class A Common Stock to the public. In separate private placements, SBC Communications Inc., Intel Corporation, and Telefonos de Mexico, S.A. de C.V. each purchased a portion of the Class A Common Stock. As of March 15, 2000, there were 68,195,470 shares of the Class A Common Stock outstanding, and Williams owned 395,434,965 shares of the Class B Common Stock of Communications, representing an approximate 85.3 percent ownership interest. Holders of the Class A Common Stock are entitled to one vote per share, and Williams, as holder of the Class B Common Stock of Communications, is entitled to ten votes per share.

Williams Communications is comprised of three business segments: Network, which owns and operates Communications' fiber optic network; Solutions, which provides equipment sales and service, professional services, and sale of carrier services; and Strategic Investments, which makes investments in, or owns and operates, domestic and foreign businesses that create demand for capacity on the Communications network, increase Williams Communications service capabilities, strengthen its customer relationships, develop its expertise in advanced transmission electronics, or extend its reach. In 1999, Communications sold Global Access, its audio- and video-conferencing business. See Note 5 of Notes to Consolidated Financial

Statements. In 1999, Communications also decided to abandon its Telemetry business. Communications has approximately 9,200 employees.

NETWORK

Products and Services. Network's products and services fall into seven categories: packet-based data services, private line services, voice services, local services, dark fiber rights, optical wave services, and network design and operational support.

Revenues. In 1999, 1998, and 1997, Network contributed approximately 19.9, 11.1, and 3.0 percent, respectively, to Communications' total revenues.

Network. At December 31, 1999, Communications had approximately 26,000 route miles of fiber optic cable primarily installed in the ground, with approximately 20,000 of those miles in operation. As of December 31, 1999, Williams Communications had 38 points of presence.

The Communications network is being constructed along pipeline rights of way of affiliates of Williams and the rights-of-way of other pipeline companies. As of December 31, 1999, Communications had agreements in place for approximately 90 percent of the rights of way needed to complete the network.

In addition to providing services on its own network, Communications leases capacity and obtains options rights in dark fiber and wavelengths from both long distance and local telecommunications carriers, including competitors, in order to meet the needs of customers.

Customers. Network's customers currently include regional Bell operating companies, Internet service providers, long distance carriers, international carriers, utilities, and other service providers who desire high-speed connectivity on a wholesale basis.

Network's largest customers for 1999 were Intermedia, which accounted for 25 percent of Network's revenues, and WinStar, which accounted for 22 percent of Network's revenues. Network's next four largest customers accounted for a total of 28 percent of Network's total revenues.

SOLUTIONS

In April 1997, Communications purchased the equipment distribution business of Nortel Communications Systems, Inc., which it then combined with its equipment distribution business to create Williams Communications Solutions, LLC. Nortel's equipment distribution business included the combined net assets of Nortel's direct sales subsidiary, Nortel Communications Systems, Inc., which includes Bell Atlantic Meridian Systems and TTS Meridian Systems, Inc. Communications owns a 70 percent interest and Nortel owns a 30 percent interest in Solutions, LLC. Communications and Nortel have representation in proportion to their respective ownership interest on the management committee of Solutions, LLC. As long as Nortel's interest in Solutions LLC is at least 20 percent, Nortel must approve, among other things, any changes to the scope of Solutions LLC's business; any non-budgeted capital expenditure over $5 million; any non-budgeted acquisition, divestiture or any other obligation over $20 million; and the incurrence of long-term debt in excess of equity.

Products and Services. Solutions operates approximately 110 sales and service offices in the U.S., Canada, and Mexico staffed with approximately 1,200 sales personnel. Solutions provides a comprehensive array of communications products and services. These products and services fall into three categories: equipment sales and service, professional services, and marketing of carrier services.

Revenues. In 1999, 1998, and 1997, Solutions contributed approximately 68.9, 77.5, and 82.4 percent, respectively, to Communications' total revenues.

Vendor relationships. Solutions has agreements with the suppliers of the products and providers of the services it sells to its customers. These agreements provide for Solutions to distribute, resale, or integrate products or act as agent for the provider of services. Solutions' primary vendor relationships are with Nortel, Cisco, Lucent, and NEC. By having relationships with multiple vendors, Solutions believes it can provide the best solution for each customer's specific needs. Solutions realizes that an interruption, or substantial modification, of its distribution relationships could have a material adverse effect on its business.

Customers. Solutions provides products and services to approximately 100,000 customer sites across a broad range of industries including businesses as well as educational, governmental, and non-profit institutions. These customers consist of small businesses (ten or more employees), small sites of larger companies, and large enterprise campus sites. Solutions is not dependent on any one customer or group of customers to achieve its desired results. Solutions' top 25 customers combined accounted for less than 25 percent of revenue during 1999, with no one customer accounting for more than 1 percent.

STRATEGIC INVESTMENTS

Through Strategic Investments, Communications makes investments in, or owns and operates, domestic and foreign businesses that create demand for capacity on the Communications network, increase Communications' service capabilities, strengthen Communications' customer relationships, develop Communications' expertise in advanced transmission electronics, or extend Communications' reach. Individual domestic and international strategic investments are discussed below.

Vyvx Services. Vyvx provides integrated fiber optic, satellite, and teleport video transmission services. Through Vyvx, Communications has gained experience in multimedia networks and has established high-speed connectivity to the major news and sports venues throughout the United States. Vyvx's broadcast customers include all major broadcast and cable television networks, news services, and professional and collegiate sports organizations. Considering its addressable markets for backhauling video content, Vyvx currently has 85 percent of the professional sports market, 65 percent of the live event market, and a 35 percent share in the transmission of television advertising. Vyvx has begun developing a MediaXtranet application infrastructure that will allow Vyvx to develop greater capabilities to function in the eBusiness and Internet environment and allow customers direct access to advertising spot storage and distribution. Communications owns 100 percent of Vyvx.

While Vyvx has approximately 2,000 active customers, approximately 40 percent of its total revenue is derived from its top ten customers. Vyvx's contracts with its largest customers are for terms that extend up to ten years. Most of its contracts with its smaller customers are for one-year terms. Vyvx's largest customer, Fox Entertainment Group, Inc., accounted for approximately nine percent of Communications' total revenues in 1999.

Concentric. Concentric Network Corporation is a provider of Internet-based virtual and private networking services to business customers. As of March 14, 2000, Communications owns 4,633,716 shares, or 11 percent, of Concentric's common stock.

Sycamore Networks. Sycamore Networks is manufacturer of cutting edge high-end fiber optic transmission equipment, especially DWDM equipment. As of March 14, 2000, Communications owns 252,000 shares, or less than one percent of Sycamore's common stock.

Cisco Systems. Cisco Systems is a manufacturer of routers and other equipment to support Internet transmissions. As of March 14, 2000, Communications owns 422,938 shares, or less than one percent of Cisco's common stock.

TMNG. TMNG is a provider of strategy, management, operational and e-business consulting services to the global telecommunications industry. As of March 14, 2000, Communications owns 500,000 warrants to purchase TMNG's common stock at an exercise price of $2.50 per share.

Ziplink, Inc. Ziplink is a provider of wholesale Internet access services to developers and vendors of Internet appliances and local, regional and national Internet service appliances. As of March 14, 2000, Communications owns 216,964 shares, or approximately two percent of Ziplink's common stock.

UniDial. UniDial Communications, Inc. is a reseller of long distance and other communications products, including frame relay, Internet, and conferencing services. As of March 14, 2000, Communications estimates that its preferred stock would convert into approximately 12.3 percent of UniDial's common stock.

UtiliCom. UtiliCom Networks, Inc. partners with utilities to create joint ventures offering local exchange and other communications services. As of March 14, 2000, Communications owns 469,154 shares, or four percent of UtiliCom's common stock. Communications also owns warrants to purchase an additional 200,000 shares at an exercise price of $3.00 per share.

CSI, Inc. CSI, Inc. deploys touch-screen display units installed on stadium seats that provide access to statistics, different views of the field, player- and venue-related information and access to current information from other sports events. Communications owns 100 percent of the common stock and 28 percent of the preferred stock of CSI.

Others. Communications has also made investments in other domestic privately held companies, including NET-tel Communications, Prism Communication Services, SporTVision, Sonus Networks, Corvis Corporation, Optical Networks, Axient, Battery Convergence Fund, ClearData.net, Compass Telecommunications, Internet Telemetry Corp., Avid Sports, Accelerated Networks, Zaffire, and Centennial Strategic Partners Fund.

ATL. ATL-Algar Telecom Leste S.A. provides digital cellular services in the Brazilian states of Rio de Janeiro and Espirito Santo, covering a population of approximately 16.1 million inhabitants. As of March 14, 2000, Communications owns 19 percent of ATL's common stock and 66 percent of ATL's preferred stock.

PowerTel. PowerTel plans to build, own, and operate communications networks serving the three cities of Brisbane, Melbourne and Sydney, Australia, and plans to provide local services in the central business districts of these cities. As of December 31, 1999, Communications owned 159,574,468 shares, or 35 percent, of the common stock of PowerTel and 31,914,894 shares, or 100 percent, of the convertible cumulative preferred stock of PowerTel. Communications' total investment represents a 41 percent economic interest in PowerTel. Communications' currently holds a majority of PowerTel's board seats, is entitled to appoint the executive officers of PowerTel and to exercise control over the company's operations.

Telefonica Manquehue, S.A. Metrocom S.A. was a Chilean company formed to build, own, and operate a communications network providing local, Internet, data, and voice services to businesses and residences in the Santiago metropolitan area. Communications owned a 19.9 percent equity interest in Metrocom S.A. until January 31, 2000, when Metrocom merged with Telefonica Manquehue, S.A. As a result of that merger, Communications owns, as of March 14, 2000, 19.6 percent of Telefonica Manquehue, S.A.

Revenues. For 1999, 1998, and 1997, Strategic Investments contributed approximately 11.3, 11.5, and 14.8 percent, respectively, to Communications' total revenues.

STRATEGIC ALLIANCES AND RELATIONSHIPS

Communications has, and will continue to, enter into strategic alliances with communications companies to secure long-term, high-capacity commitments for traffic on its network and to enhance its service offerings. The most significant of these alliances are described briefly below.

SBC Communications Inc. SBC is a major communications provider in the U.S. that currently provides local services in the south central region of the U.S. and in California, Nevada, and Connecticut. In the fourth quarter of 1999, SBC acquired Ameritech, a major communications provider in the Midwest region of the United States.

On February 8, 1999, Communications entered into agreements with SBC under which:

- SBC must first seek to obtain domestic voice and data long distance services from Communications for 20 years.

- Communications must first seek to obtain select international wholesale services and various other services, including toll-free, operator, calling card and directory assistance services, from SBC for 20 years.

- Communications and SBC will sell each other's products to their respective customers and provide installation and maintenance of communications equipment and other services.

Intel Corporation. Intel is a manufacturer of chips and other computer, networking, and communications products. Intel recently announced the formation of its new business, Intel Online Services, to provide Internet Web-hosting services by building and managing data centers around the world that will support the Web sites of third parties.

On May 24, 1999, Communications and Intel, on behalf of Intel Online Services, entered into a ten-year master alliance agreement. The alliance agreement provides that Communications and Intel Online Services will purchase services from one another pursuant to a service agreement and create a co-marketing arrangement, each of which will be for a three-year term renewable for one-year terms thereafter. The services Communications will provide include domestic transport services. Intel will provide Web hosting services pursuant to the co-marketing arrangement. Subject to Communications' meeting pricing, quality of service and other specifications, Intel Online Services will purchase a significant portion of its yearly domestic transport requirements from Communications.

Telefonos de Mexico S.A. de C.V. Telefonos de Mexico, S.A. de C.V. (TelMex), the largest communications provider in Mexico, currently provides long distance and local services primarily in Mexico.

On May 25, 1999, Communications entered alliance agreements with TelMex under which, subject to any necessary U.S. and Mexican regulatory requirements:

- TelMex must first seek to obtain select international wholesale services and various other services from Communications for 20 years.

- Communications must first seek to obtain select international wholesale services and various other services from TelMex for 20 years.

In addition, Williams Communications and TelMex have entered into an interconnection agreement and are negotiating additional agreements for the purchase and sale of telecommunications services.

WinStar. WinStar Communications, Inc. uses wireless technology to provide high-capacity local exchange and Internet access services to companies located generally in buildings not served by fiber optic cable.

On December 17, 1998, Communications entered into two agreements with WinStar under which:

- Communications has a 25-year right to use approximately 2% of WinStar's wireless local capacity, which is planned to cover the top 50 U.S. markets.

- WinStar has a 25-year right to use four strands of fiber optic cable over 15,000 route miles on the Communications network, a transmission capacity agreement with an obligation to lease specified circuits from Communications for at least 20-year terms and an agreement for collocation and maintenance services.

U S WEST. U S WEST, Inc. is a communications provider with operations in the western region of the U.S. Communications entered into an agreement with U S WEST, effective January 1998, which provides that the two companies will work together to provide data networking services to a variety of customers. Communications also provides various services to U S WEST.

Intermedia. Intermedia Communications, Inc. provides a wide range of local, long distance and Internet services. In April 1998, Intermedia executed an agreement providing for a 20-year right to use Communications' nationwide transmission capacity.

REGULATORY MATTERS

Network. Williams Communications, Inc., a wholly owned subsidiary of Communications, is subject to Federal Communications Commission (FCC) regulations as a common carrier with regard to certain of its transmission services. An FCC rulemaking to eliminate domestic, common carrier tariffs has been stayed pending judicial review. In the interim, the FCC is requiring such carriers to operate under traditional tariff rules. Operations of microwave communications, satellite earth stations, and certain other related transmission facilities are also subject to FCC licensing and other regulations. These regulations do not significantly impact Williams Communications, Inc.'s operations. In 1997 the FCC began implementation of the Universal Service Fund contemplated in the Telecommunications Act of 1996. Williams Communications, Inc. is required to contribute to this fund based upon certain revenues.

In addition, Williams Communications, Inc. is authorized to provide intrastate transmission services in each state and is subject to various rules and regulations in those states in which it provides intrastate transmission services.

Solutions. The equipment sold by Solutions must meet the requirements of Part 68 of the FCC rules governing the equipment registration, labeling, and connection of equipment to telephone networks. Solutions relies on the equipment manufacturers' compliance with these requirements for its own compliance regarding the equipment it distributes. These regulations have a minimal impact on Solutions' operations.

In addition, Communications is subject to various rules and regulations in those foreign jurisdictions in which it has international operations or investments.

COMPETITION

Network. The communications industry is highly competitive. Some competitors in the carrier services and fiber optic network business segments may have personnel, financial, or other competitive advantages. New competitors may enter the market because of increased consolidation and strategic alliances resulting from the Telecommunications Act of 1996, as well as technological advances and further deregulation. In the market for carrier services, Network competes primarily with the three traditional nationwide carriers, AT&T, MCI WorldCom, and Sprint, and other coast-to-coast and regional fiber optic network providers, such as Qwest, Level 3, and Broadwing. Network competes primarily on the basis of pricing, transmission quality, network reliability, and customer service and support. Network has only recently begun to offer some of its services and products and as a result may have fewer and less well established customer relationships than some of its competitors.

Network believes that it has advantages over its competitors. AT&T, MCI WorldCom, and Sprint utilize systems that were constructed for the most part prior to 1990. Network believes that the older systems operated by these carriers generally face disadvantages when compared to the Communications network, such as lower transmission speeds; lower overall capacity; more costly maintenance requirements; inefficiency due to design and competing traffic requirements; and greater susceptibility to systems interruption from physical damage to the network infrastructure.

The prices that Network can charge its customers for transmission capacity on its network could decline due to installation by Network and its competitors, some of which are expanding capacity on their existing networks or developing new networks, of fiber and related equipment that would provide substantially more transmission capacity than currently needed. If prices for network services significantly decline, Network may experience a decline in revenues, which would have a material adverse effect on its operations.

Network believes that its strategy of selling products and services to other communications carriers gives it an advantage over other fiber optic network providers who compete with their customers. Network believes that communications carriers prefer not to buy products and services from a competitor. Network also does not need a large sales, marketing, and customer service staff in order to support the retail markets that its competitors serve. Network can effectively reach and serve a relatively small group of large customers with a small, more efficient, and more focused team, resulting in reduced costs.

Solutions. Solutions' competition comes from communications equipment distributors, network integrators, and manufacturers of equipment (including in some instances those manufacturers whose products Solutions also sells). Solutions competitors include Norstan, Inc., Lucent, Siemens, Cisco Systems and the equipment divisions of GTE, Sprint, and the regional Bell operating companies. Most equipment distributors tend to be regionally focused and do not have Solutions' capability to service a nationwide customer base. Solutions believes its expertise in voice technologies and its ability to provide comprehensive solutions give it an advantage over network integrators. Solutions operates in a highly competitive industry and faces competition from companies that may have significantly greater financial, technical, and marketing resources. Some of Solutions' competitors have strong existing relationships with Solutions' customers and potential customers resulting in a competitive disadvantage for Solutions. Solutions is also at a disadvantage in that its costs exceed those of manufacturers, limiting its ability to engage in price competition with such manufacturers. However, most manufacturers of equipment are focused on selling their own equipment and do not provide converged solutions.

Vyvx. Vyvx's Competition is based primarily on service quality and reliability and network reach and, to a lesser extent, on price. Vyvx's competitors include some of the largest domestic and international communications companies, which have greater financial resources and name recognition. Vyvx is at a disadvantage in international broadcasting because its competitors have greater international presence.

ENVIRONMENTAL MATTERS

Communications is subject to federal, state, and local laws and regulations relating to the environmental aspects of its business. Management believes that Communications' operations are in substantial compliance with existing environmental legal requirements. Management expects that compliance with such existing environmental legal requirements will not have a material adverse effect on the capital expenditures, earnings, and competitive position of Communications.

WILLIAMS INTERNATIONAL COMPANY

Williams International Company, through subsidiaries, has made direct investments in energy projects primarily in South America and Lithuania and continues to explore and develop additional projects for international investment. Williams International also has investments in energy, telecommunications, and infrastructure development funds in Asia and South America.

El Furrial. Williams International owns a 67 percent interest in a venture near the El Furrial field in eastern Venezuela that constructed, owns, and operates medium and high pressure gas compression facilities for Petroleos de Venezuela S.A. (PDVSA), the state owned petroleum corporation of Venezuela.

The medium pressure facility has compression capacity of 130 MMcf per day of raw natural gas from 100 to 1,200 p.s.i.g. for delivery into a natural gas processing plant owned by PDVSA. The high pressure facility has compression capacity of 650 MMcf per day of processed natural gas from 1,100 to 7,500 p.s.i.g. for injection into PDVSA's El Furrial producing field.

Jose Terminal. In November 1998, a consortium in which Williams International owns 45 percent, entered into an agreement with PDVSA to purchase the Jose Terminal, an 800,000 Bbp per day crude oil storage and shiploading facility in northeastern Venezuela, for a 20-year renewable term. As part of the transaction, PDVSA, directly and indirectly through its partners, has committed to store and shipload approximately 750,000 to 850,000 Bbp per day of crude oil during the first 20 years of the transaction. Williams International began interim operations in the second quarter of 1999 and continues to operate the facility. Formal closing has not yet occurred.

Pigap II. In April 1999, a consortium in which Williams International owns 70 percent entered into an agreement with PDVSA Petroleo y Gas, S.A., to develop, design, construct, operate, maintain, and own a high pressure natural gas injection facility and related infrastructure to take gas, process it, and deliver it for injection for secondary recovery of oil from the Santa Barbara/Pirital oil fields located in North Monogas, Venezuela for an initial term of 20 years. Williams International commenced construction in February 2000.

AB Mazeikiu Nafta. In October 1999, Williams entered into an agreement with the Government of Lithuania to acquire a 33 percent ownership interest and the right to operate AB Mazeikiu Nafta (MN). MN consists of a 320,000 barrel per day refinery, the crude oil and refined product pipeline systems within Lithuania, and a 160,000 barrel per day crude export facility on the Baltic Sea. Williams commenced operating these assets in October 1999.

Apco Argentina. Williams International also owns an interest in Apco Argentina Inc., an oil and gas exploration and production company with operations in Argentina whose securities are traded in the Nasdaq Stock Market. Apco Argentina's principal business is its 47.6 percent interest in the Entre Lomas concession in southwest Argentina. It also owns a 45 percent interest in the Canadon Ramirez concession and a 1.5 percent interest in the Acambuco concession.

At December 31, 1999, 1998, and 1997, estimated developed, proved reserves net to Apco Argentina were 20.0, 15.5, and 23.7 million barrels, respectively, of oil, condensate, and plant products, and 51.1, 26.8, and 35.8 Bcf, respectively, of natural gas. Estimated undeveloped, proved reserves net to Apco Argentina were 9.0, 5.1, and 9.5 million barrels, respectively, of oil, condensate, and plant products, and 20.6 Bcf, 700 MMcf, and 800 MMcf, respectively, of natural gas.

At December 31, 1999, the gross and net developed concession acres owned by Apco Argentina totaled 39,108 acres and 17,674 acres, respectively, and the gross and net undeveloped concession acres owned were 502,892 acres and 114,912 acres, respectively. At December 31, 1999, Apco Argentina owned interests in 306 gross producing wells and 142 net producing wells on its concession acreage.

Total net production sold during 1999, 1998, and 1997 was 1.7, 1.7, and 1.8 million barrels, respectively, of oil, condensate, and plant products, and 7.1, 7.7, and 7.7 Bcf, respectively, of natural gas. The average production costs, including all costs of operations such as remedial well workovers and depreciation of property and equipment, per barrel of oil produced were $8.26, $9.09, and $8.27, respectively, and per Mcf of natural gas produced were $.21, $.23, and $.21, respectively. The average wellhead sales price per barrel of oil sold were $17.75, $12.71, and $19.52, respectively, and per Mcf of natural gas sold were $1.35, $1.33, and $1.34, respectively, for the same periods.

OTHER INFORMATION

Williams believes that it has adequate sources and availability of raw materials to assure the continued supply of its services and products for existing and anticipated business needs. Williams' pipeline systems are all regulated in various ways resulting in the financial return on the investments made in the systems being limited to standards permitted by the regulatory bodies. Each of the pipeline systems has ongoing capital requirements for efficiency and mandatory improvements, with expansion opportunities also necessitating periodic capital outlays.

At December 31, 1999, Williams had approximately 21,000 full-time employees, of whom approximately 1,900 were represented by unions and covered by collective bargaining agreements. In September 1998, Williams created three new companies in order to streamline payroll processing and reduce costs. In connection with this, Williams transferred its employees to one of these companies, and the employees are now jointly employed by Williams and one of these new companies. This change had no impact on Williams' management structure or on its employees' seniority and benefits. Williams considers its relations with its employees to be generally good.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include forward-looking statements -- statements that discuss Williams' expected future results based on current and pending business operations. Williams makes these forwarding-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements can be identified by words such as "anticipates," "believes," "expects," "planned," "scheduled" or similar expressions. Although Williams believes these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document.

The following are important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted:

- Changes in general economic conditions in the United States.

- Changes in laws and regulations to which Williams is subject, including tax, environmental and employment laws and regulations.

- The cost and effects of legal and administrative claims and proceedings against Williams or its subsidiaries.

- Conditions of the capital markets Williams utilizes to access capital to finance operations.

- The ability to raise capital in a cost-effective way.

- The effect of changes in accounting policies.

- The ability to manage rapid growth.

- The ability to control costs.

- The ability of each business unit to successfully implement key systems, such as order entry systems and service delivery systems.

- Changes in foreign economies, currencies, laws and regulations, and political climates, especially in Argentina, Brazil, Chile, Venezuela, Lithuania and Australia, where Williams has made direct investments.

- The impact of future federal and state regulations of business activities, including allowed rates of return, the pace of deregulation in retail natural gas and electricity markets, and the resolution of other regulatory matters discussed herein.

- Fluctuating energy commodity prices.

- The ability of Williams' energy businesses to develop expanded markets and product offerings as well as their ability to maintain existing markets.

- The ability of both the Gas Pipeline unit and the Energy Services unit to obtain governmental and regulatory approval of various expansion projects.

- The ability of customers of the energy marketing and trading business to obtain governmental and regulatory approval of various projects, including power generation projects.

- Future utilization of pipeline capacity, which can depend on energy prices, competition from other pipelines and alternative fuels, the general level of natural gas and petroleum product demand, decisions by customers not to renew expiring natural gas transportation contracts, and weather conditions.

- The accuracy of estimated hydrocarbon reserves and seismic data.

- Successful completion of the communications network build within budget and schedule.

- The ability to successfully market capacity on the communications network.

- SBC Communications' ability to obtain regulatory approval to provide long-distance communications services within markets in which it currently provides local services.

- Successful implementation by Williams Communications of its strategy to build a local access infrastructure.

- Technological developments, high levels of competition, lack of customer diversification, and general uncertainties of government regulation in the communications industry.

- Significant competition on pricing and product offerings for Communications' Solutions business unit.

- The ability of Communications' Solutions business to introduce and market competitive products and services.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Williams has no significant amounts of revenue or segment profit or loss attributable to export sales. See Item 1(c) for a description of Williams Energy's and Williams International's export sales activities.

ITEM 2. PROPERTIES

See Item 1(c) for description of properties.

ITEM 3. LEGAL PROCEEDINGS

For information regarding certain proceedings pending before federal regulatory agencies, see Note 19 of Notes to Consolidated Financial Statements. Williams is also subject to other ordinary routine litigation incidental to its businesses.

Environmental matters. Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At December 31, 1999, these subsidiaries had accrued liabilities totaling approximately $27 million for these costs.

Certain Williams subsidiaries, including Texas Gas and Transcontinental Gas Pipe Line, have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. Although no assurances can be given, Williams does not believe that these obligations or the PRP status of these subsidiaries will have a material adverse effect on its financial position, results of operations or net cash flows.

Transcontinental Gas Pipe Line, Texas Gas and Central have identified polychlorinated biphenyl (PCB) contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of December 31, 1999, Central had accrued a liability for approximately $11 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to 10 years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $27 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Texas Gas, Transcontinental Gas Pipe Line and Central have deferred these costs as incurred pending recovery through future rates and other means.

Transcontinental Gas Pipe Line received a letter stating that the U.S. Department of Justice (DOJ), at the request of the EPA, intends to file a civil action against Transcontinental Gas Pipe Line arising from its waste management practices at Transcontinental Gas Pipe Line's compressor stations and metering stations in 11 states from Texas to New Jersey. DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. DOJ and Transcontinental Gas Pipe Line are discussing a settlement. While no specific amount was proposed, DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transcontinental Gas Pipe Line cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transcontinental Gas Pipe Line believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Energy Services (WES) also accrues environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum, refining and propane marketing operations primarily related to soil and groundwater contamination. At December 31, 1999, WES and its subsidiaries had accrued liabilities totaling approximately $42 million. WES recognizes receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At December 31, 1999, WES and its subsidiaries had accrued receivables totaling $19 million.

Williams Field Services (WFS), a WES subsidiary, received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS intends to defend this matter, but cannot reasonably estimate the amount of potential liability, if any, at this time. EPA, DOJ, and WFS have scheduled settlement negotiation meetings beginning in March 2000.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At December 31, 1999, Williams had approximately $13 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Other legal matters. In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In one of the cases, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. Transcontinental Gas Pipe Line is pursuing an appeal. In the other case, a producer has asserted damages, including interest calculated through December 31, 1997, of approximately $6 million. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

In connection with the sale of certain coal assets in 1996, MAPCO entered into a Letter Agreement with the buyer providing for indemnification by MAPCO for reductions in the price or tonnage of coal delivered under a certain pre-existing Coal Sales Agreement dated December 1, 1986. The Letter Agreement is effective for reductions during the period July 1, 1996, through December 31, 2002, and provides for indemnification for such reductions as incurred on a quarterly basis. On October 7, 1999, MAPCO settled buyer's claims for indemnification under the Letter Agreement and certain other unrelated claims in exchange for payment by MAPCO in the amount of $35 million that had been accrued in prior years.

In 1998, the United States Department of Justice informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries including Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Williams Gas Pipeline Company, Transcontinental Gas Pipe Line Corporation, Texas Gas, Williams Field Services Company and Williams Production Company. Mr. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the United States Department of Justice announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including the ones filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes.

Shrier v. Williams was filed on August 4, 1999, in the U.S. District Court for the Northern District of Oklahoma. Oxford v. Williams was filed on September 3, 1999, in state court in Jefferson County, Texas. The Oxford complaint was amended to add an additional plaintiff on September 24, 1999. On October 1, 1999, the case was removed to the U.S. District Court for the Eastern District of Texas, Beaumont Division. Plaintiffs have filed a motion seeking to remand the case back to state court. In each lawsuit, the plaintiff seeks to bring a nationwide class action on behalf of all landowners on whose property the plaintiffs have alleged Williams Communications Group, Inc. (WCG) installed fiber-optic cable without the permission of the landowner. The plaintiffs are seeking a declaratory ruling that WCG is trespassing, damages resulting from the alleged trespass, damages based on WCG's profits from use of the property and damages from alleged fraud. Relief requested by the plaintiff includes injunction against further trespass, actual and punitive damages, and attorneys' fees.

Williams believes that installation of the cable containing the single-fiber network that crosses over or near the named plaintiffs' land does not infringe on the plaintiffs' property rights. Williams also does not believe that the plaintiffs in these lawsuits have sufficient basis for certification of a class action. The proposed composition of the class in the Oxford lawsuit appears to include only landowners who would also be included in the class proposed in the Shrier suit. Other communications carriers have been successfully challenged with respect to their rights to use railroad rights of way, which are also challenged by the plaintiffs in Schrier and Oxford. Approximately 15 percent of the WCG network is installed on railroad rights of way. In many areas, the railroad granting WCG the license holds full ownership of the land, in which case its license should be sufficient to give WCG valid rights to cross the property. In some states where the railroad is not the property owner but has an easement over the property, the law is unsettled as to whether a landowner's approval is required. WCG generally did not obtain landowner approval where the rights of way are located on railroad easements. In most states, WCG has eminent domain rights which WCG believes would limit the liability for any trespass damages. It is likely that WCG will be subject to other purported class action suits challenging the use of railroad or pipeline rights of way. WCG cannot quantify the impact of all such claims at this time.

Summary

While no assurances may be given, Williams does not believe that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers, or other indemnification arrangements, will have a materially adverse effect upon Williams' future financial position, results of operations, or cash flow requirements.

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

Not applicable.

EXECUTIVE OFFICERS OF WILLIAMS

The names, ages, positions, and earliest election dates of the executive officers of Williams are:

NAME	AGE	POSITIONS AND OFFICES HELD	HELD OFFICE SINCE
Keith E. Bailey........................	57	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	05-19-94
John C. Bumgarner, Jr.	57	Senior Vice President -- Corporate Development and Planning; President -- Williams International Company; Senior Vice President -- Strategic Investments, Williams Communications	01-01-79
James R. Herbster......................	58	Senior Vice President -- Administration	01-01-92
Michael P. Johnson, Sr.................	52	Senior Vice President -- Human Resources	05-01-99
Jack D. McCarthy.......................	57	Senior Vice President -- Finance (Principal Financial Officer)	01-01-92
William G. von Glahn...................	56	Senior Vice President and General Counsel	08-01-96
Gary R. Belitz.........................	50	Controller (Principal Accounting Officer)	01-01-92
Steven J. Malcolm......................	51	President and Chief Executive Officer -- Williams Energy Services	12-01-98
Howard E. Janzen.......................	46	President and Chief Executive Officer -- Williams Communications, Inc.	02-11-97
Cuba Wadlington, Jr.*..................	56	President and Chief Executive Officer -- Williams Gas Pipeline Company	01-01-00

Except for Mr. Johnson, all of the above officers have been employed by Williams or its subsidiaries as officers or otherwise for more than five years and have had no other employment during the period. Prior to joining Williams, Mr. Johnson held various officer positions with Amoco Corporation for more than five years.

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* Mr. Wadlington was named Chief Operating Officer of Williams Gas Pipeline Company on July 1, 1999, upon the announcement of the retirement of Mr. Brian E. O'Neill. Upon Mr. O'Neill's retirement on January 1, 2000, Mr. Wadlington was elected President and Chief Executive Officer of Williams Gas Pipeline Company.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Williams' Common Stock is listed on the New York and Pacific Stock exchanges under the symbol "WMB." At the close of business on December 31, 1999, Williams had approximately 14,815 holders of record of its Common Stock. The high and low sales price ranges (composite transactions) and dividends declared by quarter for each of the past two years are as follows:

	1999			1998		
QUARTER	HIGH	LOW	DIVIDEND	HIGH	LOW	DIVIDEND
1st	$41.00	$28.75	$.15	$34.88	$26.25	$.15
2nd	$53.75	$38.81	$.15	$35.75	$28.81	$.15
3rd	$46.38	$34.19	$.15	$36.94	$20.00	$.15
4th	$39.88	$28.00	$.15	$31.88	$24.88	$.15

Terms of certain subsidiaries' borrowing arrangements limit the transfer of funds to Williams. These terms have not impeded, nor are they expected to impede, Williams' ability to meet its cash flow needs.

ITEM 6. SELECTED FINANCIAL DATA

The following financial data as of December 31, 1999 and 1998 and for the three years ended December 31, 1999 are an integral part of, and should be read in conjunction with, the consolidated financial statements and notes thereto. All other amounts have been prepared from the Company's financial records. Certain amounts below have been restated or reclassified (see Note 1). Information concerning significant trends in the financial condition and results of operations is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages F-2 through F-19 of this report.

	1999	1998	1997	1996	1995
	(MILLIONS, EXCEPT PER-SHARE AMOUNTS)				
Revenues(1)	$ 8,593.1	$ 7,658.3	$ 8,249.5	$ 6,849.0	$ 5,695.6
Income from continuing operations(2)	161.8	141.4	436.8	505.3	366.5
Income (loss) from discontinued operations(3)	--	(14.3)	(6.3)	(32.7)	1,029.3
Extraordinary gain (loss)(4)	65.2	(4.8)	(79.1)	--	--
Cumulative effect of change in accounting principal(5)	(5.6)	--	--	--	--
Diluted earnings per share:					
Income from continuing operations	.36	.31	1.01	1.17	.86
Income (loss) from discontinued operations	--	(.03)	(.01)	(.08)	2.49
Extraordinary gain (loss)	.15	(.01)	(.19)	--	--
Cumulative effect of change in accounting principle	(.01)	--	--	--	--
Total assets at December 31	25,288.5	18,647.3	16,282.8	14,611.6	12,853.2
Long-term obligations at December 31	9,235.3	6,366.4	5,351.5	4,985.3	3,675.0
Williams obligated mandatorily redeemable preferred securities of Trust at December 31	175.5	--	--	--	--
Stockholders' equity at December 31(6)	5,585.2	4,257.4	4,237.8	4,036.9	3,828.9
Cash dividends per common share	.60	.60	.54	.47	.36

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(1) See Note 1 for discussion of the 1998 change in the reporting of certain marketing activities from a "gross" basis to a "net" basis consistent with fair value accounting. See Note 2 for discussion of Williams' 1997 acquisition of Nortel's customer premise equipment sales and service operations.

(2) See Notes 2 and 5 for discussion of the gain on sale of interest in subsidiary and asset sales, impairments and other accruals in 1999, 1998 and 1997. Income from continuing operations in 1996 includes a $15.7 million pre-tax gain from the sale of certain communications rights and a $20.8 million pre-tax gain from the sale of certain propane and liquid fertilizer assets. Income from continuing operations in 1995 includes a $41.4 million pre-tax charge related to the cancellation of a commercial coal gasification venture and a $16 million after-tax gain related to the sale of Williams' 15 percent interest in Texasgulf, Inc.

(3) See Note 3 for the discussion of the 1998 and 1997 losses from discontinued operations. The loss from discontinued operations for 1996 includes a $47.2 million after-tax loss related to the sale of the MAPCO coal business offset by $14.5 million in 1996 income from these operations. The income from discontinued operations for 1995 primarily relates to the $1 billion after-tax gain from the 1995 sale of Williams' network services operations.

(4) See Note 7 for discussion of the 1999 extraordinary gain and 1998 and 1997 extraordinary losses.

(5) See Note 1 for discussion of the adoption in 1999 of Statement of Position 98-5, "Reporting on the Cost of Startup Activities."

(6) See Note 15 for discussion of the 1999 issuance of subsidiary's common stock.

ITEM 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

1999 vs. 1998

CONSOLIDATED OVERVIEW. Williams' revenues increased $935 million, or 12 percent, due primarily to higher revenues from increased petroleum products and natural gas liquids sales volumes and average sales prices, increased revenues from retail natural gas and electric activities following a late 1998 acquisition, higher natural gas services revenues and increases in Communications' dark fiber lease revenues and new business growth. In addition, revenues increased due to the acquisition of a petrochemical plant in 1999, higher revenues from fleet management and mobile computer technology operations and reductions of rate refund liabilities at Gas Pipeline. Partially off-setting these increases were the effects in 1999 of reporting certain revenues net of costs within Energy Services (see Note 1 of Notes to Consolidated Financial Statements), lower pipeline construction revenues and lower electric power services revenues reflecting, in part, the designation of an electric power contract as trading following the adoption in 1999 of EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities."

Segment costs and expenses increased $824 million, or 12 percent, due primarily to higher costs related to increased petroleum products and natural gas liquids volumes purchased and average purchase prices, higher retail natural gas and electric costs following a late 1998 acquisition, higher costs and expenses from growth of Communications' Network operations and infrastructure, $33.9 million of 1999 losses and asset impairments at Communications, increased fleet management and mobile computer technology operations and higher selling, general and administrative expenses. In addition, 1999 includes $10.5 million of expense associated with a Williams-wide incentive program. Partially offsetting these increases were the effects in 1999 of reporting certain costs net in revenues within Energy Services (see Note 1), lower electric power services costs, lower pipeline construction costs and $45 million of gains from asset sales by Energy Services in 1999. In addition, 1998 included $80 million of MAPCO merger-related costs (including $29 million within general corporate expenses) (see Note 2), a $58.4 million charge at Gas Pipeline related to certain long-term gas supply contracts (see Note 19), $29 million of asset write-downs at Communications and $31 million of retail natural gas and electric credit loss accruals and asset impairments at Energy Services.

Operating income increased $132 million, or 18 percent, due primarily to increases at Energy Services and Gas Pipeline of $105 million and $87 million, respectively, and the effect in 1998 of MAPCO merger-related costs totaling $80 million, partially offset by $125 million higher segment losses at Communications. Energy Services' increase reflects improved natural gas trading activities, increased natural gas liquids volumes and margins, $45 million in gains from the sales of assets and the effect in 1998 of $31 million of retail natural gas and electric credit loss accruals and asset impairments, partially offset by higher selling, general and administrative expenses and lower results from electric power trading activities and retail petroleum operations. Gas Pipeline's increase reflects the net favorable revenue effect of 1999 and 1998 adjustments associated with regulatory and rate issues and the effect of the $58.4 million charge in 1998 related to certain long-term gas supply contracts. The additional losses at Communications reflect higher selling, general and administrative expenses, including costs associated with infrastructure growth and improvement, losses experienced from providing customer services prior to completion of the new network and $31 million higher losses from start-up activities of Australian and Brazilian communications operations.

Income from continuing operations before income taxes, extraordinary gain (loss) and cumulative effect of change in accounting principle increased $74 million, or 30 percent, due primarily to $132 million higher operating income, $43 million of higher investing income and the effect of 1998 litigation loss accruals and other settlement adjustments totaling $11 million, partially offset by $114 million higher net interest expense reflecting increased debt in support of continued expansion and new projects.

At December 31, 1999, Williams changed the discount rate assumption for use in calculating pension expense for 2000 from the rate used in 1999 as a result of changes in market rates. This change is expected to decrease pension expense approximately $14 million in 2000.

GAS PIPELINE

GAS PIPELINE'S revenues increased $146.8 million, or 9 percent, due primarily to a total of $66 million of reductions to rate refund liabilities, resulting primarily from second-quarter 1999 regulatory proceedings involving rate-of-return methodology for three of the gas pipelines and fourth-quarter 1999 revisions following other regulatory proceedings. Revenues also increased due to $65 million higher gas exchange imbalance settlements, $36 million higher reimbursable costs passed through to customers (both offset in costs and operating expenses) and $14 million from expansion projects and new services. These increases were partially offset by $21 million of favorable 1998 adjustments from the settlement of rate case issues and lower transportation revenues associated with rate design and discounting on certain segments of the pipeline.

Segment costs and expenses increased $59.9 million, or 6 percent, due primarily to the higher gas exchange imbalance settlements and reimbursable costs which are passed through to customers, $13 million higher general and administrative expenses and $9 million higher depreciation and amortization related mainly to pipeline expansions. These increases were partially offset by the effect of a $58.4 million charge in 1998 (included in other expense -- net) related to certain long-term gas supply contracts entered into in 1982. The charge represented natural gas costs incurred in prior years that will not be recoverable from customers (see Note 19). General and administrative expenses increased primarily from information systems initiatives, higher labor and benefits costs, a $2.3 million accrual for damages associated with two pipeline ruptures in the northwest and the $2 million write-off of previously capitalized software development costs.

Segment profit increased $86.9 million, or 14 percent, due primarily to the $45 million net revenue effect of the regulatory and rate case issues discussed above, the $58.4 million effect of the accrual for costs in 1998 related to certain long-term gas supply contracts discussed above and $14 million of revenues from expansion projects and new services. These segment profit increases were partially offset by $9 million higher depreciation and amortization and $13 million higher general and administrative expenses.

On March 17, 2000, Gas Pipeline received a favorable order from the Federal Energy Regulatory Commission related to the rate of return and capital structure issues in a regulatory proceeding. Gas Pipeline is evaluating the effect of the order. Preliminary indications are that rate refund liabilities may be considerably reduced in 2000.

ENERGY SERVICES

ENERGY MARKETING & TRADING'S revenues increased $340.3 million, or 18 percent, due to a $101.5 million increase in trading revenues and a $238.8 million increase in non-trading revenues. The $101.5 million increase in trading revenues is due primarily to $61 million higher natural gas trading margins, which reflect $61 million of favorable contract settlements in 1999 and increased trading volumes and per-unit margins, partially offset by the effect in 1998 of certain favorable contract settlements and terminations totaling $24 million. In addition, natural gas liquids margins increased $23 million associated mainly with increased physical trading activities and electric power trading margins increased $14 million. The electric power trading margin increase reflects the designation of a southern California electric power services contract as trading in accordance with EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," which was adopted first-quarter 1999, the recognition of $7 million of revenue associated with a 1998 contractual dispute which was settled in 1999 and increased trading activity. Largely offsetting these electric power trading revenue increases were lower demand for electricity in southern California in 1999 compared to 1998 due to cooler summer temperatures in 1999.

The $238.8 million non-trading revenue increase is due primarily to $334 million higher refined product revenues resulting from higher average sales prices and increased sales volumes primarily reflecting the 1999 and 1998 expansions of the Alaska and Memphis refineries. In addition, retail natural gas and electric revenues increased $131 million resulting primarily from the late 1998 acquisition of Volunteer Energy. Partially offsetting these increases were $211 million lower electric power services revenues primarily related to the designation of a southern California electric power services contract as trading in 1999 (discussed above). Additionally, natural gas liquids revenues decreased slightly as the effect in first-quarter 1999 of reporting trading revenues on a net basis for certain operations previously reported on a "gross" basis was substantially offset by $111 million contributed by activity from a petrochemical plant acquired early in 1999.

Cost of sales associated with non-trading activities increased $288.5 million, or 18 percent, due primarily to higher costs for refined products and retail natural gas and electric operations of $339 million and $120 million, respectively, partially offset by $156 million lower electric power services costs which reflects the designation of such costs as trading in 1999 (discussed above). These variances are associated with the corresponding changes in non-trading revenues discussed above.

Segment profit increased $67.1 million, to $106.1 million in 1999, due primarily to the $61 million higher natural gas trading margins, $34 million higher natural gas liquids net revenues, a $22.3 million gain on the sale of Volunteer Energy assets in 1999 and the effect in 1998 of $14 million of asset impairments related to the decision to focus the retail natural gas and electric business from sales to small commercial and residential customers to large end users. These increases were partially offset by $40 million lower electric power services net revenues, $16 million higher selling, general and administrative expenses and $8 million higher retail propane operating expenses. The higher selling, general and administrative expenses reflect higher compensation levels associated with improved operating performance, growth in electric power trading operations, the Volunteer Energy acquisition in late 1998 and increased activities in the areas of human resources development, investor/media/customer relations and business development, partially offset by the effect in 1998 of a $17 million credit loss accrual.

Energy, Marketing & Trading's revenues and costs and expenses for 1999 included $140.5 million and $145.3 million, respectively, from the Volunteer Energy operations sold in 1999. In addition, Energy, Marketing & Trading sold its retail propane business, Thermogas Company, previously a subsidiary of MAPCO Inc., to Ferrellgas Partners L.P. on December 17, 1999 (see Note 7). The sale yielded an after-tax gain of $65.2 million, which is reported as an extraordinary gain. Retail propane revenues and costs and expenses were $244.1 million and $257.2 million, respectively, for 1999.

EXPLORATION & PRODUCTION'S revenues increased $50.8 million, or 37 percent, due primarily to $22 million from increased average natural gas sales prices, $20 million associated with increases in both company-owned production volumes and marketing volumes from the Williams Coal Seam Gas Royalty Trust (Royalty Trust) and royalty interest owners and $17 million from oil and gas properties acquired in April 1999. Partially offsetting was an $11 million decrease in the recognition of income previously deferred from a 1997 transaction which transferred certain nonoperating economic benefits to a third party. Company-owned production has increased due mainly to a drilling program initiated in the San Juan basin in 1998 and 1999 and the April 1999 acquisition.

Other expense -- net in 1999 includes a $14.7 million gain from the sale of certain gas producing properties which contributed $2 million to segment profit in 1999. Also included in other expense -- net in 1999 is a $7.7 million gain from the sale of certain other properties.

Segment profit increased $12.6 million, or 46 percent, due primarily to $22 million of gains from the sales of assets, an $8 million contribution from the April 1999 acquisition, $4 million higher profits from company-owned production and $4 million lower dry hole costs. Partially offsetting was $11 million decreased recognition of deferred income, a $9 million decrease in margins from the marketing of natural gas and $6 million higher nonproducing leasehold amortization.

MIDSTREAM GAS & LIQUIDS' revenues increased $158.1 million, or 18 percent, due primarily to $119 million higher natural gas liquids sales from processing activities reflecting $62 million from a 46 percent increase in volumes sold and $57 million from a 29 percent increase in average natural gas liquids sales prices. The increase in natural gas liquids sales volumes is a result of the improved liquids market conditions in 1999 and a new plant which became operational in 1999. In addition, revenues increased due to $17 million from higher average gathering rates, $16 million higher transportation revenues associated with increased shipments, the effect of unfavorable adjustments in 1998 of $14 million related to rates placed into effect in 1997 for Midstream's regulated gathering activities (offset in costs and operating expenses) and $11 million higher natural gas liquids storage revenues following the mid-1999 acquisition of two storage facilities. Partially offsetting these increases were $20 million lower equity earnings including 1998 and 1999 reclassifications totaling $10 million for the Discovery pipeline project (offset in capitalized interest).

Cost and operating expenses increased $122.2 million, or 22 percent, due primarily to $58 million higher liquids fuel and replacement gas purchases, higher operating and maintenance expenses and the 1998 rate adjustments related to Midstream's regulated gathering activities.

Segment profit increased $5.1 million, or 2 percent, due primarily to $40 million from higher per-unit natural gas liquids margins and $7 million from the increase in natural gas liquids volumes sold reflecting more favorable market conditions. The rapidly rising crude oil prices during 1999 and flat-to-declining natural gas prices caused natural gas liquids margins to increase significantly. For each penny improvement in natural gas liquids margins in 1999, segment profit increased approximately $8 million to $9 million. In addition, transportation, gathering and storage revenues increased $16 million, $12 million and $11 million, respectively. Largely offsetting were higher operating and maintenance expenses, $17 million higher general and administrative expenses, $20 million lower equity earnings, $8 million of costs associated with cancelled pipeline construction projects and the effect of a 1998 gain of $6 million on settlement of product imbalances.

Midstream is in the process of reorganizing its operations including the consolidation in Tulsa of certain support functions currently located in Salt Lake City and Houston. In connection with this, Williams offered certain employees enhanced retirement benefits under an early retirement incentive program in the first quarter of 2000. In addition, severance, relocation and other exit costs will be incurred. Preliminary estimates indicate that this reorganization may result in total pre-tax charges to first-quarter 2000 operating results of approximately $15 million to $17 million. Midstream expects one-year cost savings to exceed these charges.

PETROLEUM SERVICES' revenues increased $462 million, or 19 percent, due primarily to $347 million higher refinery revenues (including $99 million higher intra-segment sales to the travel centers/convenience stores which are eliminated), $166 million higher travel center/convenience store sales, $74 million higher revenues from growth in fleet management and mobile computer technology operations, $26 million in revenues from a petrochemical plant acquired in March 1999 and $23 million in revenues from terminalling operations acquired in January and August 1999. Partially offsetting these increases was a $90 million decrease in pipeline construction revenues following substantial completion of the project. This refined products pipeline, in which Williams has a 31.5 percent ownership interest, is awaiting final approval of an environmental assessment and is expected to come on line in 2000. The $347 million increase in refinery revenues reflects a $262 million increase from 21 percent higher average sales prices and an $81 million increase from 7 percent higher refined product volumes sold. The increase in refined product volumes sold follows refinery expansions and improvements in mid-1999 and late-1998 which increased capacity. The $166 million increase in travel center/convenience store sales reflects $79 million from a 16 percent increase in gasoline and diesel sales volumes, $52 million from an 8 cent per gallon increase in average gasoline and diesel sales prices and $35 million higher merchandise sales. Both the number of travel centers/convenience stores and average per-store sales in 1999 increased as compared to 1998.

Costs and operating expenses increased $438.8 million, or 20 percent, due primarily to $340 million higher refining costs, $156 million higher travel center/convenience store cost of sales (including $99 million higher intra-segment purchases from the refineries which are eliminated), $71 million higher costs from growth in the fleet management and mobile computer technology operations, $27 million higher travel center/convenience store operating costs, $14 million of costs from the petrochemical plant acquired in March 1999 and $13 million higher terminalling costs related primarily to the terminalling operations acquired in 1999. Partially offsetting these increases were $87 million lower pipeline construction costs related to the project previously discussed. The $340 million increase in refining costs reflects $252 million from higher crude supply costs and other related per-unit cost of sales, $66 million associated with increased volumes sold and $22 million higher operating costs at the refineries. The higher refinery operating costs are a result of increased maintenance activity and refinery expansions completed in 1999 and 1998. The $156 million increase in travel center/convenience store cost of sales reflects $71 million from increased gasoline and diesel sales volumes, $56 million from increased average gasoline and diesel purchase prices and $29 million higher merchandise cost of sales reflecting increased volumes.

Selling, general and administrative expenses increased $28 million due, in part, to increased media/ customer relations activities, business development and the additional terminals and travel centers in 1999.

Segment profit increased $20.1 million, or 14 percent, due primarily to the effects of a $15.5 million accrual in 1998 for potential refunds to transportation customers following a court ruling requiring such refunds and the settlement in 1999 of this litigation for $6.5 million less than accrued. In addition, segment profit increased due to $15 million from increased refined product volumes sold, $12 million from activities at the petrochemical plant acquired in March 1999 and $10 million from increased terminalling activities following the 1999 acquisitions. Also contributing to increased segment profit were $10 million from higher average per-unit refinery margins, $7 million from higher gasoline and diesel sales volumes, $7 million higher gross profit from increased travel center/convenience store merchandise activity, $5 million of margins on product sales from transportation, $4 million of refinery-related storage fee revenue and the recovery of $4 million of environmental expenses previously incurred. Largely offsetting these increases were $27 million and $22 million of increased operating costs at the travel centers/convenience stores and the refineries, respectively, and $28 million higher selling, general and administrative expenses.

COMMUNICATIONS

NETWORK'S revenues increased $210.3 million, or 108 percent, due primarily to $147 million of business growth from data and switched voice services, $45 million increased revenue from dark fiber leases accounted for as sales-type leases on the newly constructed digital fiber-optic network and $16 million higher consulting and outsourcing revenues.

Costs and operating expenses increased $255.3 million, or 152 percent, due primarily to $99 million higher off-net capacity costs associated with providing customer services prior to completion of the new network, $49 million higher operations and maintenance expenses on the newly completed portions of the network, $29 million of construction costs associated with the dark fiber leases accounted for as sales-type leases, $28 million higher depreciation expense as portions of the new network were placed into service, $24 million higher local access connection costs, $17 million higher costs of consulting and outsourcing services and $5 million of higher leasing costs for equipment location space in data centers.

Selling, general and administrative expenses increased $58.7 million, or 111 percent, due primarily to costs associated with adding resources and infrastructure required to increase and serve a growing customer base as more of the network is installed and lit, including $20 million of costs associated with the development of voice services in 1999.

Segment loss increased $103.3 million, from a $26.3 million loss in 1998 to a $129.6 million loss in 1999, due primarily to the $58.7 million increase in selling, general and administrative expenses, losses experienced from providing customer services off-net prior to completion of the new network and $28 million higher depreciation expense, slightly offset by $16 million of profit from dark fiber leases accounted for as sales-type leases.

As each phase of the ongoing construction of the planned 33,000 mile full-service wholesale communications network goes into service, revenues and costs are expected to increase. During 1999, 7,000 miles of new network were added increasing the network to about 26,000 miles at December 31, 1999. The remaining 7,000 miles are planned to come on line during 2000. As the network is completed, most of the current off-net traffic will move onto the network resulting in improved profitability. This business is expected to contribute an increasing percentage of consolidated revenues but is not expected to contribute significantly to segment profit until 2001. The February 8, 1999, announcement by Williams of a 20-year agreement with SBC Communications, under which Network will become the preferred provider of nationwide long-distance voice and data services for SBC Communications, will contribute to the expected network revenue increase in 2000. In addition, during late 1999 and early 2000 Communications announced agreements with several parties that will provide an aggregate $930 million of revenue over the next 25 years.

SOLUTIONS' revenues increased $39.2 million, or 3 percent, due primarily to $25 million higher sales from new systems and upgrades and $9 million of professional services revenues following an October 1998 acquisition.

Costs and operating expenses increased $26 million, or 3 percent, due primarily to an increase in cost of sales commensurate with the increase in revenues. Selling, general and administrative expenses increased $29 million, or 7 percent, due primarily to $26 million higher technological and infrastructure support costs largely associated with business integration issues, the implementation of new systems and processes and consulting services in support of sales efforts. Selling, general and administrative expenses also increased due to an $11 million higher depreciation and amortization, an $11 million increase in the provision for uncollectible trade receivables reflecting unresolved billing and collection issues and $3 million of expense associated with a Williams-wide incentive program. Partially offsetting these increases were the effect of a $6 million accrual in 1998 for modification of an employee benefit program associated with vesting of paid time off and $12 million of cost reductions in commissions, telephone and video conferencing, and office employee travel and entertainment expenses.

Segment loss increased $10.5 million, or 19 percent, due primarily to $29 million of higher selling, general and administrative expenses, partially offset by a $10 million increase in margins on ongoing operations, the effect in 1998 of $6 million of charges related to information systems cancellations and $4 million realized on the sale of rights to future cash flows from equipment lease renewals. Although Solutions' results are expected to improve next year, it is still expected to experience a segment loss in 2000.

STRATEGIC INVESTMENTS' revenues increased $26.6 million, or 13 percent, due primarily to $26 million higher revenue from an Australian telecommunications operation acquired in August 1998 and $26 million of revenues from a Mexican telecommunications company acquired in October 1998, partially offset by the $15 million effect of the July 1999 sale of the audio and video conferencing and closed-circuit video broadcasting businesses and $12 million higher equity losses from an investment in ATL-Algar Telecomm Leste S.A. (ATL), a Brazilian telecommunications business which became operational in January 1999.

Costs and operating expenses increased $25.9 million, or 13 percent, due primarily to $42 million higher costs from the Australian and Mexican operations acquired in 1998, partially offset by the $16 million effect of the July 1999 sale of the audio and video conferencing and closed-circuit video broadcasting businesses. Increases in selling, general and administrative expenses of $27 million from the Australian and Mexican acquisitions were offset by the $14 million effect of the July 1999 sale of the audio and video conferencing and closed-circuit video broadcasting businesses and lower costs related to the video transmission business.

Other expense -- net in 1999 includes a $28.4 million loss relating to the sales of certain audio and video conferencing and closed-circuit video broadcasting businesses (see Note 5) and $5.5 million of asset impairment charges relating to management's decision to abandon the wireless remote monitoring, meter reading equipment and related services business. Other expense -- net in 1998 includes a $23.2 million write-down related to the abandonment of a venture involved in the technology and transmission of business information for news and educational purposes (see Note 5).

Segment loss increased $11.4 million, from a $112.6 million loss in 1998 to a $124 million loss in 1999, due primarily to the $33.9 million of losses and asset impairment charges in 1999 and $31 million higher losses from the start-up activities of the Australian and Brazilian communications operations, partially offset by the $23.2 million asset write-down in 1998 and a $16 million effect of businesses that were generating losses that have been sold or otherwise exited.

OTHER

OTHER revenues increased $46.2 million, or 68 percent, due primarily to $21 million higher Venezuelan gas compression revenues, $26 million of rental income from Gas Pipeline for office space (eliminated in consolidation) and $6 million of revenues for operating a Venezuelan crude oil terminal, partially offset by $10 million higher equity investment losses. The $21 million higher gas compression revenues reflect the effect of a high pressure unit which became operational in September 1998, partially offset by the effect of operational problems experienced in early 1999. The $10 million higher equity investment losses resulted from increased interest expense experienced by another Brazilian communications company.

Segment profit increased $5.9 million, from $2.5 million in 1998 to $8.4 million in 1999, due primarily to a $9 million improvement in Venezuelan gas compression operations and the effect of $5.6 million of international investment fund write-downs in 1998, partially offset by $10 million higher equity investment losses.

CONSOLIDATED

GENERAL CORPORATE EXPENSES decreased $21.3 million, or 24 percent, due primarily to MAPCO merger-related costs of $29 million included in 1998 general corporate expenses. Interest accrued increased $152.9 million, or 30 percent, due primarily to the $142 million effect of higher borrowing levels including Communications' debt issuances and the July 1999 issuance of additional public debt by Williams. In addition, average interest rates were slightly higher than in 1998. These increases were slightly offset by a $26.2 million decrease in interest on rate refund liabilities including a $10.6 million favorable adjustment related to the reduction of certain rate refund liabilities in second-quarter 1999 (see Note 19). Interest capitalized increased $39.2 million, or 128 percent, due primarily to increased capital expenditures for the fiber-optic network and pipeline construction projects and reclassifications totaling $10 million related to Williams' equity investment in the Discovery pipeline project (offset in Midstream Gas & Liquids' segment profit), partially offset by lower capital expenditures for international investments. Investing income increased $42.9 million due primarily to higher interest income associated with the investment of proceeds from Communications' equity and debt offerings and $12 million of dividends in 1999 from international investment funds. Other income (expense) -- net is $15.8 million favorable as compared to 1998 due primarily to 1998 litigation loss accruals and other settlement adjustments totaling $11 million related to assets previously sold.

The $54 million, or 50 percent, increase in the provision for income taxes on continuing operations is the result of higher pre-tax income and a higher effective income tax rate in 1999. The effective income tax rate in 1999 exceeds the federal statutory rate due primarily to the effects of state income taxes, losses of foreign entities not deductible for U.S. tax purposes and the impact of goodwill not deductible for tax purposes related to assets sold during 1999 (see Note 5). The effective income tax rate in 1998 exceeds the federal statutory rate due primarily to the effects of state income taxes and the effects of non-deductible costs, including goodwill amortization.

The $65.2 million 1999 extraordinary gain results from the sale of Williams' retail propane business (see Note 7). The $4.8 million 1998 extraordinary loss results from the early extinguishment of debt (see Note 7).

The $5.6 million 1999 change in accounting principle relates to the adoption of Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (see Note 1).

1998 vs. 1997

CONSOLIDATED OVERVIEW. Williams' revenues decreased $591 million, or 7 percent, due primarily to the $384 million impact in 1998 of reporting certain revenues net of costs within Energy Services (see Note 1) and lower petroleum products and natural gas liquids sales prices. Favorably affecting revenues were higher revenues from Communications' equipment sales and services activities and dark fiber lease revenues, higher power services revenues and increased petroleum products sales volumes.

Segment costs and expenses decreased $290 million, or 4 percent, due primarily to the $384 million impact in 1998 of reporting certain costs net in revenues within Energy Services (see Note 1) and lower purchase prices for petroleum products. Partially offsetting these decreases were higher costs and expenses within Communications, costs associated with increased petroleum products sales volumes, higher power services costs and $143 million of higher charges in 1998 as compared to 1997. The 1998 charges include $74 million related to contractual and regulatory issues, $37 million of asset impairments, $51 million of MAPCO merger-related expenses, and a $31 million accrual for modification of an employee benefit program associated with vesting of paid time off. Included in 1997 are charges totaling $50 million for asset impairments.

Operating income decreased $296 million, or 29 percent, due primarily to a $103 million decrease at Energy Services, a $135 million decrease at Communications and the $51 million of MAPCO merger-related expenses. Energy Services' decrease reflects a decline in natural gas trading revenues, losses from retail natural gas and electric activities, lower per-unit liquids margins and a $15.5 million accrual for potential refunds, partially offset by increased electric power services activities. Communications' decrease reflects higher selling, general and administrative expenses, including costs associated with infrastructure growth and improvement, and losses experienced from providing customer services off-net prior to completion of the new network. Income from continuing operations before income taxes, extraordinary gain (loss) and change in accounting principle decreased $429 million, or 63 percent, due primarily to the lower operating income, $44 million higher net interest expense resulting from continued expansion and new projects, the effect of a $45 million gain in 1997 on the sale of an interest in a subsidiary and the effect of a $66 million gain in 1997 on the sale of assets.

GAS PIPELINE

GAS PIPELINE'S revenues increased $4.7 million due primarily to the $26 million impact of expansion projects placed into service in 1998 and late 1997, $10 million higher revenues related to new services and increased cost recovery, a 1998 adjustment of $11 million related to new rates placed into effect May 1, 1997, the 1998 reversal of a $7 million accrual for other regulatory issues initially recorded in 1997, the $10 million effect of unfavorable adjustments in 1997 to rate refund liabilities and demand charge reserves and $5 million of favorable adjustments to rate refund liabilities and demand charge reserves in 1998. These increases were substantially offset by $43 million lower reimbursable costs passed through to customers (offset in costs and operating expenses), the reversal in 1997 of a $12 million potential refund associated with the sale of working gas in a prior year, the $4 million effect of the favorable resolution of certain contractual issues in 1997 and a $3.5 million 1997 gain on the sale of system balancing gas.

Costs and operating expenses decreased $46 million, or 6 percent, due primarily to $37 million lower reimbursable costs passed through to customers and $15 million lower operation and maintenance expenses, partially offset by the effect of a $5.4 million settlement received in 1997 related to a prior rate proceeding and a $4 million accrual related to the modification of an employee benefit program associated with the vesting of paid time off.

Other expense -- net in 1998 includes a $58.4 million charge related to certain long-term gas supply contracts entered into in 1982. The charge represents an estimate, based on developments in 1998, of natural gas costs incurred in prior years that will not be recoverable from customers (see Note 19).

Segment profit decreased $4.3 million, or 1 percent, due primarily to the $58.4 million accrual for costs related to certain long-term gas supply contracts, $6 million higher depreciation related to expansions placed in service and the effects of certain 1997 transactions including the reversal of a $12 million potential refund associated with the sale of working gas in a prior year, a $4 million favorable resolution of certain contractual issues, the receipt of a $5.4 million settlement and a $3.5 million gain from the sale of system balancing gas. These decreases were substantially offset by the $26 million revenue effect of expansion projects placed into service in 1998 and late 1997, $10 million higher revenues related to new services and increased cost recovery, $15 million lower operation and maintenance expenses, the $14 million combined favorable effect of 1998 and 1997 rate refund liability adjustments, an adjustment of $11 million related to the 1998 settlement of new rates placed into effect May 1, 1997 and the effect of a $5 million accrual for gas purchase contract settlement costs in 1997.

ENERGY SERVICES

ENERGY MARKETING & TRADING'S revenues decreased $337.7 million, or 15 percent, due to a $13.2 million decrease in trading revenues and a $324.5 million decrease in non-trading revenues. The $13.2 million decrease in trading revenues is due primarily to $50 million lower revenues from natural gas origination, price-risk management and physical trading, largely offset by $32 million higher electric power trading margins associated with business growth in this area. The $50 million decrease in natural gas trading reflects lower margins, the unfavorable market movement against the natural gas portfolio and the adverse market and supply conditions which resulted from Hurricane George in September 1998, partially offset by the $24 million favorable effect of certain contract settlements and terminations.

The $324.5 million decrease in non-trading revenues is due primarily to the $384 million effect in 1998 of reporting revenues on a net basis for certain natural gas liquids operations previously reported on a "gross" basis (see Note 1) and $95 million lower crude and refined products marketing revenues. In addition, retail propane revenues decreased $59 million due to the $35 million effect of lower volumes following unseasonably warm weather in 1998 as compared to 1997 and the $24 million effect of lower average propane sales prices. Partially offsetting these decreases were $211 million higher electric power services revenues associated with new power activity in southern California.

Costs and operating expenses associated with non-trading activities decreased $407 million, or 19 percent, due primarily to the $384 million impact in 1998 of reporting revenues on a net basis for certain natural gas liquids trading operations previously reported on a "gross" basis (see Note 1) and $104 million lower crude and refined product purchases. In addition, retail propane cost of sales decreased $55 million due to the $21 million effect of lower volumes and the $34 million effect of lower average propane purchase costs. These decreases were partially offset by $156 million of costs related to new electric power activity in southern California.

Segment profit decreased $14.4 million, or 27 percent, due primarily to the $50 million decline in revenues from natural gas trading activities discussed above, $43 million of additional losses from retail natural gas and electric activities and the effect of a $6 million recovery in 1997 of an account previously written off as a bad debt. The $43 million of losses from retail natural gas and electric activities includes $17 million of credit losses and $14 million of asset impairments (included in other expense -- net). The $14 million asset impairment is associated with the company's decision to change focus from selling to small commercial and residential customers to large end users (see Note 5). The retail natural gas and electric losses also reflect costs incurred to penetrate new markets. Offsetting these decreases were $60 million of higher electric power services profits, $17 million lower retail propane operating expenses and $7 million higher natural gas liquids trading profits.

EXPLORATION & PRODUCTION'S revenues increased $9.2 million, or 7 percent, due primarily to the recognition of $22 million of additional deferred income resulting from a 1997 transaction that transferred certain nonoperating economic benefits to a third party and $8 million from a 14 percent increase in company-owned production, partially offset by the $25 million effect of lower average natural gas sales prices for company-owned production and for sale of volumes from the Royalty Trust and royalty interest owners.

Segment profit decreased $3.1 million, or 10 percent, due primarily to $13 million higher depreciation, depletion and amortization, $6 million higher nonproducing leasehold amortization, $2 million higher dry hole costs and $2 million of leasehold impairment costs, partially offset by the $22 million increased recognition of deferred income.

MIDSTREAM GAS & LIQUIDS' revenues decreased $158.7 million, or 15 percent, due primarily to $60 million lower natural gas liquids sales from processing activities reflecting a decline in average liquids sales prices, and the $44 million effect of the shutdown of the Canadian liquids marketing operations in late 1997. Revenues also declined due to $18 million lower natural gas liquids pipeline transportation revenues reflecting 3 percent lower shipments, the passthrough of $9 million lower operating costs to customers, adjustments of $14 million related to new rates placed into effect in 1997 for Midstream's regulated gathering activities (offset in costs and operating expenses) and the effect of an $8 million receipt in 1997 of business interruption insurance proceeds, slightly offset by $7 million higher gathering revenues and $8 million associated with a 4 percent increase in natural gas liquids sales volumes.

Costs and operating expenses decreased $107 million, or 16 percent, due primarily to the $50 million effect of the shutdown of the Canadian liquids marketing operations, $14 million of rate adjustments related to Midstream's regulated gathering activities, $9 million lower costs passed through to customers, $15 million lower fuel and replacement gas purchases, and lower natural gas liquids pipeline transportation costs.

Other expense -- net in 1998 includes a loss of approximately $9 million related to the retirement of certain assets and $6 million of unfavorable litigation loss provisions, partially offset by a $6 million gain from the settlement of product imbalances.

Segment profit decreased $56.6 million, or 20 percent, due primarily to $45 million of lower per-unit liquids margins, decreased pipeline transportation shipments, the $9 million loss related to retirement of certain assets and the effect of an $8 million business interruption insurance receipt in 1997, slightly offset by $7 million higher gathering revenues.

PETROLEUM SERVICES' revenues increased $7.1 million due primarily to $213 million lower refinery revenues (including $28 million lower intra-segment sales to the travel centers/convenience stores which are eliminated) and $17 million lower product sales from transportation activities, significantly offset by $107 million higher pipeline construction revenue, $54 million higher travel center/convenience store sales, and $37 million higher revenues from fleet management and mobile computer technology operations initiated in mid-1997. The $213 million decline in refining revenues reflects $386 million from lower average sales prices, partially offset by $173 million from a 13 percent increase in refined product volumes sold. The $54 million increase in travel center/convenience store sales is due primarily to the May 1997 EZ-Serve acquisition, additional travel centers and increased per-store merchandise sales. Increases of $101 million in gasoline and diesel sales volumes and $47 million higher merchandise sales were partially offset by a $94 million impact of lower average retail gasoline and diesel sales prices.

Costs and expenses increased $36 million, or 2 percent, due primarily to $102 million of pipeline construction costs, $46 million higher travel center/convenience store merchandise purchases and operating costs resulting from the EZ-Serve acquisition, additional travel centers and increased per-store sales, $41 million higher costs from fleet management and mobile computer technology operations, $24 million higher general and administrative expenses and a $15.5 million accrual for potential transportation rate refunds to customers (included in other expense -- net) (see Note 19). Substantially offsetting these increases were a $213 million decrease from refining operations and $15 million lower cost of product sales from transportation activities. The $24 million increase in general and administrative expenses is due, in part, to increased activities in human resources development, investor/media/customer relations and business development. The $213 million decrease from refining operations reflects a $366 million decrease due to lower average crude oil purchase prices, partially offset by a $146 million increase related to an increase in processed barrels sold and $7 million higher operating costs at the Memphis refinery. Travel center/convenience store gasoline and diesel cost of sales remained flat (including $28 million lower intra-segment purchases from the refineries which are eliminated) as a $91 million increase from higher sales volumes was offset by lower average purchase prices.

Segment profit decreased $28.5 million, or 16 percent, due primarily to the $15.5 million accrual for potential refunds to transportation customers, $7 million higher operating costs due to increased production levels at the Memphis refinery, $24 million higher general and administrative expenses and a $4.4 million accrual for modification of an employee benefit program associated with vesting of paid time off, partially offset by $6 million higher refinery gross margins, $6 million higher product transportation revenues, $7 million increased profits from travel center/convenience store operations and $5 million from pipeline construction activities.

COMMUNICATIONS

NETWORK'S revenues increased $151.9 million, from $43 million in 1997 to $194.9 million in 1998, due primarily to $64 million of revenue in 1998 from dark fiber leases accounted for as sales-type leases on the newly constructed digital fiber-optic network, $49 million of revenues from providing fiber services to new long-term customers and $27 million higher revenue following the transfer of fiber assets from Strategic Investments in October 1997.

Costs and operating expenses increased $136 million from $32 million in 1997, due primarily to $38 million of construction costs associated with the dark fiber leases accounted for as sales-type leases, $55 million of leased capacity costs associated with providing customer services prior to completion of the new network, and $17 million higher operating expenses. Selling, general and administrative expenses increased $45 million due primarily to the expansion of the infrastructure to support the new national digital fiber-optic network, including $8 million of increased information systems costs and $8 million for a new national advertising campaign.

Segment profit decreased $29.6 million, from a $3.3 million segment profit in 1997 to a $26.3 million segment loss in 1998, due primarily to the cost of expanding the infrastructure in support of the network construction and losses experienced from providing customer services prior to completion of the new network, partially offset by $26 million of profit from dark fiber leases accounted for as sales-type leases.

SOLUTIONS' revenues increased $160.3 million, or 13 percent, due primarily to the April 30, 1997, combination of the Nortel customer premise equipment sales and services operations, which contributed an additional $196 million of revenue during the first four months of 1998. A $30 million increase in maintenance contract revenues was more than offset by $46 million lower new system sales and $31 million lower customer service orders due, in part, to competitive pressures.

Costs and operating expenses increased $116 million, or 13 percent, and selling, general and administrative expenses increased $138 million, or 53 percent, due primarily to the combination with Nortel. Included in the overall increase in selling, general and administrative expenses are $23 million of increased information systems costs associated with expansion and enhancement of the infrastructure and continued costs of maintaining multiple systems while common systems are being developed, $36 million higher selling costs including the effects of large increases in sales and support staff and higher sales commissions in anticipation of a higher revenue base than actually achieved, $12 million increased provision for uncollectible trade receivables, and a $6 million accrual for modification of an employee benefit program associated with vesting of paid time off.

Segment profit decreased $101.4 million, from a $47.3 million segment profit in 1997 to a $54.1 million segment loss in 1998, due primarily to the increase in selling, general and administrative costs as described above, $6 million related to information systems cancellations and $7 million of obsolete equipment write-downs, severance and contract loss accruals.

STRATEGIC INVESTMENTS' revenues decreased $12.7 million, or 6 percent, due primarily to the $14 million effect of the decision to exit the learning content business in November 1997 and equity losses of $15 million from investing activities in ATL, a Brazilian telecommunications business. This business is constructing a cellular phone network scheduled to be in operation during 1999. Partially offsetting these decreases were $11 million of revenues contributed by an Australian telecommunications company acquired in August 1998 and a $9 million increase in audio and video conferencing and business television revenues.

Costs and operating expenses increased $19 million, or 11 percent, due primarily to $11 million of costs and operating expenses related to the Australian acquisition, $8 million higher costs of providing network services following the transfer of fiber assets to Network in October 1997 and the $7 million effect of increased audio and video conferencing and business television activities, partially offset by $8 million lower costs as a result of the decision to exit the learning content business in November 1997. A $6 million, or 7 percent, decrease in selling, general and administrative expenses was also due to the decision to exit the learning content business.

Other expense -- net in 1998 includes a $23.2 million write-down related to the abandonment of a venture involved in the technology and transmission of business information for news and educational purposes (see Note 5). Other expense -- net in 1997 includes charges totaling $29 million related primarily to the decision and formulation of a plan to sell the learning content business (see Note 5). During 1998, a substantial portion of the learning content business was sold at its approximate carrying value.

Segment loss increased $3.9 million, from a $108.7 million segment loss in 1997 to a $112.6 million segment loss in 1998, due primarily to the $23.2 million write-down in 1998 and $15 million of equity losses in 1998 from the Brazilian communications business, substantially offset by the effect of $29 million of charges in 1997.

OTHER

OTHER segment profit decreased $8.9 million, or 78 percent, due primarily to $5 million higher general and administrative expenses as compared to 1997 and $5.6 million of write-downs of international cost investments to market.

CONSOLIDATED

GENERAL CORPORATE EXPENSES decreased $5.9 million, or 6 percent, due primarily to expense savings realized following the MAPCO merger, largely offset by MAPCO merger-related costs of $29 million in 1998 compared to $10 million in 1997. Interest accrued increased $51.6 million, or 11 percent, due primarily to higher borrowing levels including the commercial paper program and the issuance of additional public debt, partially offset by the $52 million effect of lower average interest rates. The lower average interest rate reflects the fourth-quarter 1997 debt restructuring and lower rates on new 1998 borrowings as compared to previously outstanding borrowings. Interest capitalized increased $7.3 million, or 31 percent, due primarily to increased capital expenditures for the fiber-optic network, the Venezuelan gas injection plant and international investment activities. Investing income increased $13.2 million to $25.8 million due primarily to higher interest income from advances to affiliates and long-term notes receivable. For information concerning the $44.5 million gain on sale of interest in subsidiary in 1997, see Note 2. The $66 million gain on sales of assets in 1997 results from the sale of Williams' interest in the liquids and condensate reserves in the West Panhandle field of Texas (see Note 5). Minority interest in (income) loss of consolidated subsidiaries in 1998 is $27.8 million favorable as compared to 1997 due primarily to losses experienced by Williams Communications Solutions, LLC which has a 30 percent interest held by minority shareholders. Other income (expense) -- net is $19.6 million unfavorable as compared to 1997 due primarily to 1998 litigation accruals and other settlement adjustments totaling $11 million related to assets previously sold, and the impact of a 1997 gain of $4 million on the termination of interest-rate swap agreements.

The $133.5 million, or 55 percent, decrease in the provision for income taxes on continuing operations is primarily a result of lower pre-tax income, partially offset by a higher effective income tax rate in 1998. The effective income tax rate in 1998 exceeds the federal statutory rate due primarily to the effects of state income taxes and the effects of non-deductible costs, including goodwill amortization. The effective tax rate in 1997 exceeds the federal statutory rate due primarily to the effects of state income taxes, substantially offset by the effect of the non-taxable gain recognized in 1997 (see Note 2) and income tax credits from coal-seam gas production.

The 1998 and 1997 losses on discontinued operations are attributable to loss provisions for contractual obligations related to the sale of the net assets of the MAPCO coal business in 1996 (see Note 3).

The 1998 and 1997 extraordinary losses result from the early extinguishment of debt (see Note 7).

FINANCIAL CONDITION AND LIQUIDITY

Liquidity

Williams considers its liquidity to come from both internal and external sources. Certain of those sources are available for all areas within Williams while others can only be utilized by Communications. Williams' unrestricted sources of liquidity, which can be utilized without limitation under existing loan covenants, consist primarily of the following:

- Available cash-equivalent investments of $494 million at December 31, 1999 as compared to $377 million at December 31, 1998.

- $475 million available under Williams' $1 billion bank-credit facility at December 31, 1999 as compared to $306 million at December 31, 1998.

- $154 million available under Williams' $1.4 billion commercial paper program at December 31, 1999 as compared to $55 million at December 31, 1998. The commercial paper program was increased from

$1 billion to $1.4 billion in January 1999 and is backed by a short-term bank-credit facility, which was also increased to $1.4 billion in January 1999.

- Cash generated from operations.

- Short-term uncommitted bank lines can also be used in managing liquidity.

Williams' sources of liquidity restricted to use by Communications consist primarily of the following:

- Available cash-equivalent investments and short-term investments totaling $1.9 billion.

- Communications' $1.05 billion bank-credit facility under which no borrowings are outstanding at December 31, 1999.

In addition, there are outstanding registration statements filed with the Securities and Exchange Commission for Williams and Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line (each a wholly owned subsidiary of Williams). At March 1, 2000, approximately $755 million of shelf availability remains under these outstanding registration statements and may be used to issue a variety of debt or equity securities. Interest rates and market conditions will affect amounts borrowed, if any, under these arrangements. Williams believes any additional financing arrangements, if required, can be obtained on reasonable terms.

Terms of certain borrowing agreements limit transfer of funds to Williams from its subsidiaries, including Communications as described above. The restrictions have not impeded, nor are they expected to impede, Williams' ability to meet its cash requirements in the future.

During 2000, Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash generated from operations, (2) the use of the available portion of Williams' $1 billion bank-credit facility, (3) commercial paper, (4) short-term uncommitted bank lines, (5) private borrowings and/or (6) debt or equity public offerings. In addition, Communications' capital and investment expenditures, debt payments and working-capital requirements are also expected to be funded with the remaining proceeds from its 1999 initial equity and high-yield debt offerings and its $1.05 billion bank-credit facility.

Operating Activities

Cash provided by continuing operating activities was: 1999 -- $1.5 billion; 1998 -- $678 million; 1997 -- $988 million. The increases in receivables and accounts payable of $784 million and $892 million, respectively, reflect increased electric power trading and other activity at Energy Marketing & Trading. The $134 million increase in inventories includes increases in the refined product and crude oil inventories at Energy Marketing & Trading including the effect of the petrochemical plant acquisition. The $288 million increase in accrued liabilities is due primarily to higher network construction cost accruals of $264 million and higher accrued payroll, accrued interest, income taxes payable and Communications' deferred revenue, substantially offset by the payment in first-quarter 1999 of $100 million in connection with the assignment of Williams' obligations under a gas purchase contract to an unaffiliated third party (see Note 19), the payments in 1999 of $156 million for rate refunds to natural gas customers and the second-quarter 1999 reductions to rate refund liabilities (see Note 19). In addition, during 1999 Williams received net federal income tax refunds totaling $387 million (see Note 6).

Financing Activities

Net cash provided by financing activities was: 1999 -- $4.4 billion; 1998 -- $1.8 billion; and 1997 -- $424 million. Long-term debt proceeds, net of principal payments, were $2.7 billion, $1.8 billion and $18 million during 1999, 1998 and 1997, respectively. Notes payable proceeds, net of notes payable payments, were $210 million and $622 million during 1999 and 1997, respectively. Notes payable payments, net of notes payable proceeds, were $139 million during 1998. The increase in net new borrowings during 1999, 1998 and 1997 reflects borrowings to fund capital expenditures, investments and acquisition of businesses.

In October 1999, Williams Communications Group, Inc. (WCG) completed an initial public equity offering, private equity offerings and public debt offerings which yielded total net proceeds of approximately $3.5 billion. The initial public equity offering yielded net proceeds of approximately $738 million (see Note 15). Additional shares of common stock were privately sold in concurrent investments by SBC Communications Inc., Intel Corporation, and Telefonos de Mexico for proceeds of $738.5 million. These transactions resulted in a reduction of Williams' ownership interest in WCG from 100 percent to 85.3 percent. Concurrent with these equity transactions, WCG issued high-yield public debt of approximately $2 billion. Proceeds from these equity and debt transactions were used to repay Communications' 1999 borrowings under an interim short-term bank-credit facility and the $1.05 billion bank-credit agreement, and will also be used to fund future Communications' operating losses, continued construction of Communications' national fiber-optic network (scheduled for completion by the end of 2000) and other expansion opportunities.

The proceeds from issuance of Williams common stock in 1999, 1998 and 1997 are primarily from exercise of stock options under the stock plans.

During 1999, Williams received proceeds of $175 million from the sale of Williams obligated mandatorily redeemable preferred securities. During 1998, Williams received proceeds totaling $335 million from the sale of limited partnership and limited-liability company member minority interests to outside investors (see Note 14).

During the first quarter of 1998, Williams completed the restructuring of a portion of its debt portfolio that was initiated in September 1997. As of December 31, 1997, Williams had paid approximately $1.4 billion to redeem approximately $1.3 billion of debt with stated interest rates in excess of 8.8 percent, resulting in an extraordinary loss of $79.1 million. During first-quarter 1998, Williams paid an additional $54.4 million to redeem higher interest rate debt for a $4.8 million extraordinary loss. The restructuring was completed with the fourth-quarter 1997 and first-quarter 1998 issuance of approximately $1.5 billion of debentures and notes with interest rates ranging from 5.91 percent to 6.625 percent and maturities from 2000 to 2008.

Long-term debt at December 31, 1999 was $9.2 billion, compared with $6.4 billion at December 31, 1998 and $5.4 billion at December 31, 1997. At December 31, 1999 and 1997, $404 million and $696 million, respectively, of current debt obligations were classified as non-current obligations based on Williams' intent and ability to refinance on a long-term basis. The 1999 increase in long-term debt is due primarily to $2 billion in public debt issued by Communications in October 1999 and the issuance of $700 million of public debt by Williams in July 1999. The long-term debt to debt-plus-equity ratio was 62.3 percent at December 31, 1999, compared to 59.9 percent and 55.8 percent at December 31, 1998 and 1997, respectively. If short-term notes payable and long-term debt due within one year are included in the calculations, these ratios would be 65.9 percent, 64.7 percent and 59.1, respectively.

Investing Activities

Net cash used by investing activities was: 1999 -- $5.3 billion; 1998 -- $2.1 billion; and 1997 -- $1.5 billion. Capital expenditures of Communications, primarily for the construction of the fiber-optic network, were $1.7 billion in 1999, $304 million in 1998 and $276 million in 1997. Capital expenditures of Energy Services, primarily to expand and modernize gathering and processing facilities and refineries, were $1.2 billion in 1999, $707 million in 1998 and $469 million in 1997. Capital expenditures of Gas Pipeline, primarily to expand and modernize systems, were $360 million in 1999, $472 million in 1998 and $419 million in 1997. Budgeted capital expenditures and investments for all business units for 2000 are estimated to be approximately $4 billion, including the fiber-optic network construction ($2 billion), expansion and modernization of pipeline systems, gathering and processing facilities, and refineries, international investment activities and building construction.

During first-quarter 1999, Williams purchased a company with a petrochemical plant and natural gas liquids transportation, storage and other facilities for $163 million in cash. Also during 1999, Williams made various cash investments and advances totaling $696 million including $265 million to increase its investment in ATL (a Brazilian telecommunications business), a $75 million equity investment in and a $75 million loan to AB Mazeikiu Nafta, Lithuania's national oil company, $78 million in various natural gas and petroleum products pipeline joint ventures, and other joint ventures and investments. In addition, Williams made $139 million of investments in the Alliance natural gas pipeline and processing plant during 1999 of which $93.5 million was financed with a note payable. In December 1999, Williams sold its retail propane business to Ferrellgas Partners L.P. (Ferrellgas) for $268.7 million in cash and $175 million in senior common units of Ferrellgas. Subsequent to December 31, 1999, Williams sold a portion of its investment in ATL for aggregate proceeds of $148 million.

During 1998, Williams made a $100 million advance to and a $150 million investment in another telecommunications business in Brazil. In addition, during 1998 Williams made an $85 million investment in a Texas refined petroleum products pipeline joint venture.

On April 30, 1997, Williams and Northern Telecom (Nortel) combined their customer-premise equipment sales and services operations into a limited liability company, Williams Communications Solutions, LLC. In addition, Williams paid $68 million to Nortel. See Note 2 for additional information. During 1997, Williams also purchased a 20 percent interest in a foreign telecommunications business for $65 million in cash, made a $59 million cash investment in the 50 percent owned Discovery pipeline project and received proceeds of $66 million from the sale of interests in the West Panhandle field.

Other Commitments

Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion and certain other services for purposes of generating electricity. At December 31, 1999, annual estimated committed payments under these contracts range from $20 million to $383 million, resulting in total committed payments over the next 23 years of approximately $7 billion.

Williams has also entered into an agreement giving Williams a 25 year right to use a portion of a third party's wireless local capacity. Williams will pay a total of $400 million over four years for this right. As of December 31, 1999, Williams has paid approximately $172 million.

New Accounting Standards

See Note 1 for a discussion of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," Emerging Issues Task Force Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," Financial Accounting Standards Board (FASB) Interpretation No. 43, "Real Estate Sales, an Interpretation of FASB Statement No. 66," and Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements."

Effects of Inflation

Williams' cost increases in recent years have benefited from relatively low inflation rates during that time. Approximately 44 percent of Williams' property, plant and equipment is at Gas Pipeline, approximately 40 percent is at Energy Services and approximately 13 percent is at Communications. Approximately 84 percent of Gas Pipeline's property, plant and equipment has been acquired or constructed since 1995, a period of relatively low inflation. Gas Pipeline is subject to regulation, which limits recovery to historical cost. While amounts in excess of historical cost are not recoverable under current FERC practices, Williams believes it will be allowed to recover and earn a return based on increased actual cost incurred to replace existing assets. Cost-based regulation along with competition and other market factors may limit the ability to recover such increased costs. Within Energy Services, operating costs are influenced to a greater extent by specific price changes in oil and gas and related commodities than by changes in general inflation. Crude, refined product, natural gas and natural gas liquids prices are particularly sensitive to OPEC production levels and/or the market perceptions concerning the supply and demand balance in the near future. See Market Risk Disclosures on page 36 for additional information concerning the impact of specific price changes. Substantially all of the Communications' property, plant and equipment is for the recent fiber-optic network construction. The activities of Communications have historically not been significantly affected by the effects of inflation.

Environmental

Williams is a participant in certain environmental activities in various stages involving assessment studies, cleanup operations and/or remedial processes. The sites, some of which are not currently owned by Williams (see Note 19), are being monitored by Williams, other potentially responsible parties, the U.S. Environmental Protection Agency (EPA), or other governmental authorities in a coordinated effort. In addition, Williams maintains an active monitoring program for its continued remediation and cleanup of certain sites connected with its refined products pipeline activities. Williams has both joint and several liability in some of these activities and sole responsibility in others. Current estimates of the most likely costs of such cleanup activities, after payments by other parties, are approximately $93 million, all of which is accrued at December 31, 1999. Williams expects to seek recovery of approximately $37 million of the accrued costs through future natural gas transmission rates and approximately $19 million of accrued costs from states in accordance with laws permitting reimbursement of certain expenses associated with underground storage tank containment problems and repairs. Williams will fund these costs from operations and/or available bank-credit facilities. The actual costs incurred will depend on the final amount, type and extent of contamination discovered at these sites, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Williams is subject to the federal Clean Air Act and to the federal Clean Air Act Amendments of 1990 which require the EPA to issue new regulations. In September 1998, the EPA promulgated new rules designed to mitigate the migration of ground-level ozone in certain states. Williams estimates that capital expenditures necessary to install emission control devices over the next five years to comply with these new rules will be between $248 million and $293 million. The actual costs incurred will depend on the final implementation plans developed by each state to comply with these regulations. In December 1999, new standards promulgated by the EPA for tailpipe emissions and the content of sulfur in gasoline were announced. Williams estimates that capital expenditures necessary to bring its two refineries into compliance over the next six years will be approximately $122 million. The actual costs incurred will depend on the final implementation plans.

Transcontinental Gas Pipe Line (Transco) received a letter stating that the U.S. Department of Justice (DOJ), at the request of the U.S. Environmental Protection Agency, intends to file a civil action against Transco arising from its waste management practices at Transco's compressor stations and metering stations in eleven states from Texas to New Jersey. DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. DOJ and Transco are discussing a settlement. While no specific amount was proposed, DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transco cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transco believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Williams Field Services (WFS), an Energy Services subsidiary, received a Notice of Violation (NOV) from EPA in February 2000. WFS received a contemporaneous letter from DOJ indicating that DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS intends to defend this matter, but cannot reasonably estimate the amount of potential liability, if any, at this time. EPA, DOJ, and WFS have scheduled settlement negotiation meetings beginning in March 2000.

Year 2000 Compliance

Williams encountered only minor problems associated with the date change from 1999 to 2000, and experienced no business disruptions. The total cost of its enterprise-wide project to prepare for the year 2000 date change was $47 million. Williams believes that limited and insignificant continued exposure to year 2000 complications remains.

Williams initiated its enterprise-wide project in 1997 to address the year 2000 compliance issue for both traditional information technology areas and non-traditional areas, including embedded technology that is prevalent throughout the company. This project focused on all technology hardware and software, external interfaces with customers and suppliers, operations process control, automation and instrumentation systems, and facility items. The phases of the project were awareness, inventory and assessment, renovation and replacement, testing and validation and contingency planning. During the inventory and assessment phase, all systems with possible year 2000 implications were inventoried and classified into five categories: 1) highest, business critical, 2) high, compliance necessary within a short period of time following January 1, 2000, 3) medium, compliance necessary within 30 days from January 1, 2000, 4) low, compliance desirable but not required, and 5) unnecessary. Categories 1 through 3 were designated as critical and were the major focus of this project. In 1998, Williams initiated a formal communications process with other companies with which it conducts business to determine the extent to which those companies were addressing year 2000 compliance. Williams has also worked directly with key business partners to reduce the risk of a break in service or supply and with non-compliant companies to mitigate any material adverse effect on Williams. Significant focus on the contingency plan phase of the project took place in 1999. Contingency plans were developed for critical business processes, critical business partners, suppliers and system replacements that experience significant delays.

Renovation/replacement and testing/validation of critical systems was completed by December 31, 1999. Over the December 31, 1999 to January 4, 2000 weekend, an extensive system monitoring plan was in place with regular reporting of results.

Williams utilized both internal resources (consisting of a core group of 238 people) and external contractors (at a cost of approximately $11.5 million) to complete the year 2000 compliance project. Costs incurred for new software and hardware purchases were capitalized and other costs were expensed as incurred. The $47 million total cost of the enterprise-wide project, including any accelerated system replacements, was or is expected to be spent as follows:

- Prior to 1998 and during the first quarter of 1998, Williams was conducting the project awareness and inventory/assessment phases of the project and incurred costs totaling $3 million.

- During the second quarter of 1998, $2 million was spent on the renovation/replacement and testing/ validation phases and completion of the inventory/assessment phase.

- The third and fourth quarters of 1998 focused on the renovation/replacement and testing/validation phases, and $10 million was incurred.

- During the first quarter of 1999, renovation/replacement and testing/validation continued, contingency planning began, and $9 million was incurred.

- During the second quarter of 1999, the primary focus shifted to testing/validation and contingency planning, and $10 million was spent.

- The primary focus during third-quarter 1999 was contingency planning and final testing, and $8 million was incurred.

- The fourth quarter of 1999 focused mainly on contingency planning and final testing, and $4 million was spent.

- Approximately $1 million is estimated to be spent during the first two quarters of 2000 for monitoring and minor problem resolution.

Of the $46 million incurred to date, approximately $41 million has been expensed and approximately $5 million has been capitalized. The $1 million of future costs for monitoring and problem resolution will be expensed. This estimate does not include Williams' potential share of year 2000 costs that were incurred by partnerships and joint ventures in which the company participates but is not the operator. The costs of previously planned system replacements are not considered to be year 2000 costs and are, therefore, excluded from the amounts discussed above.

The preceding discussion contains forward-looking statements including, without limitation, statements relating to the company's expectations, intentions, and adequate resources, that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements contained in the year 2000 update are based on certain assumptions which may vary from actual results. Specifically, management's assumptions about the final impact on the company and the total costs to the company of the year 2000 compliance issue are based upon the assumption that there will not be a significant future impact resulting from, for example, problems caused by customers or suppliers that have not yet been fully recognized, or problems with billing, payroll, or financial closing at the quarters or year end. However, there can be no guarantee that these assumptions are correct.

ITEM 7A. MARKET RISK DISCLOSURES

INTEREST RATE RISK

Williams' interest rate risk exposure is related primarily to its short-term investments, investment in Ferrellgas Partners L.P. senior common units, debt portfolio and Williams obligated mandatorily redeemable preferred securities of Trust.

Short-term investments consist primarily of money market instruments, short-term debt securities, such as commercial paper, asset-backed and corporate bonds, and a mutual fund investing in short-term debt securities, which are managed by financial institutions. Williams' investing income is subject to interest rate risk resulting from potential future fluctuations in interest rates on comparable investment securities. To mitigate the impact of fluctuations in interest rates, Williams instructs the managing financial institutions to invest only in highly liquid instruments with short-term maturity dates. These investments were purchased with a portion of the proceeds from Communications' initial equity and high-yield debt offerings in October 1999.

Williams' interest rate risk exposure resulting from its debt portfolio is influenced by short-term rates, primarily LIBOR-based borrowings from commercial banks and the issuance of commercial paper, and long-term U.S. Treasury rates. To mitigate the impact of fluctuations in interest rates, Williams targets to maintain a significant portion of its debt portfolio in fixed rate debt. Williams also utilizes interest-rate swaps to change the ratio of its fixed and variable rate debt portfolio based on management's assessment of future interest rates, volatility of the yield curve and Williams' ability to access the capital markets in a timely manner. Williams periodically enters into interest-rate forward contracts to establish an effective borrowing rate for anticipated long-term debt issuances. The maturity of Williams' long-term debt portfolio is partially influenced by the life of its operating assets.

At December 31, 1999 and 1998, the amount of Williams' fixed and variable rate debt was at targeted levels. Williams has traditionally maintained an investment grade credit rating as one aspect of managing its interest rate risk. In order to fund its 2000 capital expenditure plan, Williams will need to access various sources of liquidity, which will likely include traditional borrowing and leasing markets. In addition, Communications will utilize the remaining proceeds from its initial equity and high-yield debt offerings and traditional bank borrowings to fund its 2000 capital expenditure plan.

The following tables provide information as of December 31, 1999 and 1998, about Williams' interest rate risk sensitive instruments. For short-term investments, investment in Ferrellgas Partners L.P. senior common units, notes payable, long-term debt and Williams obligated mandatorily redeemable preferred securities of Trust, the table presents principal cash flows and weighted-average interest rates by expected maturity dates. For interest-rate swaps and interest-rate forward contracts, the table presents notional amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the interest-rate swaps and the settlement amounts under the interest-rate forward contracts.

	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE DECEMBER 31, 1999
				(DOLLARS IN MILLIONS)				
Assets:								
Short-term investments........	$1,435	$ --	$ --	$ --	$ --	$ --	$1,435	$1,435
Fixed rate....................	5.8%							
Investment-Ferrellgas Partners L.P. senior common units....	$ --	$ --	$ 176	$ --	$ --	$ --	$ 176	$ 176
Fixed rate....................	10.0%	10.0%	10.0%					
Liabilities:								
Notes payable.................	$1,379	$ --	$ --	$ --	$ --	$ --	$1,379	$1,379
Interest rate.................	6.4%							
Long-term debt, including current portion:								
Fixed rate..................	$ 194	$1,401	$1,003	$280	$350	$5,223	$8,451	$8,369
Interest rate...............	7.9%	8.1%	8.3%	8.5%	8.6%	8.3%		
Variable rate...............	$ 2	$ 101	$ 677	$ --	$200	$ --	$ 980	$ 980
Interest rate(1)								
Williams obligated mandatorily redeemable preferred securities of Trust.........................	$ --	$ --	$ 176	$ --	$ --	$ --	$ 176	$ 176
Fixed rate....................	7.9%	7.9%	7.9%					
Interest-rate swaps:								
Pay variable/receive fixed....	$ 47	$ 461	$ 240	$ --	$200	$ 750	$1,698	$ (27)
Pay rate(2)								
Receive rate..................	6.7%	6.7%	7.2%	7.2%	7.2%	7.5%		
Pay fixed/receive variable(3).................	$ 47	$ 53	$ 59	$ 65	$ 72	$ 212	$ 508	$ (21)
Pay rate......................	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%		
Receive rate(4)								

	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR VALUE DECEMBER 31, 1998
Liabilities:								
Notes payable	$1,053	$ --	$ --	$ --	$ --	$ --	$1,053	$1,053
Interest rate	5.9%							
Long-term debt, including current portion:								
Fixed rate	$ 258	$461	$1,080	$994	$268	$2,615	$5,676	$5,815
Interest rate	6.9%	6.9%	6.9%	7.0%	7.1%	7.5%		
Variable rate	$ 132	$102	$ 2	$845	$ --	$ --	$1,081	$1,081
Interest rate(1)								
Interest-rate swaps:								
Pay variable/receive fixed	$ 42	$ 47	$ 461	$240	$ --	$ 450	$1,240	$ 21
Pay rate(2)								
Receive rate	6.3%	6.3%	6.3%	6.8%	6.8%	6.4%		
Pay fixed/receive variable(3)	$ 172	$ 47	$ 53	$ 59	$ 65	$ 284	$ 680	$ (67)
Pay rate	7.8%	7.8%	7.8%	8.0%	8.0%	8.0%		
Receive rate(4)								
Interest-rate forward contracts purchased related to anticipated long-term debt issuances(5)	$ 50	$ --	$ --	$ --	$ --	$ --	$ 50	$ --

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(1) LIBOR plus .60 percent through 2002, LIBOR plus .35 percent thereafter for 1999 and LIBOR plus .30 percent for 1998.

(2) LIBOR, except $250 million notional amount maturing after 2003 is at LIBOR less 1.04 percent and $240 million notional amount maturing in 2002 is at LIBOR plus .26 percent.

(3) Counterparties have an option to cancel all outstanding swaps in 2001.

(4) LIBOR.

(5) Average lock in rate of 4.8 percent referenced to underlying Treasury securities having a weighted-average maturity of 10 years.

COMMODITY PRICE RISK

Energy Marketing & Trading has trading operations that incur commodity price risk as a consequence of providing price-risk management services to third-party customers. The trading operations have commodity price risk exposure associated with the crude oil, natural gas, refined products, natural gas liquids and electricity energy markets in the United States and the natural gas markets in Canada. The trading operations enter into energy contracts which include forward contracts, futures contracts, option contracts, swap agreements, commodity inventories and short- and long-term purchase and sale commitments which involve the physical delivery of an energy commodity. These energy contracts are valued at fair value and unrealized gains and losses from changes in fair value are recognized in income. The trading operations are subject to risk from changes in energy commodity market prices, the portfolio position of its financial instruments and physical commitments, the liquidity of the market in which the contract is transacted, changes in interest rates and credit risk. Energy Marketing & Trading continues to manage market risk on a portfolio basis subject to the parameters established in its trading policy. A risk control group, independent of the trading operations, monitors compliance with the established trading policy and measures the risk associated with the trading portfolio.

Energy Marketing & Trading measures the market risk in its trading portfolio on a daily basis utilizing a value at risk methodology to estimate the potential one day loss from adverse changes in the fair value of its trading operations. At December 31, 1999 and 1998, the value at risk for the trading operations was $9 million and $8 million, respectively. The change in the value at risk between 1999 and 1998 reflects that the market risk of the trading portfolio has changed because of changes in the commodity product composition of the portfolio, increases in the size of the portfolio and changes in market prices. As supplemental quantitative information to further understand the general risk levels of the trading portfolio, the average of the actual monthly changes in the fair value of the trading portfolio for 1999 was an increase of $4 million. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the trading portfolio. Energy Marketing & Trading's value at risk model includes all financial instruments and physical positions and commitments in its trading portfolio and assumes that as a result of changes in commodity prices, there is a 97.5 percent probability that the one day loss in the fair value of the trading portfolio will not exceed the value at risk. The value at risk model uses historical simulation to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing our trading portfolio in response to market conditions could affect market prices and could take longer to execute than the one-day holding period assumed in the value at risk model.

FOREIGN CURRENCY RISK

Williams has international investments that could affect the financial results if the investments incur a permanent decline in value as a result of changes in foreign currency exchange rates and the economic conditions in foreign countries.

International investments accounted for under the cost method totaled $501 million and $247 million at December 31, 1999 and 1998, respectively. The fair value of these investments is deemed to approximate their carrying amount as the investments are primarily in non-publicly traded companies for which it is not practicable to estimate the fair value of these investments. Williams continues to believe that it can realize the carrying value of these investments considering the status of the operations of the companies underlying these investments. International cost investments include preferred stock interests in certain Brazilian ventures totaling $370 million and $152 million at December 31, 1999 and 1998, respectively. During 1999, the Brazilian economy experienced significant volatility resulting in a 33 percent reduction in the value of the Brazilian real against the U.S. dollar during the period December 31, 1998 to December 31, 1999. An additional 20 percent change in the value of the Brazilian real against the U.S. dollar could result in an approximate $74 million change in the fair value of these investments. This analysis assumes a direct correlation between the fluctuation of the Brazilian real and the value of the investments at December 31, 1999. The ultimate duration and severity of the conditions in Brazil remain uncertain, as does the long-term impact on interests in the ventures. Of the remaining international investments accounted for under the cost method at December 31, 1999 and 1998, approximately 56 percent and 73 percent, respectively, of these international investments were in Asian countries and approximately 44 percent and 27 percent, respectively, were in South American countries. If a 20 percent change occurred in the value of the underlying currencies of these investments against the U.S. dollar, the fair value of these investments at December 31, 1999 could change by approximately $26 million assuming a direct correlation between the currency fluctuation and the value of the investments.

The net assets of foreign operations which are consolidated are located primarily in Australia and Canada and approximate 2 percent and 1 percent of Williams total net assets at December 31, 1999 and 1998, respectively. These foreign operations, whose functional currency is the local currency, do not have significant transactions or financial instruments denominated in other currencies. However, these investments do have the potential to impact Williams' financial position, due to fluctuations in these local currencies arising from the process of re-measuring the local functional currency into the U.S. dollar. As an example, a 20 percent change in the respective functional currencies against the U.S. dollar could have changed stockholders' equity by approximately $23 million at December 31, 1999.

Williams historically has not utilized derivatives or other financial instruments to hedge the risk associated with the movement in foreign currencies. However, Williams evaluates currency fluctuations and will consider the use of derivative financial instruments or employment of other investment alternatives if cash flows or investment returns so warrant.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of The Williams Companies, Inc.

We have audited the accompanying consolidated balance sheet of The Williams Companies, Inc. as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. We did not audit the financial statements and schedules of MAPCO Inc., a wholly owned subsidiary (see Note 2), which statements reflect net income constituting approximately 26% of the related consolidated financial statement total for the year ended December 31, 1997. Those statements and schedules were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for MAPCO Inc. for the year ended December 31, 1997, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Williams Companies, Inc. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, based on our audits and the report of other auditors, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company has given retroactive effect to the change in accounting for its crude oil and refined products inventories from the last-in, first-out cost method of inventory valuation to the average cost method. In addition, as also discussed in Note 1, effective January 1, 1999, the Company changed its method of accounting for start-up costs and, effective July 1, 1999, changed its method of accounting for lease transactions relating to its fiber optic network.

ERNST & YOUNG LLP

Tulsa, Oklahoma
February 17, 2000

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF INCOME

	YEARS ENDED DECEMBER 31,		
	1999	1998*	1997*
	(MILLIONS, EXCEPT PER-SHARE AMOUNTS)		
Revenues:			
Gas Pipeline	$ 1,831.6	$ 1,684.8	$1,680.1
Energy Services**	6,362.6	5,351.4	5,831.5
Communications	2,040.7	1,764.6	1,465.1
Other	114.6	68.4	53.4
Intercompany eliminations	(1,756.4)	(1,210.9)	(780.6)
Total revenues	8,593.1	7,658.3	8,249.5
Segment costs and expenses:			
Costs and operating expenses**	6,358.0	5,540.8	6,254.6
Selling, general and administrative expenses	1,304.7	1,115.7	848.9
Other expense -- net	13.9	195.8	38.6
Total segment costs and expenses	7,676.6	6,852.3	7,142.1
General corporate expenses	67.9	89.2	95.1
Operating income (loss):			
Gas Pipeline	697.3	610.4	614.7
Energy Services	529.0	386.1	539.4
Communications	(318.2)	(193.0)	(58.1)
Other	8.4	2.5	11.4
General corporate expenses	(67.9)	(89.2)	(95.1)
Total operating income	848.6	716.8	1,012.3
Interest accrued	(668.0)	(515.1)	(463.5)
Interest capitalized	69.8	30.6	23.3
Investing income	68.7	25.8	12.6
Gain on sale of interest in subsidiary	--	--	44.5
Gain on sales of assets	--	--	66.0
Minority interest in (income) loss and preferred returns of consolidated subsidiaries	7.2	9.6	(18.2)
Other income (expense) -- net	(3.3)	(19.1)	.5
Income from continuing operations before income taxes, extraordinary gain (loss) and cumulative effect of change in accounting principle	323.0	248.6	677.5
Provision for income taxes	161.2	107.2	240.7
Income from continuing operations	161.8	141.4	436.8
Loss from discontinued operations	--	(14.3)	(6.3)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	161.8	127.1	430.5
Extraordinary gain (loss)	65.2	(4.8)	(79.1)
Cumulative effect of change in accounting principle	(5.6)	--	--
Net income	221.4	122.3	351.4
Preferred stock dividends	2.8	7.1	9.8
Income applicable to common stock	$ 218.6	$ 115.2	$ 341.6
Basic earnings per common share:			
Income from continuing operations	$ .36	$ .31	$ 1.04
Loss from discontinued operations	--	(.03)	(.02)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	.36	.28	1.02
Extraordinary gain (loss)	.15	(.01)	(.19)
Cumulative effect of change in accounting principle	(.01)	--	--
Net income	$ .50	$ .27	$ .83
Diluted earnings per common share:			
Income from continuing operations	$ .36	$ .31	$ 1.01
Loss from discontinued operations	--	(.03)	(.01)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	.36	.28	1.00
Extraordinary gain (loss)	.15	(.01)	(.19)
Cumulative effect of change in accounting principle	(.01)	--	--
Net income	$ .50	$ .27	$ .81

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* Certain amounts have been restated or reclassified as described in Note 1.

** Includes consumer excise taxes of $229.0 million, $192.9 million and $157.8 million in 1999, 1998 and 1997, respectively.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)	DECEMBER 31, 1999	1998*
Current assets:		
Cash and cash equivalents	$ 1,092.0	$ 503.3
Short-term investments	1,434.8	--
Receivables less allowance of $48.0 ($30.5 in 1998)	2,508.2	1,724.6
Inventories	631.5	497.5
Energy trading assets	376.0	354.5
Deferred income taxes	203.7	239.9
Other	270.4	166.1
Total current assets	6,516.6	3,485.9
Investments	1,965.4	866.1
Property, plant and equipment -- net	15,155.5	12,585.3
Goodwill and other intangible assets -- net	435.6	583.6
Other assets and deferred charges	1,215.4	1,126.4
Total assets	$25,288.5	$18,647.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 1,378.8	$ 1,052.7
Accounts payable	2,049.9	1,158.2
Accrued liabilities	1,835.2	1,547.6
Energy trading liabilities	312.3	290.1
Long-term debt due within one year	196.0	390.6
Total current liabilities	5,772.2	4,439.2
Long-term debt	9,235.3	6,366.4
Deferred income taxes	2,581.9	2,060.8
Other liabilities and deferred income	1,041.8	1,015.2
Minority interest in consolidated subsidiaries	561.5	173.2
Contingent liabilities and commitments		
Preferred ownership interests of subsidiaries:		
Preferred interests of subsidiaries	335.1	335.1
Williams obligated mandatorily redeemable preferred securities of Trust holding only Williams indentures	175.5	--
Stockholders' equity:		
Preferred stock, $1 per share par value, 30 million shares authorized, 1.8 million issued in 1998	--	102.2
Common stock, $1 per share par value, 960 million shares authorized, 444.5 million issued in 1999, 432.3 million issued in 1998	444.5	432.3
Capital in excess of par value	2,356.7	982.4
Retained earnings	2,807.2	2,849.5
Accumulated other comprehensive income	99.5	16.7
Other	(77.6)	(78.5)
	5,630.3	4,304.6
Less treasury stock (at cost), 3.8 million shares of common stock in 1999 and 4.0 million in 1998	(45.1)	(47.2)
Total stockholders' equity	5,585.2	4,257.4
Total liabilities and stockholders' equity	$25,288.5	$18,647.3

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* Certain amounts have been reclassified as described in Note 1.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS*	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	OTHER	TREASURY STOCK	TOTAL*
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)							
Balance, December 31, 1996, as previously reported	$ 161.0	$425.3	$ 942.2	$2,828.7	$ --	$(55.8)	$(286.6)	$4,014.8
Cumulative effect on prior years for change in inventory valuation method	--	--	--	22.1	--	--	--	22.1
BALANCE, DECEMBER 31, 1996, AS RESTATED	161.0	425.3	942.2	2,850.8	--	(55.8)	(286.6)	4,036.9
Comprehensive income:								
Net income -- 1997	--	--	--	351.4	--	--	--	351.4
Other comprehensive income:								
Unrealized depreciation on marketable equity securities	--	--	--	--	(2.4)	--	--	(2.4)
Foreign currency translation adjustments	--	--	--	--	(.1)	--	--	(.1)
Total other comprehensive income								(2.5)
Total comprehensive income								348.9
Cash dividends --								
Common stock ($.54 per share)	--	--	--	(171.7)	--	--	--	(171.7)
Common stock of pooled company	--	--	--	(32.9)	--	--	--	(32.9)
$2.21 preferred stock ($1.47 per share)	--	--	--	(1.1)	--	--	--	(1.1)
$3.50 preferred stock ($3.50 per share)	--	--	--	(8.7)	--	--	--	(8.7)
Issuance of shares -- .4 million common	--	.4	14.8	--	--	--	--	15.2
Purchase of treasury stock -- 2.7 million common	--	--	--	--	--	--	(50.2)	(50.2)
Conversion of preferred stock -- 2,528 shares	(.3)	--	.3	--	--	--	--	--
Redemption of preferred stock -- 741,552 shares	(18.5)	--	--	--	--	--	--	(18.5)
Treasury shares utilized for acquisition of business	--	--	.9	--	--	--	17.8	18.7
Expiration of equity put options	--	--	4.9	--	--	--	--	4.9
Stock award transactions (including 6.3 million common shares)	--	5.8	51.6	--	--	(1.6)	7.1	62.9
Tax benefit of stock-based awards	--	--	26.7	--	--	--	--	26.7
ESOP loan repayment	--	--	--	--	--	5.8	--	5.8
Other	--	--	.2	.7	--	--	--	.9
BALANCE, DECEMBER 31, 1997	142.2	431.5	1,041.6	2,988.5	(2.5)	(51.6)	(311.9)	4,237.8
Comprehensive income:								
Net income -- 1998	--	--	--	122.3	--	--	--	122.3
Other comprehensive income:								
Unrealized appreciation on marketable equity securities	--	--	--	--	24.1	--	--	24.1
Foreign currency translation adjustments	--	--	--	--	(4.9)	--	--	(4.9)
Total other comprehensive income								19.2
Total comprehensive income								141.5
Cash dividends --								
Common stock ($.60 per share)	--	--	--	(240.3)	--	--	--	(240.3)
Common stock of pooled company	--	--	--	(14.0)	--	--	--	(14.0)
$3.50 preferred stock ($3.50 per share)	--	--	--	(7.1)	--	--	--	(7.1)
Stockholders' notes issued	--	--	--	--	--	(35.7)	--	(35.7)
Conversion of preferred stock -- 704,190 shares	(40.0)	3.3	36.7	--	--	--	--	--
Retirement of treasury stock -- 14.0 million common	--	(14.0)	(239.8)	--	--	--	253.8	--
Expiration of equity put options	--	--	12.3	--	--	--	--	12.3
Stock award transactions (including 12.4 million common shares)	--	11.5	47.4	--	--	2.5	10.7	72.1
Tax benefit of stock-based awards	--	--	83.9	--	--	--	--	83.9
ESOP loan repayment	--	--	--	--	--	6.3	--	6.3
Other	--	--	.3	.1	--	--	.2	.6
BALANCE, DECEMBER 31, 1998	102.2	432.3	982.4	2,849.5	16.7	(78.5)	(47.2)	4,257.4
Comprehensive income:								
Net income -- 1999	--	--	--	221.4	--	--	--	221.4
Other comprehensive income:								
Unrealized appreciation on marketable equity securities	--	--	--	--	104.2	--	--	104.2
Foreign currency translation adjustments	--	--	--	--	(18.0)	--	--	(18.0)

Total other comprehensive income....								86.2
Total comprehensive income...........								307.6
Cash dividends --								
Common stock ($.60 per share).......	--	--	--	(260.9)	--	--	--	(260.9)
$3.50 preferred stock ($2.04 per share)............................	--	--	--	(2.8)	--	--	--	(2.8)
Stockholders' notes issued...........	--	--	--	--	--	(9.7)	--	(9.7)
Stockholders' notes repaid...........	--	--	--	--	--	3.3	--	3.3
Conversion of preferred stock -- 1.8 million shares..................	(102.2)	8.4	93.8	--	--	--	--	--
Issuance of subsidiary's common stock...............................	--	--	1,170.2	--	(3.4)	--	--	1,166.8
Stock award transactions (including 4.0 million common shares)..........	--	3.8	78.7	--	--	.4	2.1	85.0
Tax benefit of stock-based awards....	--	--	31.6	--	--	--	--	31.6
ESOP loan repayment..................	--	--	--	--	--	6.9	--	6.9
BALANCE, DECEMBER 31, 1999...........	$ --	$444.5	$2,356.7	$2,807.2	$ 99.5	$(77.6)	$ (45.1)	$5,585.2

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* Certain amounts have been restated as described in Note 1.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1999	1998*	1997*
		(MILLIONS)	
Operating Activities:			
Net income	$ 221.4	$ 122.3	$ 351.4
Adjustments to reconcile to cash provided from operations:			
Discontinued operations	--	14.3	6.3
Extraordinary (gain) loss	(65.2)	4.8	79.1
Cumulative effect of change in accounting principle	5.6	--	--
Premium on early extinguishment of debt	--	(8.9)	(171.2)
Depreciation, depletion and amortization	742.0	646.3	585.9
Provision for deferred income taxes	455.1	39.7	93.8
Provision for loss on property and other assets	28.7	126.8	49.8
(Gain) loss on dispositions of assets and interest in subsidiary	(4.9)	5.9	(121.0)
Provision for uncollectible accounts	28.3	39.8	13.3
Minority interest in income (loss) and preferred returns of consolidated subsidiaries	(7.2)	(9.6)	18.2
Cash provided (used) by changes in assets and liabilities:			
Receivables sold	22.1	(41.8)	188.6
Receivables	(886.3)	(1.1)	(180.5)
Inventories	(118.7)	(53.1)	(62.1)
Other current assets	(117.7)	(12.3)	16.7
Accounts payable	949.2	(199.7)	188.0
Accrued liabilities	67.9	91.9	(37.6)
Changes in current energy trading assets and liabilities	.8	(66.2)	11.0
Changes in non-current energy trading assets and liabilities	(59.1)	(44.6)	(47.7)
Changes in non-current deferred income	176.9	113.0	53.7
Other, including changes in non-current assets and liabilities	48.8	(89.7)	(47.5)
Net cash provided by operating activities	1,487.7	677.8	988.2
Financing Activities:			
Proceeds from notes payable	2,493.8	806.9	1,927.4
Payments of notes payable	(2,284.0)	(946.0)	(1,305.5)
Proceeds from long-term debt	4,507.2	3,597.0	2,217.4
Payments of long-term debt	(1,831.5)	(1,776.5)	(2,199.0)
Proceeds from issuance of common stock including tax benefit	141.3	78.2	72.5
Proceeds from issuance of subsidiary's common stock	1,468.1	--	--
Purchases of treasury stock	--	--	(50.2)
Dividends paid	(263.7)	(261.4)	(214.4)
Proceeds from issuance of preferred ownership interests of subsidiaries	175.0	335.1	--
Other -- net	(29.2)	(24.7)	(24.3)
Net cash provided by financing activities	4,377.0	1,808.6	423.9
Investing Activities:			
Property, plant and equipment:			
Capital expenditures	(3,513.1)	(1,811.8)	(1,340.5)
Proceeds from dispositions and excess fiber capacity transactions	83.9	81.6	104.2
Changes in accounts payable and accrued liabilities	93.5	87.9	(7.5)
Acquisitions of businesses, net of cash acquired	(171.4)	(9.6)	(146.7)
Proceeds from sales of assets	356.1	11.6	71.2
Purchases of short-term investments	(2,034.2)	--	--
Proceeds from sales of short-term investments	599.4	--	--
Purchases of investments/advances to affiliates	(696.0)	(470.3)	(205.6)
Other -- net	5.8	5.4	14.8
Net cash used by investing activities	(5,276.0)	(2,105.2)	(1,510.1)
Increase (decrease) in cash and cash equivalents	588.7	381.2	(98.0)
Cash and cash equivalents at beginning of year	503.3	122.1	220.1
Cash and cash equivalents at end of year	$ 1,092.0	$ 503.3	$ 122.1

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* Certain amounts have been restated or reclassified as described in Note 1.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business

Operations of The Williams Companies, Inc. (Williams) are located principally in the United States and are organized into three industry groups: Gas Pipeline, Energy Services and Communications.

Gas Pipeline is comprised of five interstate natural gas pipelines located throughout the majority of the United States as well as investments in domestic natural gas pipeline-related companies. The five Gas Pipeline operating segments have been aggregated for reporting purposes and include Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line.

Energy Services includes four operating segments: Energy Marketing & Trading, Exploration & Production, Midstream Gas & Liquids and Petroleum Services. Energy Marketing & Trading offers price-risk management services and buys, sells and arranges for transportation/transmission of energy commodities -- including natural gas and gas liquids, crude oil and refined products, and electricity -- to local distribution companies and large industrial and commercial customers in North America. Exploration & Production includes hydrocarbon exploration and production activities in the Rocky Mountain and Gulf Coast regions. Midstream Gas & Liquids is comprised of natural gas gathering and processing facilities in the Rocky Mountain, midwest and Gulf Coast regions, natural gas liquids pipelines in the Rocky Mountain, southwest, midwest and Gulf Coast regions and an anhydrous ammonia pipeline in the midwest. Petroleum Services includes petroleum refining and marketing in Alaska and the southeast, a petroleum products pipeline and ethanol production and marketing operations in the midwest region.

Communications consists of three operating segments: Network, Solutions and Strategic Investments. Network provides fiber-optic construction, transmission and management services throughout the United States. Solutions includes distribution and integration of communications equipment for voice and data networks for customers throughout North America. Strategic Investments includes operations principally located in the United States offering video, advertising distribution and other multimedia transmission services via terrestrial and satellite links for the broadcast industry as well as investments in domestic communications companies and investments in foreign communications companies located in Australia, Brazil and Chile.

Basis of presentation

Communications' 1998 and 1997 segment results have been restated to include the results of investments in certain Brazilian and Australian telecommunications projects, which had previously been reported in Other segment revenues and profit. These investments, along with certain businesses previously reported as Network Applications and certain investments previously reported in Network Services, are now collectively managed and reported as Strategic Investments. Segments previously reported as Network Services and Communications Solutions are now reported as Network and Solutions, respectively.

On March 28, 1998, Williams completed the acquisition of MAPCO Inc. The transaction has been accounted for as a pooling of interests and, accordingly, the consolidated financial statements and notes reflect the results of operations, financial position and cash flows as if the companies had been combined throughout the periods presented. MAPCO was engaged in the natural gas liquids pipeline, petroleum refining and marketing and propane marketing businesses, and became part of the Energy Services business unit. Effective April 1, 1998, certain marketing activities were transferred from other Energy Services segments to Energy Marketing & Trading and combined with its energy risk trading operations. The income statement presentation relating to certain of these operations was changed effective April 1, 1998, on a prospective basis, to reflect these revenues net of the related costs to purchase such items. Activity prior to this date is reflected on a "gross" basis in Energy Marketing & Trading's segment results and in the Consolidated Statement of Income. Concurrent with completing the combination of such activities with the energy risk trading operations of Energy Marketing & Trading, the related contract rights and obligations of certain of these operations were recorded in the Consolidated Balance Sheet at fair value consistent with Energy Marketing & Trading's accounting policy.

Certain prior year amounts have been reclassified to conform to current year classifications.

Principles of consolidation

The consolidated financial statements include the accounts of Williams, its majority-owned subsidiaries, and a subsidiary that Williams controls but owns less than 50 percent of the voting common stock. Companies in which Williams and its subsidiaries own 20 percent to 50 percent of the voting common stock, or otherwise exercise significant influence over operating and financial policies of the company, are accounted for under the equity method.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include demand and time deposits, certificates of deposit and other marketable securities with maturities of three months or less when acquired. Certain items which meet the definition of cash equivalents, but are part of a larger pool of investments managed by financial institutions, are included in short-term investments.

Transportation and exchange gas imbalances

In the course of providing transportation services to customers, the natural gas pipelines may receive different quantities of gas from shippers than the quantities delivered on behalf of those shippers. Additionally, the pipelines and other Williams' subsidiaries transport gas on various pipeline systems which may deliver different quantities of gas on their behalf than the quantities of gas received. These transactions result in gas transportation and exchange imbalance receivables and payables which are recovered or repaid in cash or through the receipt or delivery of gas in the future. Settlement of imbalances requires agreement between the pipelines and shippers as to allocations of volumes to specific transportation contracts and timing of delivery of gas based on operational conditions. At December 31, 1999 and 1998, transportation and exchange gas receivables were $47.5 million and $96.4 million, respectively, and transportation and exchange gas payables were $41.7 million and $47.1 million, respectively.

Inventory valuation

In the fourth quarter of 1999, Williams conformed its accounting for all of its inventories of non-trading crude oil and refined products to the average-cost method or market, if lower, the method used for the majority of such inventories. Previously, certain of these inventories were carried on the last-in, first-out (LIFO) cost method which was the inventory valuation method used by MAPCO. At the time of the MAPCO acquisition, Williams began using its business and risk management practices to manage such inventories, but continued using the LIFO cost method. After taking into account its risk management practices, Williams now believes the average-cost method for such inventories is preferable because it provides a better measure of periodic income. In addition, the change results in the consistent valuation of Williams' non-trading crude oil and refined products inventories. All previously reported results have been restated to reflect the retroactive application of this accounting change. The accounting change increased net income for

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1999 by $21.9 million, or $.05 per diluted share, and decreased net income previously reported for 1998 by $5.2 million, or $.01 per diluted share, and for 1997 by $16.9 million, or $.04 per diluted share. Retained earnings as of December 31, 1996, was increased by $22.1 million.

Other inventories are stated at cost, which is not in excess of market, except for certain assets held for energy trading activities by Energy Marketing & Trading, which are primarily stated at fair value. The cost of these other inventories is primarily determined using the average-cost method, except for certain natural gas inventories held by Transcontinental Gas Pipe Line and general merchandise inventories held by Petroleum Services which are determined using the LIFO cost method.

Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation is provided primarily on the straight-line method over estimated useful lives. Gains or losses from the ordinary sale or retirement of property, plant and equipment for regulated pipelines are credited or charged to accumulated depreciation; other gains or losses are recorded in net income.

Goodwill and other intangible assets

Goodwill, which represents the excess of cost over fair value of assets of businesses acquired, is amortized on a straight-line basis over periods from 10 to 25 years. Other intangible assets are amortized on a straight-line basis over periods from three to 20 years. Accumulated amortization at December 31, 1999 and 1998 was $144.9 million and $128.9 million, respectively. Amortization was $50.7 million, $49.7 million and $29.2 million in 1999, 1998 and 1997, respectively.

Treasury stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to capital in excess of par value using the average-cost method.

Gas Pipeline revenues

Revenues for sales of products are recognized in the period of delivery and revenues from the transportation of gas are recognized based on contractual terms and the related transported volumes. Gas Pipeline is subject to Federal Energy Regulatory Commission (FERC) regulations and, accordingly, certain revenues collected may be subject to possible refunds upon final orders in pending cases. Gas Pipeline records rate refund liabilities considering Gas Pipeline and other third party regulatory proceedings, advice of counsel and estimated total exposure, as discounted and risk weighted, as well as collection and other risks.

Energy Services revenues

Revenues generally are recorded when services have been performed or products have been delivered. A portion of Petroleum Services is subject to FERC regulations and, accordingly, the method of recording these revenues is consistent with Gas Pipeline's method discussed above. Certain of Energy Marketing & Trading's activities are accounted for at fair value as described in Energy Trading Activities.

Communications revenues

For Network and Strategic Investments, transmission and management service revenues are recognized monthly as the services are provided. Amounts billed in advance of the service month are recorded as deferred revenue.

Network uses lease accounting to record revenues related to cash received for the right to use portions of its fiber-optic network. The lease transactions are evaluated for sales-type lease accounting which results in certain lease transactions being accounted for as sales upon completion of the construction of the respective network segments and upon acceptance of the fiber by the purchaser. Transactions that do not meet the criteria for a sales-type lease are accounted for as an operating lease and revenue is recorded over the term of the lease. In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66," issued in June 1999, lease transactions entered into after June 30, 1999, are accounted for as operating leases unless title to the fibers under lease transfers to the lessee. The effect of this interpretation on 1999 results was not significant.

Solutions uses the percentage-of-completion method to record revenues related to upgrades and new system sales. Revenues for these contracts are initially recognized upon delivery of equipment with remaining revenues under the contracts recognized over the installation period based on the relationship of incurred labor to total estimated labor. Estimated losses on all contracts in progress are accrued when the loss becomes known. The billings associated with these contracts occur incrementally over the term of the agreement or upon completion of the contract as provided. At December 31, 1999 and 1998, costs incurred and estimated earnings in excess of billings were $166.7 million and $185.9 million, respectively, and billings in excess of costs incurred and estimated earnings were $50.7 million and $49.4 million, respectively.

Solutions uses the completed-contract method to record revenues related to customer service orders. Revenues on contracts for the maintenance of installed systems are deferred and amortized on a straight-line basis over the lives of the related contracts.

Energy trading activities

Energy Marketing & Trading has trading operations that enter into energy contracts to provide price-risk management services to its third-party customers. Energy contracts include forward contracts, futures contracts, option contracts, swap agreements, commodity inventories and short- and long-term purchase and sale commitments which involve physical delivery of an energy commodity. These energy contracts are valued at fair value and, with the exception of commodity inventories, are recorded in energy trading assets, other assets and deferred charges, energy trading liabilities and other liabilities and deferred income in the Consolidated Balance Sheet. The net change in fair value representing unrealized gains and losses is recognized in income currently and is recorded as revenues in the Consolidated Statement of Income. Fair value, which is subject to change in the near term, reflects management's estimates using valuation techniques that reflect the best information available in the circumstances. This information includes various factors such as quoted market prices, estimates of market prices in the absence of quoted market prices, contractual volumes, estimated volumes under option and other arrangements that result in varying volumes, other contract terms, liquidity of the market in which the contract is transacted, credit considerations, time value and volatility factors underlying the positions. Energy Marketing & Trading reports its trading operations' physical sales transactions net of the related purchase costs, consistent with fair value accounting for such trading activities.

Williams also enters into energy derivative financial instruments and derivative commodity instruments (primarily futures contracts, option contracts and swap agreements) to hedge against market price fluctuations of certain commodity inventories and sales and purchase commitments. Unrealized and realized gains and losses on these hedge contracts are deferred and recognized in income in the same manner as the hedged item. These contracts are initially and regularly evaluated to determine that there is a high correlation between changes in the fair value of the hedge contract and fair value of the hedged item. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the instruments are recognized as gains or losses. If the hedged item of the underlying transactions is sold or settled, the instrument is recognized into income.

Impairment of long-lived assets

Williams evaluates the long-lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Interest-rate derivatives

Williams enters into interest-rate swap agreements to modify the interest characteristics of its long-term debt. These agreements are designated with all or a portion of the principal balance and term of specific debt obligations. These agreements involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates without an exchange of the notional amount upon which the payments are based. The difference to be paid or received is accrued and recognized as an adjustment of interest accrued. Gains and losses from terminations of interest-rate swap agreements are deferred and amortized as an adjustment of the interest expense on the outstanding debt over the remaining original term of the terminated swap agreement. In the event the designated debt is extinguished, gains and losses from terminations of interest-rate swap agreements are recognized in income.

Kern River specifically has interest-rate swap agreements that are not designated with long-term debt that are recorded in other liabilities at market value. Changes in market value are recorded as adjustments to a regulatory asset which is expected to be recovered in transportation rates.

Capitalization of interest

Williams capitalizes interest on major projects during construction. Interest is capitalized on borrowed funds and, where regulation by the FERC exists, on internally generated funds. The rates used by regulated companies are calculated in accordance with FERC rules. Rates used by unregulated companies approximate the average interest rate on related debt. Interest capitalized on internally generated funds, as permitted by FERC rules, is included in non-operating other income (expense) -- net.

Employee stock-based awards

Employee stock-based awards are accounted for under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Fixed-plan common stock options generally do not result in compensation expense because the exercise price of the stock options equals the market price of the underlying stock on the date of grant.

Income taxes

Williams includes the operations of its subsidiaries in its consolidated tax return. For certain of the periods presented, Williams and MAPCO separately included the operations of their respective subsidiaries in consolidated federal income tax returns. Williams and MAPCO began filing a single consolidated federal income tax return as of the date of the merger. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of Williams' assets and liabilities.

Earnings per share

Basic earnings per share are based on the sum of the average number of common shares outstanding and issuable restricted and deferred shares. Diluted earnings per share include any dilutive effect of stock options and convertible preferred stock.

Foreign currency translation

The functional currency of Williams is the U.S. dollar. The functional currency of certain of Williams' foreign operations is the applicable local currency for each foreign subsidiary and equity method investee, including the Australian dollar, Brazilian real, Canadian dollar and Lithuanian lita. Assets and liabilities of certain foreign subsidiaries and equity investees are translated at the spot rate in effect at the applicable reporting date, and the combined statements of operations and Williams' share of the results of operations of its equity affiliates are translated at the average exchange rates in effect during the applicable period. The resulting cumulative translation adjustment is recorded as a separate component of other comprehensive income.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the Consolidated Statement of Income.

Recent accounting standards

Effective January 1, 1999, Williams adopted Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." The SOP requires that all start-up costs be expensed as incurred, and the expense related to the initial application of this SOP of $5.6 million (net of a $3.6 million benefit for income taxes) is reported as the cumulative effect of change in accounting principle.

Additionally, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," which was adopted in the first quarter of 1999. The cumulative effect of initially applying the consensus at January 1, 1999, is immaterial to Williams' results of operations and financial position.

The FASB issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard, as amended, will be effective for Williams beginning January 1, 2001. This standard requires that all derivatives be recognized as assets or liabilities in the balance sheet and that those instruments be measured at fair value. The effect of this standard on Williams' results of operations and financial position is being evaluated.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." The effect of this guidance on Williams' results of operations and financial position is being evaluated.

NOTE 2. ACQUISITIONS

MAPCO

On March 28, 1998, Williams completed the acquisition of MAPCO Inc. by exchanging 1.665 shares of Williams common stock for each outstanding share of MAPCO common stock. In addition, outstanding MAPCO employee stock options were converted into 5.7 million shares of Williams common stock. Upon completion, 98.8 million shares of Williams common stock valued at $3.1 billion, based on the closing price of Williams common stock on March 27, 1998, were issued. Also in connection with the merger, 8.4 million shares of MAPCO $1 par value common stock previously held in treasury were retired. These shares had a carrying value of $253.8 million. The merger constituted a tax-free reorganization and has been accounted for as a pooling of interests.

In connection with the merger, Williams recognized approximately $80 million in merger-related costs in 1998, comprised primarily of outside professional fees and early retirement and severance costs. Approximately $51 million of these merger-related costs are included in other expense -- net as a component of segment profit within Energy Services for 1998, and approximately $29 million, unrelated to segments, is included in general corporate expenses. During 1997, payments of $32.6 million were made for non-compete agreements. These costs are being amortized over one to three years from the merger completion date.

Nortel

On April 30, 1997, Williams and Nortel combined their customer-premise equipment sales and service operations into a limited liability company, Williams Communications Solutions, LLC. In addition, Williams paid $68 million to Nortel. Williams has accounted for its 70 percent interest in the operations that Nortel contributed to the LLC as a purchase business combination, and beginning May 1, 1997, has included the results of operations of the acquired company in Williams' Consolidated Statement of Income. Accordingly, the acquired assets and liabilities, including $168 million in accounts receivable, $68 million in accounts payable and accrued liabilities, and $150 million in debt obligations, were recorded based on an allocation of the purchase price, with substantially all of the cost in excess of historical carrying values allocated to goodwill.

Williams recorded the 30 percent reduction in its operations contributed to the LLC as a sale to the minority shareholder of the LLC. Williams recognized a gain of $44.5 million based on the excess of the fair value over the net book value (approximately $71 million) of its operations conveyed to the LLC minority interest. Income taxes were not provided on the gain, because the transaction did not affect the difference between the financial and tax bases of identifiable assets and liabilities.

NOTE 3. DISCONTINUED OPERATIONS

Williams accrued losses of $14.3 million (net of a $7.4 million income tax benefit) and $6.3 million (net of a $.7 million income tax benefit) in 1998 and 1997, respectively. The losses related to a business sold in 1996 and include cost accruals for contractual obligations related to financial performance of those assets and a 1997 income tax adjustment to the 1996 loss on the assets sold.

NOTE 4. INVESTING ACTIVITIES

Short-term investments

Short-term investments at December 31, 1999, consist of the following:

	(MILLIONS)
Commercial paper	$ 516.9
Debt securities mutual fund	354.9
Auction securities consisting primarily of asset-backed and corporate debt securities	334.3
Other debt securities and time deposits	228.7
	$1,434.8

Maturities of short-term investments are primarily one year or less with the exception of the mutual funds which do not have a maturity. All short-term investments are classified as available-for-sale under the scope of SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities." The carrying amounts of these investments are reported at fair value, which approximate cost at December 31, 1999, with net unrealized appreciation or depreciation reported as a component of other comprehensive income.

Long-term investments

Long-term investments at December 31, 1999 and 1998 are as follows:

	1999	1998
	(MILLIONS)	
Equity method:		
ATL-Algar Telecom Leste S.A. -- common stock	$ 42.6	$ 42.7
Alliance Pipeline -- 14.6%	162.7	--
AB Mazeikiu Nafta -- 33%	73.7	--
Longhorn Partners Pipeline, L.P. -- 31.5%	98.4	90.0
Discovery Pipeline -- 50%	92.6	78.0
Other	245.1	163.9
	715.1	374.6
Cost method:		
ATL-Algar Telecom Leste S.A. -- preferred stock	317.0	100.0
Algar Telecom S.A. -- common and preferred stock	52.8	52.4
Other	226.3	157.0
	596.1	309.4
Ferrellgas Partners L.P. senior common units	175.7	--
Marketable equity securities	288.1	77.0
Advances to affiliates	190.4	105.1
	$1,965.4	$866.1

At December 31, 1998, Williams owned 30 percent of the preferred shares in ATL-Algar Telecom Leste S.A. (ATL) and through participation in a limited liability company owned 30 percent of the common stock. In March 1999, Williams purchased from Algar Telecom S.A. for $265 million an additional 43 percent of the preferred shares and 19 percent of the common stock in ATL. In March 1999, Williams pledged its 49 percent and 73 percent investment in ATL's common and preferred stock, respectively, as collateral for a U.S. dollar denominated $521 million loan from Ericsson Project Finance AB to ATL. In addition, Algar Telecom pledged 49 percent of its 51 percent investment in ATL common stock and 100 percent of its 27 percent investment in ATL preferred stock as collateral for the loan.

Subsequent to December 31, 1999, Williams sold 30 percent and 7 percent of the common and preferred stock, respectively, of ATL to SBC Communications, Inc. and Telefonos de Mexico S.A. de C.V. for aggregate proceeds of $148 million.

The Ferrellgas Partners L.P. senior common units are non-voting and become callable in two years and bear a fixed yield of 10 percent. The carrying amount of this investment is reported at fair value which approximates cost at December 31, 1999.

Included in the preceding investments table are marketable equity securities which are classified as available-for-sale under the scope of SFAS No. 115. The carrying amount of these investments is reported at fair value with net unrealized appreciation or depreciation reported as a component of other comprehensive income. The aggregate cost of these investments at December 31, 1999 and 1998 was $57.7 million and $41.5 million, respectively. Fair value exceeded cost for each marketable equity security investment at December 31, 1999 and 1998.

Subsequent to December 31, 1999, Williams liquidated a portion of its marketable equity securities portfolio, yielding proceeds of $35.9 million. At December 31, 1999, these investments had a cost and carrying value of $4.4 million and $35.7 million, respectively.

Summarized unaudited financial position and results of operations of Williams' equity method investments are as follows:

	1999	1998
	(MILLIONS)	
Current assets	$ 646.3	$ 202.0
Non-current assets	6,884.1	4,938.6
Current liabilities	1,125.2	1,030.8
Non-current liabilities	3,771.8	2,546.7
Revenues	839.7	347.0
Costs and operating expenses	581.9	164.6
Net income (loss)	(96.1)	70.1

The non-current assets consist primarily of communication and interstate natural gas pipeline assets.

Dividends and distributions received from companies carried on an equity basis were $14 million, $16 million and $7 million in 1999, 1998 and 1997, respectively.

Certain investments accounted for under the equity method are publicly traded. At December 31, 1999, these investments had a carrying value of $65 million and a quoted market value of $183.1 million.

Earnings and losses related to equity method investments are included in revenues. Investing income for all of the years presented is comprised primarily of interest income.

NOTE 5. ASSET SALES, IMPAIRMENTS AND OTHER ACCRUALS

Included in other expense -- net within segment costs and expenses and Energy Marketing & Trading's segment profit for 1999 is a $22.3 million gain related to the sale of certain of its retail gas and electric operations.

Included in other expense -- net within segment costs and expenses and Exploration & Production's segment profit for 1999 is a $14.7 million gain related to the sale of certain of its gas producing properties.

Included in other expense -- net within segment costs and expenses and Strategic Investments' segment loss for 1999, is a pre-tax loss totaling $28.4 million relating to management's second-quarter 1999 decision and commitment to sell certain network application businesses. The $28.4 million loss consists of a $24.5 million impairment of the assets to fair value, based on the net sales proceeds of $50 million, and $3.9 million in exit costs consisting of contractual obligations related to the sales of these businesses. These transactions resulted in an increase in the income tax provision of approximately $7.9 million, which reflects the impact of goodwill not deductible for tax purposes. Segment losses for the operations related to these assets for 1999, 1998 and 1997 were $10 million, $22 million and $15 million, respectively.

Included in other expense -- net within segment costs and expenses and Energy Marketing & Trading's segment profit for 1998 is a $14 million asset impairment related to the decision to focus its retail natural gas and electric business from sales to small commercial and residential customers to large end users. The impairment primarily reflects the reduction in value of a software system and certain intangible assets associated specifically with retail energy applications that will no longer be utilized by Energy Marketing & Trading and for which management estimates the fair value to be insignificant.

Included in 1998 other expense -- net within segment costs and expenses and Strategic Investments' segment loss is a $23.2 million loss related to a venture involved in the technology and transmission of business information for news and educational purposes. The loss occurred as a result of Williams' re-evaluation and decision to exit the venture as Williams decided against making further investments in the venture. Williams abandoned its entire ownership interest in the venture during fourth-quarter 1998. The loss primarily consists of $17 million from the impairment of the total carrying amount of the investment and $5 million from recognition of contractual obligations that continued after the abandonment. Williams' share of losses from the venture is not significant to consolidated net income for any periods presented.

In fourth-quarter 1997, Williams made the decision and committed to a plan to sell the learning content business, which resulted in a loss of $22.7 million included in 1997 other expense -- net within segment costs and expenses and Strategic Investments' segment loss. The loss consisted of a $21 million impairment of the assets to fair value less cost to sell and recognition of $1.7 million in costs associated with the decision to sell the business. Fair value was based on management's estimate of the expected net proceeds to be received. During 1998, a significant portion of the learning content business was sold with a resulting $2 million reduction in 1998 expenses. The results of operations and the effect of suspending amortization for the learning content business included in consolidated net income are not significant for any of the periods presented.

In 1997, Williams sold its interest in the natural gas liquids and condensate reserves in the West Panhandle field of Texas for $66 million in cash. The sale resulted in a $66 million pre-tax gain on the transaction, because the related reserves had no book value.

NOTE 6. PROVISION FOR INCOME TAXES

The provision (benefit) for income taxes from continuing operations includes:

	1999	1998	1997
		(MILLIONS)	
Current:			
Federal	$(318.0)	$ 57.8	$121.5
State	18.7	5.1	23.1
Foreign	5.4	4.6	2.3
	(293.9)	67.5	146.9
Deferred:			
Federal	442.1	29.0	79.9
State	21.8	10.7	13.9
Foreign	(8.8)	--	--
	455.1	39.7	93.8
Total provision	$ 161.2	$107.2	$240.7

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Reconciliations from the provision for income taxes from continuing operations at the federal statutory rate to the provision for income taxes are as follows:

	1999	1998	1997
		(MILLIONS)	
Provision at statutory rate	$113.0	$ 87.0	$237.1
Increases (reductions) in taxes resulting from:			
State income taxes (net of federal benefit)	26.3	10.0	23.9
Non-deductible costs, including goodwill amortization	5.6	10.5	7.0
Income tax credits	(5.8)	(4.0)	(16.5)
Non-deductible costs related to asset sales	16.8	--	--
Non-taxable gain from sale of interest in subsidiary	--	--	(15.6)
Foreign operations	10.5	8.5	(.2)
Other -- net	(5.2)	(4.8)	5.0
Provision for income taxes	$161.2	$107.2	$240.7

Significant components of deferred tax liabilities and assets as of December 31 are as follows:

	1999	1998
	(MILLIONS)	
Deferred tax liabilities:		
Property, plant and equipment	$2,248.0	$2,149.2
Investments	569.5	133.5
Other	79.0	95.3
Total deferred tax liabilities	2,896.5	2,378.0
Deferred tax assets:		
Rate refunds	84.9	124.1
Accrued liabilities	151.0	181.5
Minimum tax credits	213.6	178.5
Other	68.8	73.0
Total deferred tax assets	518.3	557.1
Net deferred tax liabilities	$2,378.2	$1,820.9

In 1999, cash refunds exceeded cash payments resulting in a net refund of $387 million. Federal tax refunds received in 1999 are reflected as current tax benefits with offsetting deferred tax provisions attributable to temporary differences between the book and tax basis of certain assets. Cash payments for income taxes (net of refunds) were $29 million and $126 million in 1998 and 1997, respectively.

NOTE 7. EXTRAORDINARY GAIN (LOSS)

On December 17, 1999, Williams sold its retail propane business, Thermogas L.L.C., previously a subsidiary of MAPCO, to Ferrellgas Partners L.P. (Ferrellgas) for $443.7 million, including $175 million in senior common units of Ferrellgas. The sale resulted from an unsolicited offer from Ferrellgas and yielded an after-tax gain of $65.2 million (net of a $47.9 million provision for income taxes), which is reported as an extraordinary gain. The results of operations from this business are not significant to consolidated net income for any periods presented. Thermogas operations are reported within the Energy Marketing & Trading segment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 1998, Williams paid $54.4 million to redeem higher interest rate debt for a $4.8 million net loss (net of a $2.6 million benefit for income taxes).

During 1997, Williams paid approximately $1.4 billion to redeem approximately $1.3 billion of debt with stated interest rates in excess of 8.8 percent, for a net loss of $79.1 million (net of a $46.6 million benefit for income taxes). In addition, approximately $30 million of costs to redeem the debt have been deferred as a regulatory asset for rate recovery and are being amortized over the original term of the related debt.

NOTE 8. EARNINGS PER SHARE

Basic and diluted earnings per common share are computed for the years ended December 31, 1999, 1998 and 1997, as follows:

	1999	1998	1997
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS; SHARES IN THOUSANDS)		
Income from continuing operations	$ 161.8	$ 141.4	$ 436.8
Preferred stock dividends	(2.8)	(7.1)	(9.8)
Income from continuing operations available to common stockholders for basic earnings per share	159.0	134.3	427.0
Effect of dilutive securities:			
Convertible preferred stock dividends	--	--	8.7
Income from continuing operations available to common stockholders for diluted earnings per share	$ 159.0	$ 134.3	$ 435.7
Basic weighted-average shares	436,117	425,681	412,380
Effect of dilutive securities:			
Convertible preferred stock	--	--	11,717
Stock options	5,395	6,135	6,097
	5,395	6,135	17,814
Diluted weighted-average shares	441,512	431,816	430,194
Earnings per share from continuing operations:			
Basic	$ .36	$ .31	$ 1.04
Diluted	$ .36	$ .31	$ 1.01

Approximately 6.2 million, 5 million and 3.1 million options to purchase shares of common stock with weighted-average exercise prices of $38.56, $32.20 and $27.93, respectively, were outstanding on December 31, 1999, 1998 and 1997, respectively, but have been excluded from the computation of diluted earnings per share. Inclusion of these shares would be antidilutive, as the exercise prices of the options exceeded the average market prices of the common shares for the respective years.

Additionally for 1999 and 1998, approximately 5.4 million and 9.6 million shares, respectively, related to the assumed conversion of the $3.50 convertible preferred stock have been excluded from the computation of diluted earnings per share. Inclusion of these shares would be antidilutive.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 9. EMPLOYEE BENEFIT PLANS

The following table presents the changes in benefit obligations and plan assets for pension benefits and other postretirement benefits for the years indicated. It also presents a reconciliation of the funded status of these benefits to the amount recognized in the Consolidated Balance Sheet at December 31 of each year indicated.

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	1999	1998	1999	1998
	(MILLIONS)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,045.7	$ 969.8	$ 449.0	$ 389.8
Service cost	44.8	41.9	8.7	8.9
Interest cost	70.0	70.0	30.3	29.1
Plan participants' contributions	--	--	1.8	1.6
Amendments	19.2	(65.2)	--	2.2
Acquisition (divestures)	4.2	--	(.7)	--
Settlement/curtailment gain	(7.6)	(29.5)	--	--
Special termination benefit cost	2.2	35.1	--	3.6
Actuarial (gain) loss	(220.1)	134.6	(19.8)	32.3
Benefits paid	(103.1)	(111.0)	(20.0)	(18.5)
Benefit obligation at end of year	855.3	1,045.7	449.3	449.0
Change in plan assets:				
Fair value of plan assets at beginning of year	1,039.1	975.7	209.7	184.5
Actual return on plan assets	188.5	120.7	33.2	17.2
Acquisition	4.9	.1	--	--
Employer contributions	27.3	53.6	27.8	24.9
Plan participants' contributions	--	--	1.8	1.6
Benefits paid	(98.1)	(83.0)	(20.0)	(18.5)
Settlement benefits paid	(5.0)	(28.0)	--	--
Fair value of plan assets at end of year	1,156.7	1,039.1	252.5	209.7
Funded status	301.4	(6.6)	(196.8)	(239.3)
Unrecognized net actuarial (gain) loss	(233.1)	97.4	(32.4)	7.4
Unrecognized prior service credit	(20.3)	(54.8)	(.6)	(.2)
Unrecognized transition (asset) obligation	(1.0)	(1.7)	53.0	57.0
Prepaid (accrued) benefit cost	$ 47.0	$ 34.3	$(176.8)	$(175.1)
Prepaid benefit cost	$ 78.4	$ 83.0	$ 3.8	$ --
Accrued benefit cost	(31.4)	(48.7)	(180.6)	(175.1)
	$ 47.0	$ 34.3	$(176.8)	$(175.1)

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Net pension and other postretirement benefit expense consists of the following:

	PENSION BENEFITS		
	1999	1998	1997
	(MILLIONS)		
Components of net periodic pension expense:			
Service cost	$ 44.8	$ 41.9	$ 34.9
Interest cost	70.0	70.0	63.6
Expected return on plan assets	(95.9)	(89.5)	(76.9)
Amortization of transition asset	(.7)	(.7)	(.7)
Amortization of prior service cost (credit)	(2.5)	(4.1)	1.0
Recognized net actuarial loss	2.1	6.5	3.6
Regulatory asset amortization	7.2	12.2	5.3
Settlement/curtailment gain	(5.6)	(22.2)	--
Special termination benefit cost	2.2	35.1	--
Net periodic pension expense	$ 21.6	$ 49.2	$ 30.8

	OTHER POSTRETIREMENT BENEFITS		
	1999	1998	1997
	(MILLIONS)		
Components of net periodic postretirement benefit expense:			
Service cost	$ 8.7	$ 8.9	$ 7.1
Interest cost	30.3	29.1	24.4
Expected return on plan assets	(14.3)	(12.1)	(9.9)
Amortization of transition obligation	4.0	4.1	4.1
Amortization of prior service cost	.4	.4	--
Recognized net actuarial loss (gain)	.3	.2	(1.0)
Regulatory asset amortization	9.0	5.4	12.5
Special termination benefit cost	--	3.6	--
Net periodic postretirement benefit expense	$ 38.4	$ 39.6	$37.2

In connection with the MAPCO merger, Williams offered an early retirement incentive program to a certain group of employees during 1998. Texas Gas Transmission also offered an early retirement incentive program to certain employees during 1998.

The following are the weighted-average assumptions utilized as of December 31 of the year indicated.

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	1999	1998	1999	1998
Discount rate	8%	7%	8%	7%
Expected return on plan assets	10	10	10	10
Expected return on plan assets (after-tax)	N/A	N/A	6	6
Rate of compensation increase	5	5	N/A	N/A

The annual assumed rate of increase in the health care cost trend rate for 2000 is 9 percent increasing to 10 percent in 2001, and systematically decreasing to 5 percent by 2008.

The various nonpension postretirement benefit plans which Williams sponsors provide for retiree contributions and contain other cost-sharing features such as deductibles and coinsurance. The accounting for these plans anticipates future cost-sharing changes to the written plans that are consistent with Williams' expressed intent to increase the retiree contribution rate annually, generally in line with health care cost increases, except for certain retirees whose premiums are fixed.

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
	(MILLIONS)	
Effect on total of service and interest cost components	$ 6.1	$ (4.9)
Effect on postretirement benefit obligation	59.6	(48.7)

The amount of postretirement benefit costs deferred as a regulatory asset at December 31, 1999 and 1998, is $91 million and $101 million, respectively, and is expected to be recovered through rates over approximately 14 years.

Williams maintains various defined-contribution plans. Williams recognized costs of $46 million in 1999, $42 million in 1998 and $33 million in 1997 for these plans.

NOTE 10. INVENTORIES

	1999	1998
	(MILLIONS)	
Raw materials:		
Crude oil	$ 66.6	$ 43.2
Other	2.1	2.0
	68.7	45.2
Finished goods:		
Refined products	172.5	104.0
Natural gas liquids	83.9	58.6
General merchandise and communications equipment	116.0	92.8
	372.4	255.4
Materials and supplies	110.2	93.4
Natural gas in underground storage	77.5	95.7
Other	2.7	7.8
	$631.5	$497.5

As of December 31, 1999 and 1998, approximately 28 percent and 29 percent of inventories, respectively, were stated at fair value. As of December 31, 1999 and 1998, approximately 10 percent and 11 percent of inventories, respectively, were determined using the LIFO cost method. The remaining inventories were primarily determined using the average-cost method.

If inventories valued on the LIFO cost method at December 31, 1999 and 1998, were valued at current replacement cost, the amounts would increase by approximately $14 million and $13 million, respectively.

During 1999 and 1998, lower-of-cost or market reductions of approximately $6 million and $1 million, respectively, were recognized with respect to certain refined products inventories.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	1999	1998
	(MILLIONS)	
Cost:		
Gas Pipeline	$ 8,468.7	$ 8,151.5
Energy Services:		
Energy Marketing & Trading	235.1	434.0
Exploration & Production	485.2	368.3
Midstream Gas & Liquids	4,102.1	3,808.0
Petroleum Services	2,805.1	2,114.7
Communications:		
Network	1,914.9	521.9
Solutions	216.0	161.2
Strategic Investments	285.1	207.2
Other	737.6	439.5
	19,249.8	16,206.3
Accumulated depreciation and depletion	(4,094.3)	(3,621.0)
	$15,155.5	$12,585.3

Included in gross property, plant and equipment for 1999 is approximately $2.3 billion of construction in progress, primarily the communications network, which is not yet subject to depreciation.

Commitments for construction and acquisition of property, plant and equipment are approximately $1 billion at December 31, 1999. Included in this amount is $303 million for the purchase of optronics equipment from Nortel to be used in building the communications network pursuant to agreements with Nortel to purchase a total of $600 million in optronics equipment.

NOTE 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Under Williams' cash-management system, certain subsidiaries' cash accounts reflect credit balances to the extent checks written have not been presented for payment. The amounts of these credit balances included in accounts payable are $220 million at December 31, 1999, and $124 million at December 31, 1998.

	1999	1998
	(MILLIONS)	
Accrued liabilities:		
Employee costs	$ 329.6	$ 259.6
Construction costs	271.3	7.0
Interest	204.1	127.0
Rate refunds	189.3	358.7
Deferred income	162.8	85.7
Taxes other than income taxes	158.3	127.4
Other	519.8	582.2
	$1,835.2	$1,547.6

NOTE 13. DEBT, LEASES AND BANKING ARRANGEMENTS

Notes payable

During 1999, Williams' commercial paper program, backed by a short-term credit facility, was increased to $1.4 billion. At December 31, 1999 and 1998, $1.2 billion and $903 million, respectively, of commercial paper was outstanding under the program. In addition, Williams has entered into various other short-term credit agreements with amounts outstanding totaling $143 million and $150 million at December 31, 1999 and 1998, respectively. The weighted-average interest rate on the outstanding short-term borrowings at December 31, 1999 and 1998, was 6.37 percent and 5.92 percent, respectively.

Debt

	WEIGHTED-AVERAGE INTEREST RATE*	DECEMBER 31, 1999	DECEMBER 31, 1998
		(MILLIONS)	
Revolving credit loans	7.0%	$ 525.0	$ 694.0
Debentures, 6.25% -- 10.25%, payable 2003 -- 2027(1)	6.9	1,105.2	1,105.1
Notes, 5.1% -- 10.875%, payable through 2022(2)	7.9	7,339.1	4,562.6
Notes, adjustable rate, payable through 2004	6.3	455.0	386.7
Other, payable through 2009	7.1	7.0	8.6
		9,431.3	6,757.0
Current portion of long-term debt		(196.0)	(390.6)
		$9,235.3	$6,366.4

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* At December 31, 1999, including the effects of interest-rate swaps.

(1) $200 million, 7.08% debentures, payable 2026, are subject to redemption at par at the option of the debtholder in 2001.

(2) $300 million, 5.95% notes, payable 2010, and $240 million, 6.125% notes, payable 2012, are subject to redemption at par at the option of the debtholder in 2000 and 2002, respectively.

For financial statement reporting purposes at December 31, 1999, $404 million in obligations which would have otherwise been classified as current debt obligations have been classified as non-current based on Williams' intent and ability to refinance on a long-term basis. Williams' issuance in January 2000 of $500 million of adjustable rate notes due 2001 is sufficient to complete these refinancings.

In September 1999, Williams' communications business, Williams Communications Group, Inc. (WCG), entered into a $1.05 billion long-term credit agreement. Terms of the credit agreement contain restrictive covenants limiting the transfer of funds to Williams (parent), including the payment of dividends and repayment of intercompany borrowings by WCG to Williams (parent). At December 31, 1999, no amounts were outstanding under this facility. Interest rates vary with current market conditions.

Under the terms of Williams' $1 billion credit agreement, Northwest Pipeline, Transcontinental Gas Pipe Line and Texas Gas Transmission have access to various amounts of the facility, while Williams (parent) has access to all unborrowed amounts. Interest rates vary with current market conditions.

During 1999, WCG issued $2 billion in debt obligations consisting of $500 million in 10.7 percent notes due 2007 and $1.5 billion of 10.875 percent notes due 2009, and Williams issued $700 million in 7.625 percent notes due 2019.

Interest-rate swaps with a notional value of $1.2 billion are currently being utilized to convert certain fixed-rate debt obligations, included in the preceding table, to variable-rate obligations resulting in an effective weighted-average floating rate of 5.78 percent at December 31, 1999.

Certain interest-rate swap agreements relating to Kern River, which preceded the January 1996 purchase of Kern River by Williams and the subsequent Kern River debt refinancing, remain outstanding. In 1996, Kern River entered into additional interest-rate swap agreements to manage the exposure from the original interest-rate swap agreements. As described in Note 1, these interest-rate swap agreements are not designated with the Kern River debt, but when combined with interest on the debt obligations, Kern River's effective interest rate is 8.5 percent.

Terms of certain subsidiaries' borrowing arrangements with lenders limit the transfer of funds to Williams (parent). At December 31, 1999, approximately $3.3 billion of net assets of consolidated subsidiaries was restricted. In addition, certain equity method investees' borrowing arrangements and foreign government regulations limit the amount of dividends or distributions to Williams. Restricted net assets of equity method investees was approximately $176 million at December 31, 1999.

Aggregate minimum maturities and sinking-fund requirements, considering the reclassification of current obligations as previously described, for each of the next five years are as follows:

	(MILLIONS)
2000	$ 196
2001	1,502
2002	1,680
2003	280
2004	550

Cash payments for interest (net of amounts capitalized) are as follows: 1999 -- $503 million; 1998 -- $414 million; and 1997 -- $450 million.

Leases

Future minimum annual rentals under non-cancelable operating leases as of December 31, 1999, are payable as follows:

	OFF-NETWORK CAPACITY AND EQUIPMENT	OTHER	TOTAL
	(MILLIONS)		
2000	$ 302.2	$122.2	$ 424.4
2001	280.7	105.0	385.7
2002	220.6	93.5	314.1
2003	198.3	66.8	265.1
2004	162.0	55.5	217.5
Thereafter	235.8	365.2	601.0
	$1,399.6	$808.2	$2,207.8

Total rent expense was $358 million in 1999, $245 million in 1998 and $167 million in 1997. Included in this amount is total capacity expense incurred from leasing from a third party's network (off-network capacity expense) of $201 million in 1999, $111 million in 1998, and $69 million in 1997.

During 1998, Williams entered into an operating lease agreement covering a portion of its fiber-optic network. The total estimated cost of the network assets to be covered by the lease agreement is $750 million.

The lease term includes an interim term, during which the covered network assets will be constructed and will end April 30, 2000, and a base term. The interim and base terms are expected to total five years and, if renewed, could total seven years. Under the terms of the lease agreement, Williams cannot sublease the assets without the prior written consent of the lessor. Through December 31, 1999, Williams has not requested nor has the lessor granted such consent.

Williams has an option to purchase the covered network assets during the lease term at an amount approximating the lessor's cost. Williams provides a residual value guarantee equal to a maximum of 89.9 percent of the transaction. The residual value guarantee is reduced by the present value of actual lease payments. In the event that Williams does not exercise its purchase option, Williams expects the fair market value of the covered network assets to substantially reduce Williams' obligation under the residual value guarantee. Williams' disclosures for future minimum annual rentals under noncancelable operating leases do not include amounts for the residual value guarantee.

NOTE 14. PREFERRED OWNERSHIP INTERESTS OF SUBSIDIARIES

In December 1999, Williams formed Williams Capital Trust I (Trust) which issued $175 million in zero coupon Williams' obligated mandatorily redeemable preferred securities. The preferred securities must be redeemed by the Trust no later than March 2002. The redemption price of the securities accretes until redeemed and entitles the investor to a fixed-rate annual yield of 7.92 percent. Proceeds from the sale of the securities were used by the Trust to purchase Williams' zero-coupon subordinated debentures whose yield and maturity terms mirror those of the preferred securities issued by the Trust. The Trust's sole assets are the Williams zero-coupon subordinated debentures. The proceeds of the transaction generated funds for Williams' general corporate use. Williams guarantees the obligations of the Trust related to its preferred securities.

During 1998, Williams formed separate legal entities and contributed various assets to a newly-formed limited partnership, Castle Associates L.P. (Castle), and to a limited liability company, Williams Risk Holdings Company, LLC (Holdings), as a part of transactions that generated funds for Williams' general corporate use. Outside investors obtained from Williams non-controlling preferred interests in the newly formed entities for $335 million through purchase and/or contribution. The assets and liabilities of Castle and Holdings are consolidated for financial reporting purposes. The transactions did not result in any gain or loss for Williams.

The preferred interest holders in both Castle and Holdings are entitled to a priority return based on a variable-rate structure, currently ranging from approximately seven to 10 percent, in addition to their participation in the operating results of the partnership and LLC.

The Castle limited-partnership agreement and associated operating documents included certain restrictive covenants and guarantees of Williams and certain of its subsidiaries. These restrictions are similar to those in the Williams' credit agreement and other debt instruments.

NOTE 15. ISSUANCE OF SUBSIDIARY'S COMMON STOCK

In October 1999, Williams' communications business, WCG, completed an initial public offering of approximately 34 million shares of its common stock at $23 per share for proceeds of approximately $738 million. In addition, approximately 34 million shares of common stock were privately sold in concurrent investments by SBC Communications Inc., Intel Corporation, and Telefonos de Mexico S.A. de C.V. for proceeds of $738.5 million. These transactions resulted in a reduction of Williams' ownership interest in WCG from 100 percent to 85.3 percent. In accordance with Williams' policy regarding the issuance of subsidiary's common stock, Williams recognized a $1.17 billion increase to Williams' capital in excess of par, a $3.4 million decrease to accumulated other comprehensive income, and an initial increase of $307 million to Williams' minority interest liability. The issuances of stock by WCG were not subject to federal income taxes.

NOTE 16. STOCKHOLDERS' EQUITY

During 1999, each remaining share of the $3.50 preferred stock was converted at the option of the holder into 4.6875 shares of Williams common stock prior to the redemption date. In September 1997, the remaining shares of $2.21 cumulative preferred stock were redeemed by Williams at par ($25) for a total of $18.5 million.

In 1996, the Williams' board of directors adopted a Stockholder Rights Plan (the Rights Plan). Under the Rights Plan, each outstanding share of Williams common stock has one-third of a preferred stock purchase right attached. Under certain conditions, each right may be exercised to purchase, at an exercise price of $140 (subject to adjustment), one two-hundredth of a share of junior participating preferred stock. The rights may be exercised only if an Acquiring Person acquires (or obtains the right to acquire) 15 percent or more of Williams common stock; or commences an offer for 15 percent or more of Williams common stock; or the board of directors determines an Adverse Person has become the owner of 10 percent or more of Williams common stock. The rights, which do not have voting rights, expire in 2006 and may be redeemed at a price of $.01 per right prior to their expiration, or within a specified period of time after the occurrence of certain events. In the event a person becomes the owner of more than 15 percent of Williams common stock or the board of directors determines that a person is an Adverse Person, each holder of a right (except an Acquiring Person or an Adverse Person) shall have the right to receive, upon exercise, Williams common stock having a value equal to two times the exercise price of the right. In the event Williams is engaged in a merger, business combination or 50 percent or more of Williams' assets, cash flow or earnings power is sold or transferred, each holder of a right (except an Acquiring Person or an Adverse Person) shall have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the right.

NOTE 17. STOCK-BASED COMPENSATION

Williams has several plans providing for common-stock-based awards to employees and to non-employee directors. The plans permit the granting of various types of awards including, but not limited to, stock options, stock-appreciation rights, restricted stock and deferred stock. Awards may be granted for no consideration other than prior and future services or based on certain financial performance targets being achieved. The purchase price per share for stock options and the grant price for stock-appreciation rights may not be less than the market price of the underlying stock on the date of grant. Depending upon terms of the respective plans, stock options generally become exercisable after three or five years, subject to accelerated vesting if certain future stock prices or if specific financial performance targets are achieved. Stock options expire 10 years after grant. At December 31, 1999, 49.4 million shares of Williams common stock were reserved for issuance pursuant to existing and future stock awards, of which 24.7 million shares were available for future grants (18.7 million at December 31, 1998).

Certain of these plans have stock option loan programs for the participants, whereby, at the time of the option exercise the participant may elect to receive a loan from Williams in an amount limited to 80 percent (or 50 percent under one plan) of the market value of the shares associated with the exercise. A portion of the stock acquired is held as collateral over the term of the loan, which can be three or five years. Interest rates are based on the minimum applicable federal rates, and interest is paid annually. The amount of loans outstanding at December 31, 1999 and 1998, totaled $42.1 million and $35.7 million, respectively.

The following summary reflects stock option activity for Williams common stock and related information for 1999, 1998 and 1997:

	1999		1998		1997	
	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of year	21.7	$20.73	35.2	$17.29	29.2	$14.18
Granted	5.1	39.62	4.7	31.96	12.9	22.57
Exercised	(3.7)	18.81	(4.9)	12.56	(6.1)	13.46
MAPCO option conversions	--	--	(12.9)	18.38	--	--
Canceled	(.3)	36.50	(.4)	28.74	(.8)	18.32
Outstanding -- end of year	22.8	$25.03	21.7	$20.73	35.2	$17.29
Exercisable at end of year	21.9	$24.50	17.3	$17.85	18.8	$13.83

The following summary provides information about Williams stock options outstanding and exercisable at December 31, 1999:

	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
$4.62 to $34.37	17.9	$21.02	7.0 years	17.9	$21.00
$35.81 to $45.72	4.9	39.71	9.4 years	4.0	40.19
Total	22.8	$25.03	7.5 years	21.9	$24.50

In conjunction with the initial public offering of WCG stock, options for Williams common stock granted in 1999 and 1998 under a WCG plan established in 1998 were converted from options for Williams common stock to options for WCG common stock. The conversion occurred when market prices for Williams and WCG common stock were $37.63 per share and $23.00 per share, respectively. In accordance with APB Opinion No. 25, this conversion resulted in a new measurement date and related pre-tax expense of approximately $.9 million was recognized in 1999. The remaining value of the option conversion will be amortized over the various vesting periods of the converted options. The following summary provides information for the WCG plan stock option activity and related information for 1999 and 1998:

	1999				1998	
	OPTIONS FOR WILLIAMS COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS FOR WCG COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS FOR WILLIAMS COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of year	.5	$30.50	--	$ --	--	$ --
Granted	--	--	7.6	23.05	.5	30.50
Exercised	--	--	--	--	--	--
Conversions of options	(.4)	30.71	.7	18.87	--	--
Canceled	(.1)	31.81	(.3)	22.60	--	--
Outstanding -- end of year	--	$ --	8.0	$22.70	.5	$30.50
Exercisable at end of year	--	$ --	.3	$20.86	--	$ --

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following summary provides information about WCG stock options outstanding and exercisable at December 31, 1999:

RANGE OF EXERCISE PRICES	STOCK OPTIONS OUTSTANDING: OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	STOCK OPTIONS EXERCISABLE: OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
$14.00 to $20.13	.6	$18.68	8.5 years	.2	$18.73
$22.56 to $28.94	7.4	23.05	9.8 years	.1	23.02
Total	8.0	$22.70	9.7 years	.3	$20.86

The estimated fair value at the date of grant of options for Williams common stock granted in 1999, 1998 and 1997, using the Black-Scholes option pricing model, is as follows:

	1999	1998	1997
Weighted-average grant date fair value of options for Williams common stock granted during the year	$11.90	$8.19	$7.15
Assumptions:			
Dividend yield	1.5%	2.0%	1.7%
Volatility	28%	25%	26%
Risk-free interest rate	5.6%	5.3%	6.1%
Expected life (years)	5.0	5.0	5.0

In addition, the fair value at the date of grant for WCG options granted was estimated using a Black-Scholes option pricing model. For those options for Williams common stock which were converted to options for WCG common stock, the fair value was estimated at the date of conversion using the Black-Scholes option pricing model. The option pricing model used the following weighted-average assumptions: expected life of the stock options of approximately 5 years; volatility of the expected market price of WCG common stock of 60 percent; risk-free interest rate of 6 percent; and no expected future dividend yield. The weighted-average grant date fair value and the weighted-average conversion date fair value for WCG options were $13.10 and $14.21, respectively.

Pro forma net income and earnings per share, assuming Williams had applied the fair-value method of SFAS No. 123, "Accounting for Stock-Based Compensation" in measuring compensation cost beginning with 1997 employee stock-based awards, are as follows:

	1999 PRO FORMA	1999 REPORTED	1998 PRO FORMA	1998 REPORTED	1997 PRO FORMA	1997 REPORTED
Net income (Millions)	$168.1	$221.4	$68.0	$122.3	$314.1	$351.4
Earnings per share:						
Basic	$ .38	$ .50	$ .14	$ .27	$ .74	$ .83
Diluted	$ .37	$ .50	$ .14	$ .27	$ .73	$ .81

Pro forma amounts for 1999 include the remaining total compensation expense from Williams awards made in 1998 and the total compensation expense from certain Williams awards made in 1999, as these awards fully vested in 1999 as a result of the accelerated vesting provisions. In addition, 1999 pro forma amounts include compensation expense related to the WCG plan awards and conversions in 1999. Pro forma amounts for 1999 include $47.1 million for Williams awards and $6.2 million for WCG awards.

Pro forma amounts for 1998 include the previously unrecognized compensation expense related to the MAPCO options converted at the time of the merger and the remaining total compensation expense from the awards made in 1997, as these awards fully vested in 1998 as a result of the accelerated vesting provisions. Pro forma amounts for 1997 include compensation expense from 78 percent of the awards made in 1996, as these awards fully vested in 1997 as a result of the accelerated vesting provisions. Since compensation expense from stock options is recognized over the future years' vesting period for pro forma disclosure purposes, and additional awards generally are made each year, pro forma amounts may not be representative of future years' amounts.

Williams granted approximately 260,000 and 800,000 deferred Williams shares in 1999 and 1998, respectively. Deferred shares are valued at the date of award, and the weighted-average grant date fair value of the shares granted was $34.84 in 1999 and $31.62 in 1998. Approximately $13 million and $5 million was recognized as expense for deferred shares of Williams in 1999 and 1998, respectively. Expense related to deferred shares is recognized in the performance year or over the vesting period, depending on the terms of the awards. In 1999 and 1998, Williams issued approximately 125,000 and 119,000, respectively, of the deferred shares previously granted. Grants made in 1997 were not significant.

In conjunction with the WCG initial public offering, 255,000 deferred shares granted under the Williams and WCG plans in 1998 were converted from Williams to WCG stock when the market prices were $37.63 and $23.00, respectively. At that time 25 percent of the shares became fully vested. In accordance with APB opinion No. 25, this conversion resulted in a new measurement date, and accordingly, the related expense of approximately $2.2 million is included in 1999. The remaining value of the deferred share conversion will be amortized over the vesting periods of the converted stock.

NOTE 18. FINANCIAL INSTRUMENTS

Fair-value methods

The following methods and assumptions were used by Williams in estimating its fair-value disclosures for financial instruments:

Cash and cash equivalents and notes payable: The carrying amounts reported in the balance sheet approximate fair value due to the short-term maturity of these instruments.

Short-term investments, marketable equity securities and Ferrellgas Partners L.P. senior common units: In accordance with SFAS No. 115, these securities are classified as available-for-sale and are reported at fair value, with net unrealized appreciation or depreciation reported as a component of other comprehensive income.

Notes and other non-current receivables: For those notes with interest rates approximating market or maturities of less than three years, fair value is estimated to approximate historically recorded amounts.

Investments-cost and advances to affiliates: Fair value is estimated to approximate historically recorded amounts as the investments are primarily in non-publicly traded foreign companies for which it is not practicable to estimate fair value of these investments.

Long-term debt: The fair value of Williams' long-term debt is valued using indicative year-end traded bond market prices for publicly traded issues, while private debt is valued based on the prices of similar securities with similar terms and credit ratings. At December 31, 1999 and 1998, 79 percent and 74 percent, respectively, of Williams' long-term debt was publicly traded. Williams used the expertise of an outside investment banking firm to estimate the fair value of long-term debt.

Williams obligated mandatorily redeemable preferred securities of Trust: Fair value at December 31, 1999, is estimated to approximate carrying value as the securities were issued in December 1999.

Interest-rate swaps: Fair value is determined by discounting estimated future cash flows using forward-interest rates derived from the year-end yield curve. Fair value was calculated by the financial institutions that are the counterparties to the swaps.

Energy-related trading and hedging: Energy-related trading includes forwards, options, swaps and purchase and sales commitments. Energy-related hedging includes futures, options and swaps. Fair value reflects management's estimates using valuation techniques that reflect the best information available in the circumstances. This information includes various factors such as quoted market prices, estimates of market prices in absence of quoted market prices, contractual volumes, estimated volumes under option and other arrangements that result in varying volumes, other contract terms, liquidity of the market in which the contract is transacted, credit considerations, time value and volatility factors underlying the positions.

Carrying amounts and fair values of Williams' financial instruments

	1999		1998	
ASSET (LIABILITY)	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(MILLIONS)			
Cash and cash equivalents	$ 1,092.0	$ 1,092.0	$ 503.3	$ 503.3
Short-term investments	1,434.8	1,434.8	--	--
Notes and other non-current receivables	52.1	52.1	45.2	45.2
Investments-cost and advances to affiliates	773.0	773.0	401.0	401.0
Marketable equity securities	288.1	288.1	77.0	77.0
Ferrellgas Partners L.P. senior common units	175.7	175.7	--	--
Notes payable	(1,378.8)	(1,378.8)	(1,052.7)	(1,052.7)
Long-term debt, including current portion	(9,431.3)	(9,349.1)	(6,757.0)	(6,896.2)
Williams obligated mandatorily redeemable preferred securities of Trust	(175.5)	(175.5)	--	--
Interest-rate swaps	(29.0)	(47.5)	(50.7)	(45.6)
Energy-related trading:				
Assets	555.9	555.9	548.1	548.1
Liabilities	(449.1)	(449.1)	(491.6)	(491.6)
Energy-related hedging:				
Assets	--	23.6	--	7.0
Liabilities	(.7)	(8.2)	(.7)	(10.2)

The preceding asset and liability amounts for energy-related hedging represent unrealized gains or losses and do not include the related deferred amounts.

The 1999 average fair value of the energy-related trading assets and liabilities is $565 million and $507 million, respectively. The 1998 average fair value of the energy-related trading assets and liabilities is $485 million and $518 million, respectively.

Williams has recorded liabilities of $18 million at December 31, 1999 and 1998, for certain guarantees that represent the estimated fair value of these financial instruments.

Off-balance-sheet credit and market risk

Williams is a participant in the following transactions and arrangements that involve financial instruments that have off-balance-sheet risk of accounting loss. It is not practicable to estimate the fair value of these off-balance-sheet financial instruments because of their unusual nature and unique characteristics.

In 1997, Williams entered into agreements to sell, on an ongoing basis, certain of its accounts receivable. At December 31, 1999 and 1998, $324 million and $302 million have been sold, respectively.

In connection with the 1995 sale of Williams' network services operations, Williams has been indemnified by LDDS against any losses related to retained guarantees of $91 million and $113 million at December 31, 1999 and 1998, respectively, for lease rental obligations.

Williams has issued other guarantees and letters of credit with off-balance-sheet risk that total approximately $175 million and $83 million at December 31, 1999 and 1998, respectively. Williams believes it will not have to perform under these agreements, because the likelihood of default by the primary party is remote and/or because of certain indemnifications received from other third parties.

Energy trading activities

Williams, through Energy Marketing & Trading, provides price-risk management services associated with the energy industry to its customers. These services are provided through a variety of energy contracts including forward contracts, futures contracts, option contracts, swap agreements and purchase and sale commitments. See Note 1 for a description of the accounting for these trading activities. The net gain from trading activities was $214.0 million, $112.6 million and $125.8 million in 1999, 1998 and 1997, respectively.

Energy Marketing & Trading enters into contracts which involve physical delivery of an energy commodity. Prices under these contracts are both fixed and variable. These contracts involve both firm commitments requiring fixed volumes and option and other arrangements that result in varying volumes. Swap agreements call for Energy Marketing & Trading to make payments to (or receive payments from) counterparties based upon the differential between a fixed and variable price or variable prices for different locations. Energy Marketing & Trading buys and sells financial option contracts which give the buyer the right to exercise the option and receive the difference between a predetermined strike price and a market price at the date of exercise. The prices for forward, swap, option and physical contracts consider exchange quoted prices or management's estimates based on the best information available. Energy Marketing & Trading also enters into futures contracts, which are commitments to either purchase or sell a commodity at a future date for a specified price and are generally settled in cash, but may be settled through delivery of the underlying commodity. The market prices for futures contracts are based on exchange quotations.

Energy Marketing & Trading is subject to market risk from changes in energy commodity market prices, the portfolio position of its financial instruments and physical commitments, the liquidity of the market in which the contract is transacted, changes in interest rates and credit risk.

Energy Marketing & Trading manages market risk on a portfolio basis through established trading policy guidelines which are monitored on an ongoing basis. Energy Marketing & Trading attempts to minimize credit-risk exposure to trading counterparties and brokers through formal credit policies and monitoring procedures. In the normal course of business, collateral is not required for financial instruments with credit risk.

The notional quantities for trading activities at December 31 are as follows:

	1999		1998	
	PAYOR	RECEIVER	PAYOR	RECEIVER
Fixed price:				
Natural gas (TBtu)	1,933.0	2,019.0	1,310.1	1,413.9
Refined products, NGLs and crude (MMbbls)	474.5	436.9	185.2	167.5
Power (Terawatt Hrs)	35.3	47.1	28.6	23.6
Variable price:				
Natural gas (TBtu)	2,523.2	2,243.3	1,749.4	1,537.4
Refined products, NGLs and crude (MMbbls)	2.4	3.9	48.5	44.8

The net cash inflows related to these contracts at December 31, 1999 and 1998, were $76 million and $96 million, respectively. At December 31, 1999, the cash inflows extend primarily through 2010.

Concentration of credit risk

Williams' cash equivalents and short-term investments consist of high-quality securities placed with various major financial institutions with high credit ratings. Williams' investment policy limits its credit exposure to any one issuer/obligor.

At December 31, 1999 and 1998, approximately 21 percent and 33 percent, respectively, of receivables are for the sale or transportation of natural gas and related products or services. Approximately 31 percent and 19 percent of receivables at December 31, 1999 and 1998, respectively, are for the sale or transportation of petroleum products. Approximately 31 percent and 39 percent of receivables at December 31, 1999 and 1998, respectively, are for communications and related services. Approximately 12 percent and 5 percent of receivables at December 31, 1999 and 1998, respectively, are from power and related services. Natural gas customers include pipelines, distribution companies, producers, gas marketers and industrial users primarily located in the eastern, northwestern and midwestern United States. Petroleum products customers include wholesale, commercial, governmental, industrial and individual consumers and independent dealers located primarily in Alaska and the midsouth and southeastern United States. Power customers include the California Power Exchange, other power marketers and utilities located throughout the majority of the United States. Communications serves a wide range of customers including numerous corporations, none of which is individually significant to its business. As a general policy, collateral is not required for receivables, but customers' financial condition and credit worthiness are evaluated regularly.

NOTE 19. CONTINGENT LIABILITIES AND COMMITMENTS

Rate and regulatory matters and related litigation

Williams' interstate pipeline subsidiaries, including Williams Pipe Line, have various regulatory proceedings pending. As a result of rulings in certain of these proceedings, a portion of the revenues of these subsidiaries has been collected subject to refund. The natural gas pipeline subsidiaries have accrued approximately $189 million for potential refund as of December 31, 1999.

In 1997, the Federal Energy Regulatory Commission (FERC) issued orders addressing, among other things, the authorized rates of return for three of the Williams interstate natural gas pipeline subsidiaries. All of the orders involve rate cases that became effective between 1993 and 1995 and, in each instance, these cases have been superseded by more recently filed rate cases. In the three orders, the FERC continued its practice of utilizing a methodology for calculating rates of return that incorporates a long-term growth rate component. However, the long-term growth rate component used by the FERC is now a projection of U.S. gross domestic product growth rates. Generally, calculating rates of return utilizing a methodology which includes a long-term growth rate component results in rates of return that are lower than they would be if the long-term growth rate component were not included in the methodology. Each of the three pipeline subsidiaries challenged its respective FERC order in an effort to have the FERC change its rate-of-return methodology with respect to these and other rate cases. On January 30, 1998, the FERC convened a public conference to consider, on an industry-wide basis, issues with respect to pipeline rates of return. In July 1998, the FERC issued orders in two of the three pipeline subsidiary rate cases, again modifying its rate-of-return methodology by adopting a formula that gives less weight to the long-term growth component. Certain parties appealed the FERC's action, because the most recent formula modification results in somewhat higher rates of return compared to the rates of return calculated under the FERC's prior formula. In June and July 1999, the FERC applied the new methodology in the third pipeline subsidiary rate case, as well as in a fourth case involving the same pipeline subsidiary. As a result of these orders and developments in certain other regulatory proceedings in the second quarter, each of the three gas pipeline subsidiaries made reductions to its accrued liability for rate refunds to reflect application of the new rate-of-return methodology. In February 2000, the U.S. Court of Appeals for the D.C. Circuit denied the appeal in one of these cases. Reductions for the pipelines totaled approximately $51 million of which $38.2 million is included in Gas Pipeline's segment revenues and segment profit for 1999. In addition, $2.7 million is included in Midstream Gas & Liquids' segment revenues and segment profit for 1999, as a result of its management of certain regulated gathering facilities. The balance is included as a reduction of interest accrued for 1999.

As a result of FERC Order 636 decisions in prior years, each of the natural gas pipeline subsidiaries has undertaken the reformation or termination of its respective gas supply contracts. None of the pipelines has any significant pending supplier take-or-pay, ratable take or minimum take claims. During 1999, Williams Gas Pipelines Central (Central) reached an agreement with its customers, state commissions and FERC staff concerning recovery of certain gas supply realignment costs which arose from supplier take-or-pay contracts.

During 1999, Central assigned its obligations under its largest remaining gas supply contract to an unaffiliated third party and paid the third party $100 million. Central also agreed to pay the third party a total of $18 million in installments over the next five years, all of which had been accrued in prior years. Central received indemnities from the third party and a release of its obligations under the contract. Central assigned two smaller contracts to an affiliate effective February 1, 1999. As a result of these assignments, Central has no remaining above-market price gas contracts.

In 1998, as a result of negotiations concerning the portion of the resolution costs which could be recovered from customers, Central expensed $58 million of costs previously expected to be recovered and capitalized as a regulatory asset. The charge represented an estimate of natural gas costs that will not be recoverable from customers. In 1999, Central filed with the FERC to recover all costs related to the three contracts. In 1999, Central reached an agreement in principle with the FERC staff, the state commissions, and its customers on all issues related to recovery of Central's remaining take-or-pay and gas supply realignment costs. The settlement resolved all prudence, eligibility and absorption issues at a level consistent with Central's established accruals and provided that Central would be allowed to recover the costs allocated to its customers by means of a direct bill to be paid, in some instances, over time. The settlement was effective November 1, 1999. On December 30, 1999, Central rendered direct bills to its customers in accordance with the terms of the settlement.

In September 1995, Texas Gas received FERC approval of a settlement regarding Texas Gas' recovery of gas supply realignment costs. Through December 31, 1999, Texas Gas has paid approximately $76 million and expects to pay no more than a total of $80 million for gas supply realignment costs, primarily as a result of contract terminations. Texas Gas has recovered approximately $66 million, plus interest, in gas supply realignment costs.

On July 29, 1998, the FERC issued a Notice of Proposed Rulemaking (NOPR) and a Notice of Inquiry (NOI), proposing revisions to regulatory policies for interstate natural gas transportation service. In the

NOPR, the FERC proposes to eliminate the rate cap on short-term transportation services and implement regulatory policies that are intended to maximize competition in the short-term transportation market, mitigate the ability of firms to exercise residual monopoly power and provide opportunities for greater flexibility in the provision of pipeline services and to revise certain other rate and certificate policies. In the NOI, the FERC seeks comments on its pricing policies in the existing long-term market and pricing policies for new capacity. Williams filed comments on the NOPR and NOI in the second quarter of 1999. On February 9, 2000, the FERC issued a final rule, Order 637, in response to the comments received on the NOPR and NOI. The FERC adopts in Order 637 certain policies that it finds are necessary to adjust its current regulatory model to the needs of the evolving markets, but determines that any fundamental changes to its regulatory policy, which changes were raised and commented on in the NOPR and NOI, will be considered after further study and evaluation of the evolving marketplace. Most significantly, in Order 637, the FERC (i) revises its pricing policy to waive, for a two-year period, the maximum price ceilings for short-term releases of capacity of less than one year, and (ii) permits pipelines to file proposals to implement seasonal rates for short-term services and term-differentiated rates, subject to certain requirements including the requirement that a pipeline be limited to recovering its annual revenue requirement under those rates.

In fourth-quarter 1999, based on developments in regulatory proceedings involving Transcontinental Gas Pipe Line and on advice from counsel, Transcontinental Gas Pipe Line reduced its accrued liability for rate refunds by $21 million to reflect its conclusion that the risk associated with one of the issues in this proceeding has been eliminated. The $21 million reduction is included in Gas Pipeline's segment revenues and segment profit for 1999. Transcontinental Gas Pipe Line is continuing to accrue amounts to account for other issues that may ultimately affect Transcontinental Gas Pipe Line's rate of return in this proceeding. Transcontinental Gas Pipe Line believes the remaining liability is adequate for any refunds that may be required.

On July 15, 1998, Williams Pipe Line (WPL) received an Order from the FERC which affirmed an administrative law judge's 1996 initial decision regarding rate-making proceedings for the period September 15, 1990, through May 1, 1992. The FERC has ruled that WPL did not meet its burden of establishing that its transportation rates in its 12 noncompetitive markets were just and reasonable for the period and has ordered refunds. WPL accrued $15.5 million, including interest, in second-quarter 1998, for potential refunds to customers for the issues described above. On May 20, 1999, WPL submitted an uncontested offer of settlement to the presiding administrative law judge that would resolve all outstanding rate issues on WPL from September 1, 1990, to the present. This settlement was certified to the FERC as uncontested on June 23, 1999. On October 13, 1999, the FERC approved the settlement without conditions. Based on this favorable settlement and FERC approval, $6.5 million of the original $15.5 million loss provision was reversed in 1999. The settlement became final and non-appealable on December 13, 1999.

Environmental matters

Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At December 31, 1999, these subsidiaries had accrued liabilities totaling approximately $27 million for these costs.

Certain Williams subsidiaries, including Texas Gas and Transcontinental Gas Pipe Line, have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. Although no assurances can be given, Williams does not believe that these obligations or the PRP status of these subsidiaries will have a material adverse effect on its financial position, results of operations or net cash flows.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Transcontinental Gas Pipe Line, Texas Gas and Central have identified polychlorinated biphenyl (PCB) contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of December 31, 1999, Central had accrued a liability for approximately $11 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to 10 years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $27 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Texas Gas, Transcontinental Gas Pipe Line and Central have deferred these costs as incurred pending recovery through future rates and other means.

Transcontinental Gas Pipe Line received a letter stating that the U.S. Department of Justice (DOJ), at the request of the EPA, intends to file a civil action against Transcontinental Gas Pipe Line arising from its waste management practices at Transcontinental Gas Pipe Line's compressor stations and metering stations in 11 states from Texas to New Jersey. DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. DOJ and Transcontinental Gas Pipe Line are discussing a settlement. While no specific amount was proposed, DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transcontinental Gas Pipe Line cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transcontinental Gas Pipe Line believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Energy Services (WES) also accrues environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum, refining and propane marketing operations primarily related to soil and groundwater contamination. At December 31, 1999, WES and its subsidiaries had accrued liabilities totaling approximately $42 million. WES recognizes receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At December 31, 1999, WES and its subsidiaries had accrued receivables totaling $19 million.

Williams Field Services (WFS), a WES subsidiary, received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS intends to defend this matter, but cannot reasonably estimate the amount of potential liability, if any, at this time. EPA, DOJ, and WFS have scheduled settlement negotiation meetings beginning in March 2000.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At December 31, 1999, Williams had approximately $13 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Other legal matters

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In one of the cases, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. Transcontinental Gas Pipe Line is pursuing an appeal. In the other case, a producer has asserted damages, including interest calculated through December 31, 1997, of approximately $6 million. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

In connection with the sale of certain coal assets in 1996, MAPCO entered into a Letter Agreement with the buyer providing for indemnification by MAPCO for reductions in the price or tonnage of coal delivered under a certain pre-existing Coal Sales Agreement dated December 1, 1986. The Letter Agreement is effective for reductions during the period July 1, 1996, through December 31, 2002, and provides for indemnification for such reductions as incurred on a quarterly basis. On October 7, 1999, MAPCO settled buyer's claims for indemnification under the Letter Agreement and certain other unrelated claims in exchange for payment by MAPCO in the amount of $35 million which had been accrued in prior years.

In 1998, the United States Department of Justice informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries including Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Williams Gas Pipeline Company, Transcontinental Gas Pipe Line Corporation, Texas Gas, Williams Field Services Company and Williams Production Company. Mr. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the United States Department of Justice announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including the ones filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes.

Shrier v. Williams was filed on August 4, 1999, in the U.S. District Court for the Northern District of Oklahoma. Oxford v. Williams was filed on September 3, 1999, in state court in Jefferson County, Texas. The Oxford complaint was amended to add an additional plaintiff on September 24, 1999. On October 1, 1999, the case was removed to the U.S. District Court for the Eastern District of Texas, Beaumont Division. Plaintiffs have filed a motion seeking to remand the case back to state court. In each lawsuit, the plaintiff seeks to bring a nationwide class action on behalf of all landowners on whose property the plaintiffs have alleged WCG installed fiber-optic cable without the permission of the landowner. The plaintiffs are seeking a declaratory ruling that WCG is trespassing, damages resulting from the alleged trespass, damages based on WCG's profits from use of the property and damages from alleged fraud. Relief requested by the plaintiff includes injunction against further trespass, actual and punitive damages, and attorneys' fees.

Williams believes that installation of the cable containing the single-fiber network that crosses over or near the named plaintiffs' land does not infringe on the plaintiffs' property rights. Williams also does not believe that the plaintiffs in these lawsuits have sufficient basis for certification of a class action. The proposed composition of the class in the Oxford lawsuit appears to include only landowners who would also be included in the class proposed in the Shrier suit.

Other communications carriers have been successfully challenged with respect to their rights to use railroad rights of way, which are also challenged by the plaintiffs in Schrier and Oxford. Approximately

15 percent of the WCG network is installed on railroad rights of way. In many areas, the railroad granting WCG the license holds full ownership of the land, in which case its license should be sufficient to give WCG valid rights to cross the property. In some states where the railroad is not the property owner but has an easement over the property, the law is unsettled as to whether a landowner's approval is required. WCG generally did not obtain landowner approval where the rights of way are located on railroad easements. In most states, WCG has eminent domain rights which WCG believes would limit the liability for any trespass damages. It is likely that WCG will be subject to other purported class action suits challenging the use of railroad or pipeline rights of way. WCG cannot quantify the impact of all such claims at this time.

In addition to the foregoing, various other proceedings are pending against Williams or its subsidiaries which are incidental to their operations.

Summary

While no assurances may be given, Williams, based on advice of counsel, does not believe that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, will have a materially adverse effect upon Williams' future financial position, results of operations or cash flow requirements.

Commitments

Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion and certain other services for purposes of generating electricity. At December 31, 1999, annual estimated committed payments under these contracts range from approximately $20 million to $383 million, resulting in total committed payments over the next 23 years of approximately $7 billion.

Williams has also entered into an agreement giving Williams a 25 year right to use a portion of a third party's wireless local capacity. Williams will pay a total of $400 million over four years for this right and will amortize the total payments over the 25 year usage term. As of December 31, 1999, Williams has paid approximately $172 million.

See Note 11 for commitments for construction and acquisition of property, plant and equipment.

NOTE 20. RELATED PARTY TRANSACTIONS

Williams Consolidated Financial Statements include various transactions with related parties. Significant transactions are as follows.

Nortel charges Solutions LLC for certain corporate administrative expenses which are directly identifiable or allocable to Solutions LLC. Direct charges from Nortel for the years ended December 31, 1999, 1998 and 1997 were approximately $2 million, $11 million and $15 million, respectively. These costs are included in selling, general and administrative expenses and Solutions' segment loss.

Additionally, Solutions LLC purchased inventory from Nortel for use in equipment installations for $480 million and $468 million in 1999 and 1998, respectively, and $311 million for the period from April 30, 1997 (date on which Nortel became a related party) to December 31, 1997. Solutions LLC has a distribution agreement with Nortel that extends through December 2002. If for two consecutive years the percentage of Nortel products purchased by Solutions LLC falls below approximately 78 percent and the rate of growth of the purchase of Nortel products by Solution LLC during the two-year period is below that of other Nortel distributors, Nortel may require Williams to buy, or Williams may require Nortel to sell, Nortel's entire interest in Solutions LLC at market value.

In addition, Williams purchased from Nortel, optronics for use on the communications network for $226 million and $84 million in 1999 and 1998, respectively.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 21. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents changes in the components of accumulated other comprehensive income (loss).

	INCOME (LOSS)		
	UNREALIZED APPRECIATION (DEPRECIATION) ON SECURITIES	FOREIGN CURRENCY TRANSLATION	TOTAL
	(MILLIONS)		
Balance at December 31, 1996	$ --	$ --	$ --
1997 change:			
Pre-income tax amount	(3.9)	(.1)	(4.0)
Income tax benefit	1.5	--	1.5
Balance at December 31, 1997	(2.4)	(.1)	(2.5)
1998 change:			
Pre-income tax amount	39.4	(4.9)	34.5
Income tax expense	(15.3)	--	(15.3)
	24.1	(4.9)	19.2
Balance at December 31, 1998	21.7	(5.0)	16.7
1999 change:			
Pre-income tax amount	194.9	(17.9)	177.0
Income tax expense	(75.8)	--	(75.8)
Minority interest in other comprehensive income	(14.9)	(.1)	(15.0)
	104.2	(18.0)	86.2
Adjustment due to issuance of subsidiary's common stock	(5.8)	2.4	(3.4)
Balance at December 31, 1999	$120.1	$(20.6)	$ 99.5

NOTE 22. SEGMENT DISCLOSURES

Williams evaluates performance based upon segment profit or loss from operations which includes revenues from external and internal customers, equity earnings, operating costs and expenses and depreciation, depletion and amortization. The accounting policies of the segments are the same as those described in Note 1, Summary of Significant Accounting Policies. Intersegment sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices.

Williams' reportable segments are strategic business units that offer different products and services. The segments are managed separately because each segment requires different technology, marketing strategies and industry knowledge. Other includes investments in international energy and communications-related ventures, as well as corporate operations.

The following table reflects the reconciliation of segment profit, per the table on page F-62, to operating income as reported on the Consolidated Statement of Income.

	1999	1998	1997
	(MILLIONS)		
Segment profit	$916.5	$806.0	$1,107.4
General corporate expenses	(67.9)	(89.2)	(95.1)
Operating income	$848.6	$716.8	$1,012.3

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following geographic area data includes revenues from external customers based on product shipment origin and long-lived assets based upon physical location.

	1999	1998	1997
		(MILLIONS)	
Revenues from external customers:			
United States	$ 8,364.9	$ 7,488.2	$ 8,101.1
Other	261.2	181.0	140.5
	$ 8,626.1	$ 7,669.2	$ 8,241.6
Long-lived assets:			
United States	$15,248.2	$13,002.5	$12,010.5
Other	509.9	250.8	126.9
	$15,758.1	$13,253.3	$12,137.4

Long-lived assets are comprised of property, plant and equipment, goodwill and other intangible assets and certain other non-current assets.

	REVENUES							
	EXTERNAL CUSTOMERS	INTER-SEGMENT	EQUITY EARNINGS (LOSSES)	TOTAL	SEGMENT PROFIT (LOSS)	TOTAL ASSETS	EQUITY METHOD INVESTMENTS	ADDITIONS TO LONG-LIVED ASSETS
					(MILLIONS)			
1999								
Gas Pipeline	$1,762.7	$ 59.9	$ 9.0	$ 1,831.6	$ 697.3	$ 8,628.5	$211.9	$ 361.3
Energy Services								
Energy Marketing & Trading	2,423.4	(175.5)*	(.5)	2,247.4	106.1	3,251.8	1.9	82.8
Exploration & Production	50.2	139.9	--	190.1	39.8	618.6	--	148.5
Midstream Gas & Liquids	661.0	380.1	(12.1)	1,029.0	230.8	3,514.4	216.0	341.9
Petroleum Services	1,631.5	1,264.1	.5	2,896.1	165.0	2,557.0	107.0	715.7
Merger-related costs	--	--	--	--	(12.7)	--	--	--
	4,766.1	1,608.6	(12.1)	6,362.6	529.0	9,941.8	324.9	1,288.9
Communications								
Network	356.5	47.5	1.2	405.2	(129.6)	3,523.9	11.3	1,541.6
Solutions	1,406.0	--	--	1,406.0	(64.6)	1,518.6	--	46.7
Strategic Investments	256.4	.3	(27.2)	229.5	(124.0)	1,335.4	45.7	140.2
	2,018.9	47.8	(26.0)	2,040.7	(318.2)	6,377.9	57.0	1,728.5
Other	78.4	40.1	(3.9)	114.6	8.4	6,629.3	121.3	294.8
Eliminations	--	(1,756.4)	--	(1,756.4)	--	(6,289.0)	--	--
Total	$8,626.1	$ --	$(33.0)	$ 8,593.1	$ 916.5	$25,288.5	$715.1	$3,673.5
1998								
Gas Pipeline	$1,633.5	$ 51.1	$ .2	$ 1,684.8	$ 610.4	$ 8,386.2	$ 8.9	$ 485.0
Energy Services								
Energy Marketing & Trading	2,025.3	(111.5)*	(6.7)	1,907.1	39.0	2,596.8	.8	27.3
Exploration & Production	33.5	105.8	--	139.3	27.2	484.1	--	58.1
Midstream Gas & Liquids	799.0	63.7	8.2	870.9	225.7	3,201.8	129.1	342.6
Petroleum Services	1,417.2	1,016.5	.4	2,434.1	144.9	2,525.2	96.0	264.2
Merger-related costs	--	--	--	--	(50.7)	--	--	--
	4,275.0	1,074.5	1.9	5,351.4	386.1	8,807.9	225.9	692.2
Communications								
Network	145.2	49.7	--	194.9	(26.3)	712.9	--	387.4
Solutions	1,366.8	--	--	1,366.8	(54.1)	946.4	--	68.5
Strategic Investments	216.5	4.8	(18.4)	202.9	(112.6)	638.4	43.2	58.5
	1,728.5	54.5	(18.4)	1,764.6	(193.0)	2,297.7	43.2	514.4
Other	32.2	30.8	5.4	68.4	2.5	4,782.4	96.6	157.3
Eliminations	--	(1,210.9)	--	(1,210.9)	--	(5,626.9)	--	--
Total	$7,669.2	$ --	$(10.9)	$ 7,658.3	$ 806.0	$18,647.3	$374.6	$1,848.9
1997								
Gas Pipeline	$1,626.9	$ 52.7	$ .5	$ 1,680.1	$ 614.7	$ 8,202.8	$ 6.7	$ 435.9
Energy Services								
Energy Marketing & Trading	2,018.2	232.2	(5.6)	2,244.8	53.4	1,688.8	1.8	102.4
Exploration & Production	3.6	126.5	--	130.1	30.3	367.2	--	63.3
Midstream Gas & Liquids	929.1	100.5	--	1,029.6	282.3	3,188.3	87.5	212.0
Petroleum Services	2,192.9	233.7	.4	2,427.0	173.4	1,842.0	9.6	150.5
	5,143.8	692.9	(5.2)	5,831.5	539.4	7,086.3	98.9	528.2
Communications								
Network	22.0	21.0	--	43.0	3.3	240.1	2.3	178.2
Solutions	1,206.5	--	--	1,206.5	47.3	869.0	--	247.5
Strategic Investments	213.1	4.9	(2.4)	215.6	(108.7)	329.6	3.8	98.9
	1,441.6	25.9	(2.4)	1,465.1	(58.1)	1,438.7	6.1	524.6
Other	29.3	9.1	15.0	53.4	11.4	2,476.7	143.8	208.7
Eliminations	--	(780.6)	--	(780.6)	--	(2,921.7)	--	--
Total	$8,241.6	$ --	$ 7.9	$ 8,249.5	$1,107.4	$16,282.8	$255.5	$1,697.4

	DEPRECIATION, DEPLETION & AMORTIZATION
	(MILLIONS)
1999	
Gas Pipeline	$285.1
Energy Services	
Energy Marketing & Trading	35.3
Exploration & Production	23.5

Midstream Gas & Liquids........	143.8
Petroleum Services............	82.9
Merger-related costs...........	--
	285.5
Communications	
Network........................	43.5
Solutions......................	48.3
Strategic Investments..........	44.6
	136.4
Other............................	35.0
Eliminations.....................	--
Total....................	$742.0
1998	
Gas Pipeline.....................	$287.0
Energy Services	
Energy Marketing & Trading.....	30.1
Exploration & Production.......	26.0
Midstream Gas & Liquids........	121.6
Petroleum Services............	70.8
Merger-related costs...........	--
	248.5
Communications	
Network........................	13.2
Solutions......................	36.9
Strategic Investments..........	33.7
	83.8
Other............................	27.0
Eliminations.....................	--
Total....................	$646.3
1997	
Gas Pipeline.....................	$273.0
Energy Services	
Energy Marketing & Trading.....	20.8
Exploration & Production.......	12.6
Midstream Gas & Liquids........	131.9
Petroleum Services............	67.8
	233.1
Communications	
Network........................	4.0
Solutions......................	29.7
Strategic Investments..........	33.1
	66.8
Other............................	13.0
Eliminations.....................	--
Total....................	$585.9

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* Energy Marketing & Trading intercompany cost of sales, which are netted in revenues consistent with fair-value accounting, exceed intercompany revenues in 1999 and 1998.

THE WILLIAMS COMPANIES, INC.

QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data are as follows (millions, except per-share amounts). Certain amounts have been restated or reclassified as described in Note 1 of Notes to Consolidated Financial Statements.

1999	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$1,944.1	$1,993.0	$2,207.2	$2,448.8
Costs and operating expenses	1,398.5	1,435.9	1,666.9	1,856.7
Income before extraordinary gain and cumulative effect of change in accounting principle	58.5	18.1	28.1	57.1
Net income	52.9	18.1	28.1	122.3
Basic earnings per common share:				
Income before extraordinary gain and cumulative effect of change in accounting principle	.13	.04	.06	.13
Net income	.12	.04	.06	.28
Diluted earnings per common share:				
Income before extraordinary gain and cumulative effect of change in accounting principle	.13	.04	.06	.12
Net income	.12	.04	.06	.27

1998	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$1,958.8	$1,774.3	$1,886.8	$2,038.4
Costs and operating expenses	1,430.8	1,259.1	1,377.5	1,473.4
Income (loss) before extraordinary loss	68.1	60.8	31.9	(33.7)
Net income (loss)	63.3	60.8	31.9	(33.7)
Basic earnings per common share:				
Income (loss) before extraordinary loss	.16	.14	.07	(.08)
Net income (loss)	.15	.14	.07	(.08)
Diluted earnings per common share:				
Income (loss) before extraordinary loss	.15	.14	.07	(.08)
Net income (loss)	.14	.14	.07	(.08)

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding and rounding.

First-quarter 1999 net income includes a $5.6 million after-tax charge related to a cumulative effect of change in accounting principle (see Note 1). Second-quarter 1999 net income includes a $51 million favorable pre-tax adjustment related to the reduction of certain rate refund liabilities and related interest accruals resulting from regulatory proceedings involving rate-of-return methodology (see Note 19). Also included in second-quarter 1999 net income is a $26.7 million pre-tax charge related to the sale of certain of Strategic Investments' network application businesses. An additional $1.7 million was recorded in the fourth quarter relating to this sale (see Note 5). Fourth-quarter 1999 net income for Gas Pipeline includes a $21 million favorable pre-tax reduction of certain rate refund liabilities resulting from recent developments in regulatory proceedings which concluded that the risk involved with one of the issues in the proceedings had been eliminated (see Note 19). Also included in fourth-quarter 1999 net income are pre-tax gains of approximately $31 million from sales of operating assets (see Note 5) and an after-tax gain of $65.2 million related to the sale of Williams' retail propane business, Thermogas L.L.C. (see Note 7).

First-quarter, second-quarter, third-quarter and fourth-quarter 1998 net income includes approximately $59 million, $9 million, $6 million and $6 million, respectively, of pre-tax merger-related costs (see Note 2). Second-quarter 1998 net income also includes a pre-tax $15.5 million loss provision for potential refunds to customers (see Note 19). Third-quarter 1998 net income includes $17 million in pre-tax credit loss accruals for certain retail energy activities. In addition, third-quarter 1998 includes a $23.2 million pre-tax loss related to a venture involved in the technology and transmission of business information for news and educational purposes (see Note 5). Fourth-quarter 1998 net income includes pre-tax accruals totaling approximately $31 million related to the modification of Williams' employees benefit program. Also included in fourth-quarter 1998 net income is a pre-tax charge of $58 million related to certain long-term gas supply contracts (see Note 19) and $14 million for asset impairments related to Energy Services' decision to change the focus of its retail natural gas and electric business (see Note 5).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

THE WILLIAMS COMPANIES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
ITEM 14(A) 1 AND 2

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements and notes thereto.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF INCOME (PARENT)

	YEARS ENDED DECEMBER 31, 1999	1998	1997
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)		
Investing income:			
Consolidated subsidiaries	$ 198.2	$ 33.9	$ 6.6
Other	15.1	4.6	2.4
Interest accrued:			
Consolidated subsidiaries	(148.0)	(59.4)	(64.5)
Other	(274.7)	(154.2)	(131.0)
Other expense -- net	(24.2)	(13.2)	(2.4)
Loss from continuing operations before income taxes, equity in subsidiaries' income, extraordinary gain (loss) and cumulative effect of change in accounting principle	(233.6)	(188.3)	(188.9)
Credit for income taxes	(87.8)	(72.3)	(69.3)
Loss from continuing operations before equity in subsidiaries' income, extraordinary gain (loss) and cumulative effect of change in accounting principle	(145.8)	(116.0)	(119.6)
Equity in consolidated subsidiaries' income	307.6	257.4	556.4
Income from continuing operations	161.8	141.4	436.8
Loss from discontinued operations	--	(14.3)	(6.3)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	161.8	127.1	430.5
Extraordinary gain (loss)	65.2	(4.8)	(79.1)
Cumulative effect of change in accounting principle	(5.6)	--	--
Net income	221.4	122.3	351.4
Preferred stock dividends	2.8	7.1	9.8
Income applicable to common stock	$ 218.6	$ 115.2	$ 341.6
Basic earnings per common share:			
Income from continuing operations	$ .36	$ .31	$ 1.04
Loss from discontinued operations	--	(.03)	(.02)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	.36	.28	1.02
Extraordinary gain (loss)	.14	(.01)	(.19)
Cumulative effect of change in accounting principle	(.01)	--	--
Net income	$ .49	$ .27	$ .83
Diluted earnings per common share:			
Income from continuing operations	$ .35	$ .31	$ 1.01
Loss from discontinued operations	--	(.03)	(.01)
Income before extraordinary gain (loss) and cumulative effect of change in accounting principle	.35	.28	1.00
Extraordinary gain (loss)	.14	(.01)	(.19)
Cumulative effect of change in accounting principle	(.01)	--	--
Net income	$ .48	$ .27	$ .81

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
BALANCE SHEET (PARENT)

ASSETS

	DECEMBER 31, 1999	DECEMBER 31, 1998
	(MILLIONS)	
Current assets:		
Cash and cash equivalents	$ 495.9	$ 377.3
Due from consolidated subsidiaries	497.9	108.2
Receivables	8.8	70.7
Other	15.4	13.4
Total current assets	1,018.0	569.6
Investments:		
Equity in consolidated subsidiaries	11,459.6	7,445.4
Due from consolidated subsidiaries	3,496.0	927.0
Other	181.3	--
Property, plant and equipment -- net	29.1	24.3
Other assets and deferred charges	93.2	37.6
Total assets	$16,277.2	$9,003.9

LIABILITIES AND STOCKHOLDERS' EQUITY

	1999	1998
Current liabilities:		
Notes payable	$ 1,285.3	$ --
Due to consolidated subsidiaries	1,466.2	564.2
Accounts payable and accrued liabilities	163.6	118.8
Long-term debt due within one year	132.8	150.0
Total current liabilities	3,047.9	833.0
Long-term debt	4,699.5	2,290.5
Due to consolidated subsidiaries	1,816.9	1,538.7
Deferred income taxes	132.3	22.4
Other liabilities	80.4	61.9
Stockholders' equity:		
Preferred stock	--	102.2
Common stock	463.2	432.3
Capital in excess of par value	3,253.0	982.4
Retained earnings	2,807.2	2,849.5
Accumulated other comprehensive income	99.5	16.7
Other	(77.6)	(78.5)
	6,545.3	4,304.6
Less treasury stock	(45.1)	(47.2)
Total stockholders' equity	6,500.2	4,257.4
Total liabilities and stockholders' equity	$16,277.2	$9,003.9

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
STATEMENT OF CASH FLOWS (PARENT)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
		(MILLIONS)	
Cash provided by operating activities	$ 126.9	$ 88.8	$ 9.6
Financing activities:			
Proceeds from notes payable	460.0	305.0	1,068.7
Payments of notes payable	(269.4)	(654.0)	(989.2)
Proceeds from long-term debt	1,369.5	2,177.7	682.2
Payments of long-term debt	(243.9)	(989.8)	(854.4)
Proceeds from issuance of common stock including tax benefit	141.3	69.4	65.8
Purchases of treasury stock	--	--	(18.5)
Dividends paid	(263.7)	(247.4)	(181.5)
Other -- net	(6.0)	(10.3)	(5.1)
Net cash provided (used) by financing activities	1,187.8	650.6	(232.0)
Investing activities:			
Property, plant and equipment:			
Capital expenditures	(11.5)	(4.3)	(33.3)
Proceeds from dispositions	3.9	.1	13.7
Investments in consolidated subsidiaries	(460.5)	(264.6)	(.4)
Changes in due to/due from consolidated subsidiaries	(734.9)	(104.9)	191.7
Other -- net	6.9	6.4	(.1)
Net cash provided (used) by investing activities	(1,196.1)	(367.3)	171.6
Increase (decrease) in cash and cash equivalents	118.6	372.1	(50.8)
Cash and cash equivalents at beginning of year	377.3	5.2	56.0
Cash and cash equivalents at end of year	$ 495.9	$ 377.3	$ 5.2

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
NOTES TO FINANCIAL INFORMATION (PARENT)

NOTE 1. BASIS OF PRESENTATION

During 1999, Williams Holdings of Delaware, Inc., a wholly owned subsidiary, merged with and into The Williams Companies, Inc. (Parent) (Williams (Parent)). Subsequent to the merger, this Condensed Financial Information of Registrant includes the accounts previously reported by Williams Holdings of Delaware, Inc. (Williams Holdings) on a parent company-only basis. The assets and liabilities of Williams Holdings included $1.4 billion of equity in consolidated subsidiaries, a net $1.0 billion due from consolidated subsidiaries, $1.1 billion of notes payable, $114 million of deferred income tax liabilities and $1.3 billion of long-term debt. This Condensed Financial Information of Registrant should be read in conjunction with The Williams Companies, Inc. (Williams) Consolidated Financial Statements and Notes thereto.

NOTE 2. DEBT AND BANKING ARRANGEMENTS

Notes payable

Williams (Parent) has entered into a commercial paper program backed by a $1.4 billion short-term bank-credit facility. Prior to the 1999 Williams Holdings merger, this commercial paper program was included in Williams Holdings. At December 31, 1999, $1.2 billion of commercial paper was outstanding under the program. In addition, Williams has entered into various other short-term credit agreements with amounts outstanding totaling $50 million at December 31, 1999. The weighted-average interest rate on the outstanding short-term borrowings at December 31, 1999 was 6.1 percent.

Long-term debt

Williams has a $1 billion revolving credit agreement under which certain subsidiaries have access to varying amounts while Williams (Parent) has access to all unborrowed amounts. Interest rates vary with current market conditions.

	WEIGHTED-AVERAGE INTEREST RATE*	DECEMBER 31, 1999	1998
		(MILLIONS)	
Revolving credit loans	7.0%	$ 525.0	$ 144.0
Debentures, 6.25% -- 10.25%, payable 2006, 2012, 2020, 2021 and 2027	6.4	488.9	137.0
Notes, 5.1% -- 9.625%, payable through 2022(1)	6.5	3,518.4	2,059.5
Notes, adjustable rate, payable 2000 and 2004	6.3	300.0	100.0
		4,832.3	2,440.5
Current portion of long-term debt		132.8	150.0
		$4,699.5	$2,290.5

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* At December 31, 1999, including the effects of interest-rate swaps.

(1) $300 million, 5.95% notes, payable 2010, and $240 million, 6.125% notes, payable 2012, are subject to redemption at par at the option of the debtholder in 2000 and 2002, respectively.

For financial reporting purposes at December 31, 1999, $404 million in obligations which would have otherwise been classified as current debt obligations have been classified as non-current based on Williams' (Parent) intent and ability to refinance on a long-term basis. Williams' (Parent) issuance in January 2000 of $500 million of adjustable rate notes due 2001 is sufficient to complete these refinancings.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONCLUDED)
NOTES TO FINANCIAL INFORMATION (PARENT)

Aggregate minimum maturities and sinking fund requirements, excluding lease payments, for each of the next five years are as follows:

	(MILLIONS)
2000	$ 133
2001	811
2002	1,373
2003	252
2004	372

NOTE 3. DUE FROM AND DUE TO CONSOLIDATED SUBSIDIARIES

Due from and due to consolidated subsidiaries consist of short-term receivables and payables with subsidiaries and promissory notes to and from subsidiaries. Williams (Parent) maintains various promissory notes with its subsidiaries for both advances from and advances to Williams (Parent) depending on the cash position of each subsidiary. Amounts outstanding are payable on demand; however, the amounts outstanding at December 31, 1999 and 1998 have been classified as long-term to the extent there are no expectations for Williams (Parent) and its subsidiaries to demand payment in the next year. The agreements do not require commitment fees. Interest is payable monthly, and rates vary with market conditions.

In 1999, Williams (Parent) issued $175 million in zero coupon subordinated debentures which yield a 7.92 percent return and mature no later than March 2002 to Williams Capital Trust I, a consolidated entity. These debentures are included in non-current due to consolidated subsidiaries at December 31, 1999.

In 1995, Williams (Parent) issued $360 million in convertible debentures and warrants to Williams Holdings in exchange for 12.2 million shares of Williams (Parent) common stock purchased on the open market and held by that subsidiary. The debentures were included in non-current due to consolidated subsidiaries at December 31, 1998. Upon the 1999 merger of Williams Holdings into Williams (Parent), the convertible debentures and warrants were retired.

NOTE 4. STOCKHOLDERS' EQUITY

During 1999, each remaining share of Williams (Parent) $3.50 cumulative convertible preferred stock was converted at the option of the holder into 4.6875 shares of Williams common stock prior to the redemption date.

During 1999, Williams (Parent) contributed approximately 18.7 million shares of its previously un-issued common stock to a wholly owned subsidiary in exchange for investments in certain foreign operations which were subsequently contributed by Williams (Parent) to another wholly owned subsidiary. The issuance of the common stock was recorded at the May 27, 1999 market value of $915 million. For the Condensed Financial Information of Registrant, the issuance of the stock is reflected in stockholders' equity, however, the issuance of the stock is eliminated for the Consolidated Financial Statements of Williams.

See Note 15 of Notes to Consolidated Financial Statements for discussion of the impact on Williams (Parent) of the 1999 issuance of common stock by a subsidiary.

NOTE 5. DIVIDENDS RECEIVED

Cash dividend from subsidiaries and companies accounted for on an equity basis are as follows: 1999 -- $162.0 million; 1998 -- $177.5 million; and 1997 -- $266.9 million.

NOTE 6. GUARANTEES

At December 31, 1999, Williams Communications Group, Inc., a subsidiary of Williams (Parent), has a $1.05 billion long term credit agreement that is guaranteed by Williams (Parent). Williams (Parent) is

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONCLUDED)
NOTES TO FINANCIAL INFORMATION (PARENT)

expected to be released from the guarantees in the first quarter of 2000. At December 31, 1999 no amounts were outstanding under this facility.

See Note 13 of Notes to Consolidated Financial Statements for discussion of Williams (Parent) guarantee of the residual value of network assets under lease. In addition, see Notes 14 and 18 of the Notes to Consolidated Financial Statements for discussion of other guarantees by Williams (Parent).

NOTE 7. CONTINGENT LIABILITIES

See Note 19 of Notes to Consolidated Financial Statements for discussion of environmental matters related to the assets of Agrico Chemical Company which were sold in 1987.

THE WILLIAMS COMPANIES, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

	BEGINNING BALANCE	ADDITIONS: CHARGED TO COSTS AND EXPENSES	ADDITIONS: OTHER	DEDUCTIONS	ENDING BALANCE
			(MILLIONS)		
Year ended December 31, 1999:					
Allowance for doubtful accounts --					
Receivables(a)	$30.5	$28.3	$ --	$10.8(c)	$48.0
Price-risk management credit reserves(a)	13.0	(2.4)	--	--	10.6
Refining and processing plant major maintenance accrual(b)	5.3	7.8	3.9(e)	9.4(d)	7.6
Year ended December 31, 1998:					
Allowance for doubtful accounts --					
Receivables(a)	21.5	39.8	--	30.8(c)	30.5
Other assets(a)	4.6	--	--	4.6(c)	--
Price-risk management credit reserves(a)	7.7	5.3	--	--	13.0
Refining and processing plant major maintenance accrual(b)	6.2	5.1	--	6.0(d)	5.3
Year ended December 31, 1997:					
Allowance for doubtful accounts --					
Receivables(a)	11.4	13.3	7.0(e)	10.2(c)	21.5
Other assets(a)	4.6	--	--	--	4.6
Price-risk management credit reserves(a)	7.6	.1	--	--	7.7
Refining and processing plant major maintenance accrual(b)	5.6	4.6	--	4.0(d)	6.2

(a) Deducted from related assets.

(b) Included in liabilities.

(c) Represents balances written off, net of recoveries and reclassifications.

(d) Represents payments made.

(e) Primarily relates to acquisitions of businesses.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding the Directors and nominees for Director of Williams required by Item 401 of Regulation S-K is presented under the heading "Election of Directors" in Williams' Proxy Statement prepared for the solicitation of proxies in connection with the Annual Meeting of Stockholders of the Company for 2000 (the "Proxy Statement"), which information is incorporated by reference herein. A copy of the Proxy Statement is filed as an exhibit to the Form 10-K. Information regarding the executive officers of Williams is presented following Item 4 herein, as permitted by General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 of Regulation S-K is included under the heading "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement, which information is incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K regarding executive compensation is presented under the headings "Election of Directors" and "Executive Compensation and Other Information" in the Proxy Statement, which information is incorporated by reference herein. Notwithstanding the foregoing, the information provided under the headings "Compensation Committee Report on Executive Compensation" and "Stockholder Return Performance Presentation" in the Proxy Statement are not incorporated by reference herein. A copy of the Proxy Statement is filed as an exhibit to the Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information regarding the security ownership of certain beneficial owners and management required by Item 403 of Regulation S-K is presented under the headings "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement, which information is incorporated by reference herein. A copy of the Proxy Statement is filed as an exhibit to the Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions required by Item 404 of Regulation S-K is presented under the heading "Certain Relationships and Related Transactions" in the Proxy Statement, which information is incorporated by reference herein. A copy of the Proxy Statement is filed as an exhibit to the Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1 and 2. The financial statements and schedules listed in the accompanying index to consolidated financial statements are filed as part of this annual report.

(a) 3 and (c). The exhibits listed below are filed as part of this annual report.

EXHIBIT NO.	DESCRIPTION
Exhibit 2	
*(a)	-- Agreement and Plan of Merger, dated as of November 23, 1997, and as amended on January 25, 1998, among The Williams Companies, Inc., MAPCO Inc. and TML Acquisition Corp. (filed as Exhibit 2.1 to Williams' Registration Statement on Form S-4, filed January 27, 1998).
Exhibit 3	
*(a)	-- Restated Certificate of Incorporation of Williams (filed as Exhibit 4(a) to Form 8-B Registration Statement, filed August 20, 1987).
*(b)	-- Certificate of Amendment of Restated Certificate of Incorporation, dated May 20, 1994 (filed as Exhibit 3(d) to Form 10-K for the fiscal year ended December 31, 1994).
*(c)	-- Certificate of Amendment of Restated Certificate of Incorporation dated May 16, 1997 (filed as Exhibit 4.3 to the Registration Statement on Form S-8 filed November 21, 1997).
*(d)	-- Certificate of Amendment of Restated Certificate of Incorporation, dated February 26, 1998 (filed as Exhibit 3(d) to Form 10-K for the fiscal year ended December 31, 1997).
*(e)	-- Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (filed as Exhibit 3(f) to Form 10-K for the fiscal year ended December 31, 1995).
*(f)	-- Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock, dated December 31, 1997 (filed as Exhibit 3(g) to Form 10-K for the fiscal year ended December 31, 1997).
*(g)	-- Rights Agreement, dated as of February 6, 1996, between Williams and First Chicago Trust Company of New York (filed as Exhibit 4 to Williams Form 8-K filed January 24, 1996).
*(h)	-- By-laws of Williams, as amended (filed, as amended, as Exhibit 99.1 to Form 8-K filed January 19, 2000)
Exhibit 4	
*(a)	-- Form of Senior Debt Indenture between the Company and Chase Manhattan Bank (formerly Chemical Bank), Trustee, relating to the 10 1/4% Debentures, due 2020; the 9 3/8% Debentures, due 2021; Medium-Term Notes (9.10%-9.31%), due 2001; the 7 1/2% Notes, due 1999, and the 8 7/8% Debentures, due 2012 (filed as Exhibit 4.1 to Form S-3 Registration Statement No. 33-33294, filed February 2, 1990).
*(b)	-- Second Amended and Restated Credit Agreement, dated as of July 23, 1997, among Williams and certain of its subsidiaries and the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4(c) to Form 10-K for the fiscal year ended December 31, 1997).
*(c)	-- Amendment dated January 26, 1999, to Second Amended and Restated Credit Agreement dated July 23, 1997, among Williams and certain of its subsidiaries and the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4(c) to Form 10-K for fiscal year ended December 31, 1998).

EXHIBIT NO.	DESCRIPTION
(d)	-- Second Amended and Restated Credit Agreement, dated as of January 24, 2000, among Williams and the banks named therein and Citibank, N.A., as agent.
(e)	-- Second Amendment to Second Amended and Restated Credit Agreement, dated as of January 24, 2000 among Williams and certain of its subsidiaries and the banks named therein and Citibank, N.A., as agent.
*(f)	-- Form of Senior Debt Indenture between the Company and The First National Bank of Chicago, Trustee, relating to 6 1/2% Notes due 2002; 6 5/8% Notes due 2004; floating rate notes due 2000; 6 1/8% Notes due 2001; 6.20% Notes due 2002; 6 1/2% Notes due 2006; 5.95% Structured Putable/ Remarketable Securities due 2010; and 6 1/8% Mandatory Putable/ Remarketable Securities due 2012 (filed as Exhibit 4.1 to Registration Statement on Form S-3 filed September 8, 1997).
*(g)	-- Form of Debenture representing $360,000,000 principal amount of 6% Convertible Subordinated Debenture Due 2005 (filed as Exhibit 4.7 to the Registration Statement on Form S-8, filed August 30, 1996).
*(h)	-- Form of Warrant to purchase 11,305,720 shares of the Common Stock of the Company (filed as Exhibit 4.8 to the Registration Statement on Form S-8, filed August 30, 1996).
*(i)	-- Indenture dated May 1, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
*(j)	-- First Supplemental Indenture dated June 20, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
*(k)	-- Second Supplemental Indenture dated November 29, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated December 7, 1990).
*(l)	-- Third Supplemental Indenture dated April 23, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated April 30, 1991).
*(m)	-- Fourth Supplemental Indenture dated August 22, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated August 27, 1991).
*(n)	-- Fifth Supplemental Indenture dated May 1, 1995, among Transco Energy Company, Williams, and The Bank of New York, Trustee (filed as Exhibit 4(l) to Form 10-K for fiscal year ended December 31, 1998).
(o)	-- First Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and Citibank, N.A., as Trustee.
(p)	-- Second Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and Bankers Trust Company, as Trustee.
(q)	-- Fourth Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and The First National Bank of Chicago, as Trustee.
Exhibit 10(iii)	-- Compensatory Plans and Management Contracts
*(a)	-- The Williams Companies, Inc. Supplemental Retirement Plan, effective as of January 1, 1988 (filed as Exhibit 10(iii)(c) to Form 10-K for the year ended December 31, 1987).

EXHIBIT NO.	DESCRIPTION
*(b)	-- Form of Employment Agreement, dated January 1, 1990, between Williams and certain executive officers (filed as Exhibit 10(iii)(d) to Form 10-K for the year ended December 31, 1989).
*(c)	-- Form of The Williams Companies, Inc. Change in Control Protection Plan between Williams and employees (filed as Exhibit 10(iii)(e) to Form 10-K for the year ended December 31, 1989).
*(d)	-- The Williams Companies, Inc. 1985 Stock Option Plan (filed as Exhibit A to Williams' Proxy Statement, dated March 13, 1985).
*(e)	-- The Williams Companies, Inc. 1988 Stock Option Plan for Non-Employee Directors (filed as Exhibit A to Williams' Proxy Statement, dated March 14, 1988).
*(f)	-- The Williams Companies, Inc. 1990 Stock Plan (filed as Exhibit A to Williams' Proxy Statement, dated March 12, 1990).
*(g)	-- The Williams Companies, Inc. Stock Plan for Non-Officer Employees (filed as Exhibit 10(iii)(g) to Form 10-K for the fiscal year ended December 31, 1995).
*(h)	-- The Williams Companies, Inc. 1996 Stock Plan (filed as Exhibit A to Williams' Proxy Statement, dated March 27, 1996).
*(i)	-- The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors (filed as Exhibit B to Williams' Proxy Statement, dated March 27, 1996).
*(j)	-- Indemnification Agreement, effective as of August 1, 1986, between Williams and members of the Board of Directors and certain officers of Williams (filed as Exhibit 10(iii)(e) to Form 10-K for the year ended December 31, 1986).
*(k)	-- The Williams Communications Stock Plan (filed as Exhibit 99 to the Registration Statement on Form S-8, filed on August 14, 1998).
*(l)	-- The Williams International Stock Plan (filed as Exhibit 10(iii)(l) to Form 10-K for fiscal year ended December 31, 1998).
*(m)	-- Form of Stock Option Secured Promissory Note and Pledge Agreement between Williams and certain employees, officers, and non-employee directors (filed as Exhibit 10(iii)(m) to Form 10-K for fiscal year ended December 31, 1998).
Exhibit 12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
Exhibit 18	-- Letter regarding change in accounting principles.
Exhibit 20	-- Definitive Proxy Statement of Williams for 2000 (as filed with the Commission on March 27, 2000).
Exhibit 21	-- Subsidiaries of the registrant.
Exhibit 23(a)	-- Consent of Independent Auditors, Ernst & Young LLP.
Exhibit 23(b)	-- Consent of Independent Auditors, Deloitte & Touche LLP.
Exhibit 24	-- Power of Attorney together with certified resolution.
Exhibit 27	-- Financial Data Schedule.
Exhibit 27.1	-- Restated Financial Data Schedules for the years ended December 31, 1998 and 1997.
Exhibit 27.2	-- Restated Financial Data Schedules for the three, six and nine months ended March 31, 1999, June 30, 1999, and September 30, 1999, respectively.
Exhibit 27.3	-- Restated Financial Data Schedules for the three, six and nine month periods ended March 31, 1998, June 30, 1998, and September 30, 1998, respectively.
Exhibit 99	-- Opinion of Independent Auditors, Deloitte & Touche LLP.

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* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

(b) Reports on Form 8-K.

On October 18, 1999, Williams filed a current report on Form 8-K to report that its subsidiary, Williams Communications Group, Inc., had sold a minority equity interest to the public in an initial public offering.

(d) The financial statements of partially-owned companies are not presented herein since none of them individually, or in the aggregate, constitute a significant subsidiary.

SIGNATURES

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

THE WILLIAMS COMPANIES, INC.
(Registrant)

By: /s/ SHAWNA L. GEHRES

Shawna L. Gehres
Attorney-in-fact

Dated: March 28, 2000

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

SIGNATURE	TITLE
/s/ KEITH E. BAILEY* Keith E. Bailey	Chairman of the Board, President, Chief Executive Officer (Principal Executive Officer) and Director
/s/ JACK D. MCCARTHY* Jack D. McCarthy	Senior Vice President -- Finance (Principal Financial Officer)
/s/ GARY R. BELITZ* Gary R. Belitz	Controller (Principal Accounting Officer)
/s/ HUGH M. CHAPMAN* Hugh M. Chapman	Director
/s/ GLENN A. COX* Glenn A. Cox	Director
/s/ THOMAS H. CRUIKSHANK* Thomas H. Cruikshank	Director
/s/ WILLIAM E. GREEN* William E. Green	Director
/s/ PATRICIA L. HIGGINS* Patricia L. Higgins	Director
/s/ W. R. HOWELL* W. R. Howell	Director
/s/ JAMES C. LEWIS* James C. Lewis	Director

/s/ JACK A. MACALLISTER* Jack A. MacAllister	Director
/s/ FRANK T. MACINNIS* Frank T. MacInnis	Director
/s/ PETER C. MEINIG* Peter C. Meinig	Director
/s/ GORDON R. PARKER* Gordon R. Parker	Director
/s/ JANICE D. STONEY* Janice D. Stoney	Director
/s/ JOSEPH H. WILLIAMS* Joseph H. Williams	Director

By: /s/ SHAWNA L. GEHRES

Shawna L. Gehres
Attorney-in-fact

Dated: March 28, 2000

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
Exhibit 4	
(d)	-- Second Amended and Restated Credit Agreement, dated as of January 24, 2000, among Williams and the banks named therein and Citibank, N.A., as agent.
(e)	-- Second Amendment to Second Amended and Restated Credit Agreement, dated as of January 24, 2000 among Williams and certain of its subsidiaries and the banks named therein and Citibank, N.A., as agent.
(o)	-- First Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and Citibank, N.A., as Trustee.
(p)	-- Second Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and Bankers Trust Company, as Trustee.
(q)	-- Fourth Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams, and The First National Bank of Chicago, as Trustee.
Exhibit 12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
Exhibit 18	-- Letter regarding change in accounting principles.
Exhibit 20	-- Definitive Proxy Statement of Williams for 2000 (as filed with the Commission on March 27, 2000).
Exhibit 21	-- Subsidiaries of the registrant.
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EXHIBIT 4(d)

U.S. $1,400,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of JANUARY 24, 2000

Among

THE WILLIAMS COMPANIES, INC.

as Borrower

THE BANKS NAMED HEREIN

as Banks

CANADIAN IMPERIAL BANK OF COMMERCE

and

COMMERZBANK AG

as Co-Syndication Agents

and

CREDIT LYONNAIS NEW YORK BRANCH

as Documentation Agent

and

SALOMON SMITH BARNEY

as Arranger

and

CITIBANK, N.A.

as Agent

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Schedules and Exhibits

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

This Second Amended and Restated Credit Agreement, dated as of January 24, 2000 (as may be amended, modified, supplemented, renewed, extended or restated from time to time, this "Agreement"), is by and among THE WILLIAMS COMPANIES, INC., a Delaware corporation (the "Borrower"); the various banks as are or may become parties hereto (collectively, the "Banks"); CANADIAN IMPERIAL BANK OF COMMERCE and COMMERZBANK AG ("Commerzbank"), as Co-Syndication Agents, (in such capacity, together with any successors in such capacity, the "Co-Syndication Agents"); CREDIT LYONNAIS NEW YORK BRANCH ("Credit Lyonnais"), as Documentation Agent (in such capacity, together with any successors in such capacity, the Documentation Agent); and CITIBANK, N.A., as Agent (in such capacity, together with any successors in such capacity, the "Agent"). In consideration of the mutual covenants and agreements contained herein, the Borrower, the Agent and the Banks hereby agree as set forth herein.

PRELIMINARY STATEMENTS

1. The Borrower, the Agent, and certain of the Banks are parties to an Amended and Restated Credit Agreement dated as of January 26, 1999 which has been amended by letter agreements dated May 20, 1999 and September 27, 1999 (as so amended, the "1999 Credit Agreement"). The Banks party to the 1999 Credit Agreement (each Bank party to such agreement an "Original Bank" and collectively, the "Original Banks") have made certain advances pursuant to such agreement (the "Original Advances") and the Banks, the Borrower and the Agent intend that all Original Advances comprising A Advances, which have not heretofore been repaid, shall, on the date of this Agreement, be continued, amended, renewed, restated and converted into A Advances of the same Type under this Agreement (but shall not be deemed to be repaid).

2. The Borrower has requested that the 1999 Credit Agreement be amended, and, as so amended, be restated in its entirety.

3. The Borrower, the Banks and the Agent have agreed that, as part of the restructuring of the outstanding Original Advances (if any) and a restructuring of the Commitments of the Original Banks under the 1999 Credit Agreement, the Original Banks shall assign, and the Original Banks do hereby assign, portions of their Commitments and Original Advances, as necessary, such that each Bank party hereto shall have, as of the date of this Agreement, Commitments as shown on Schedule IV hereto.

4. The parties hereto have agreed to restate the 1999 Credit Agreement in its entirety and this Second Amended and Restated Credit Agreement constitutes for all purposes an amendment to the 1999 Credit Agreement, and each reference to an Advance or Borrowing herein shall include each Original Advance or borrowing made heretofore under the 1999 Credit Agreement as well as each Advance or Borrowing made hereafter under this Agreement.

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section I.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"1999 Credit Agreement" is defined in the first recital.

"A Advance" means an advance by a Bank to the Borrower as part of an A Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of A Advance.

"A Borrowing" means a borrowing consisting of simultaneous A Advances of the same Type to the Borrower made by each of the Banks pursuant to Section 2.1.

"A Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A-1 hereto, (as such note may be amended, endorsed or otherwise modified from time to time) evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the A Advances to the Borrower owed to such Bank together with any other note accepted from time to time in substitution or replacement therefor.

"Advance" means an A Advance or a B Advance.

Agent" means Citibank, N.A. in its capacity as agent pursuant to Article VII hereof and any successor Agent pursuant to Section 7.6.

"Agreement" has the meaning specified in the Preamble.

"Applicable Commitment Fee Rate" means the rate per annum set forth on Schedule V under the heading "Applicable Commitment Fee Rate" for the relevant Rating Category applicable to the Borrower from time to time. The Applicable Commitment Fee Rate shall change when and as the relevant Rating Category applicable to the Borrower changes.

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of a Base Rate Advance and such Bank's Eurodollar Lending Office in the case of a Eurodollar Rate Advance and, in the case of a B Advance, the office of such Bank notified by such Bank to the Agent as its Applicable Lending Office with respect to such B Advance.

"Applicable Margin" means the rate per annum set forth in Schedule V under the heading "Applicable Margin" for the relevant Rating Category applicable to the Borrower from time to time. The Applicable Margin for any Eurodollar Rate Advance shall change when and as the relevant applicable Rating Category changes.

"Arranger" means Salomon Smith Barney.

"Attributable Obligation" of any Person means, with respect to any Sale and Lease-Back Transaction of such Person as of any particular time, the present value at such time discounted at the rate of interest implicit in the terms of the lease of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of such Person, be extended).

"B Advance" means an advance by a Bank to the Borrower as part of a B Borrowing resulting from the auction bidding procedure described in Section 2.16.

"B Borrowing" means a borrowing consisting of simultaneous B Advances to the Borrower from each of the Banks whose offer to make one or more B Advances as part of such borrowing has been accepted by the Borrower under the auction bidding procedure described in Section 2.16.

"B Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Bank resulting from a B Advance made to the Borrower by such Bank.

"B Reduction" has the meaning specified in Section 2.1.

"Banks" means the lenders listed on the signature pages hereof and each other Person that becomes a Bank pursuant to the last sentence of Section 8.6(a).

"Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; or

(b) 1/2 of one percent per annum above the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent. to the next higher 1/4 of one percent; or

(c) 1/2 of one percent per annum above the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an A Advance which bears interest as provided in Section 2.6(a).

"Borrower" means The Williams Companies, Inc., a Delaware corporation.

"Borrowing" means an A Borrowing or a B Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances or relates to any B Advance as to which the related Notice of B Borrowing is delivered pursuant to clause (B) of Section 2.16(a)(i), on which dealings are carried on in the London interbank market.

"Cash Holdings" of any Person means the total investment of such Person at the time of determination in:

(a) demand deposits and time deposits maturing within one year with a Bank (or other commercial banking institution of the stature referred to in clause (d)(i));

(b) any note or other evidence of indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government or by a government of another country which carries a long-term rating of Aaa by Moody's or AAA by S&P;

(c) commercial paper, maturing not more than nine months from the date of issue, which is issued by

(i) a corporation (other than the affiliate of the Borrower) and rated (x) A-1 by S&P, P-1 by Moody's, F-1 by Fitch or A by Duff and Phelps or (y) lower than set forth in clause (x) above, provided that the value of all such commercial paper shall not exceed 10% of the total value of all commercial paper comprising "Cash Holdings," or

(ii) any Bank (or its holding company) with a rating on its unsecured long term debt of at least AA by S&P or Aa by Moody's;

(d) any certificate of deposit or bankers acceptance, maturing not more than three years after such time, which is issued by either

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $1,000,000,000 or

(ii) any Bank with a rating on its unsecured long term debt of at least AA by S&P or Aa by Moody's;

(e) notes or other evidences of indebtedness maturing not more than three years after such time, issued by

(i) a corporation (other than an affiliate of a Borrower) rated AA by S&P or Aa by Moody's; or

(ii) any Bank (or its holding company) with a rating on its unsecured long term debt of at least AA by S&P or Aa by Moody's; or

(f) any repurchase agreement entered into with any Bank (or other commercial banking institution of the stature referred to in clause (d)(i)) which

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (d); and

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Bank (or other commercial banking institution) thereunder;

(g) money market preferred instruments by participation in a Dutch auction (or the equivalent) where the investment is rated no lower than Aa by Moody's or AA by S&P.

"ChoiceSeat" means ChoiceSeat, L.L.C., a Delaware limited liability company.

"CIBC" means Canadian Imperial Bank of Commerce.

"Citibank" means Citibank, N.A.

"Code" means, as appropriate, the Internal Revenue Code of 1986, as amended, or any successor federal tax code, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Commerzbank" is defined in the preface.

"Commitment" of any Bank means at any time the amount set opposite or deemed (pursuant to clause (vii) of the last sentence of Section 8.6(a) and as reflected in the relevant Transfer Agreement referred to in such sentence) to be set opposite such Bank's name on Schedule IV as such amount may be terminated, reduced or increased after the date hereof, pursuant to Section 2.4, Section 2.17, Section 6.1 or Section 8.6(a).

"Consolidated" refers to the consolidation of the accounts of any Person and its subsidiaries in accordance with generally accepted accounting principles.

"Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Borrower, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests exceed $511,700,000 in the aggregate.

"Consolidated Tangible Net Worth" of any Person means the Tangible Net Worth of such Person and its Subsidiaries on a Consolidated basis.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.2, Section 2.19 or Section 2.20.

"Co-Syndication Agent" means either of CIBC or Commerzbank AG, together with the successor and assigns of each in such capacity.

"Credit Lyonnais" is defined in the preface.

"Debt" means, in the case of any Person, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services, (iv) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) or clause (vii) of this definition, (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) or clause (vii) of this definition secured by any Lien on or in respect of any property of such Person, and (vii) all liabilities of such Person in respect of unfunded vested benefits under any Plan; provided, however, that Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule III or under or resulting from any sale and Lease-Back referred to in paragraph (aa) of Schedule III.

"Designated Minority Interests" of the Borrower means, as of any date of determination, the total of the minority interests in the following Subsidiaries: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) WCG, (vi) WCS, (vii) ChoiceSeat, (viii) PowerTel, and (ix) other Consolidated Subsidiaries, as presented in the Consolidated balance sheet of the Borrower, in an amount not to exceed in the aggregate $9,000,000 for such other Consolidated Subsidiaries not referred to in items (i) through (viii); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

"Documentation Agent" means Credit Lyonnais, together with its successors and assigns in such capacity.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or pursuant to Section 8.6(a), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"El Furrial" means WilPro Energy Services (El Furrial) Limited, a Cayman Islands corporation.

"Environment" shall have the meaning set forth in 42 U.S.C. 9601(8) as defined on the date of this Agreement and "Environmental" shall mean pertaining or relating to the Environment.

"Environmental Protection Statute" shall mean any United States local, state or federal, or any foreign, law, statute, regulation, order, consent decree or other agreement or Governmental Requirement arising from or in connection with or relating to the protection or regulation of the Environment, including, without limitation, those laws, statutes, regulations, orders, decrees, agreements and other Governmental Requirements relating to the disposal, cleanup, production, storing, refining, handling, transferring, processing or transporting of Hazardous Waste, Hazardous Substances or any pollutant or contaminant, wherever located.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is a member of a group of which the Borrower is a member and which is under common control within the meaning of the regulations under Section 414 of the Code.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or pursuant to Section 8.6(a) (or, if no such office is specified, its Domestic Lending Office) or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same A Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such rate is not such a multiple) equal to the rate per annum at which deposits in U.S. dollars are offered by the principal office of Citibank in London, England, to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the amount of the Eurodollar Rate Advance of Citibank comprising part of such A Borrowing to be outstanding during such Interest Period and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an A Advance that bears interest as provided in Section 2.6(b).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for any Eurodollar Rate Advance means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.1.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Governmental Requirements" means all judgments, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations and the like and any other requirements of any government or any commission, board, court, agency, instrumentality or political subdivision thereof.

"Hazardous Substance" shall have the meaning set forth in 42 U.S.C. 9601(14) and shall also include each other substance considered to be a hazardous substance under any Environmental Protection Statute.

"Hazardous Waste" shall have the meaning set forth in 42 U.S.C. 6903(5) and shall also include each other substance considered to be a hazardous waste under any Environmental Protection Statute (including, without limitation 40 C.F.R. 261.3).

"Insufficiency" means, with respect to any Plan, the amount, if any, by which the present value of the vested benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same A Borrowing, the period commencing on the date of such A Advance or the date of the Conversion of any Base Rate Advance into a Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each Interest Period shall be one, two, three or six months, in each case as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select (it being agreed that selection of a subsequent Interest Period for an outstanding Eurodollar Rate Advance does not require that a Notice of A Borrowing be given, inasmuch as no Advance is being requested or made as a result of such selection); provided, however, that:

(i) Interest Periods commencing on the same date for A Advances comprising part of the same A Borrowing shall be of the same duration;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iv) the Borrower may not select any Interest Period that ends after the Termination Date, and the Borrower may not select any Interest Period if any Event of Default exists.

"Lien" means any mortgage, lien, pledge, charge, deed of trust, security interest, encumbrance or other type of preferential arrangement to secure or provide for the payment of any obligation of any Person, whether arising by contract, operation of law or otherwise (including, without limitation, the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement).

"Majority Banks" means at any time Banks holding at least 66-2/3% of the then aggregate unpaid principal amount of the A Notes held by Banks, or, if no such principal amount is then outstanding, Banks having at least 66-2/3% of the Commitments or, if no such principal amount is then outstanding and all Commitments have terminated, Banks holding at least 66-2/3% of the then aggregate unpaid principal amount of the B Notes held by Banks (provided that for purposes of this definition and Sections 2.17, 6.1 and 7.1 neither the Borrower nor any Subsidiary or Related Party of the Borrower, if a Bank, shall be included in (i) the Banks holding the A Notes or B Notes or (ii) determining the aggregate unpaid principal amount of the A Notes or the B Notes or the amount of the Commitments).

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan, other than a Multiemployer Plan, subject to Title IV of ERISA to which the Borrower or any ERISA Affiliate, and one or more employers other than the Borrower or an ERISA Affiliate, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which the Borrower or any ERISA Affiliate made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"Multiyear Williams Credit Agreement" is defined in Section 5.2(i).

"Nebraska Energy" means Nebraska Energy, L.L.C., a Kansas limited liability company.

"Net Debt" means for any Person, as of any date of determination, the excess of (x) the aggregate amount of all Debt of such Person and its Subsidiaries on a Consolidated basis over (y) the sum of the Cash Holdings of such Person and its Subsidiaries on a Consolidated basis.

"Net Worth" of any Person means, as of any date of determination the excess of total assets of such Person over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles.

"Non-Recourse Debt" means Debt incurred by any non-material Subsidiary to finance the acquisition (other than any acquisition from the Borrower or any Subsidiary) or construction of a project, which Debt does not permit or provide for recourse against the Borrower or any Subsidiary of the Borrower (other than the Subsidiary that is to acquire or construct such project) or any property or asset of the Borrower of any Subsidiary of the Borrower (other than the property or assets of the Subsidiary that is to acquire or construct such project).

"Note" means an A Note or a B Note.

"Notice of A Borrowing" has the meaning specified in Section 2.2(a).

"Notice of B Borrowing" has the meaning specified in Section 2.16(a).

"NWP" means Northwest Pipeline Corporation, a Delaware corporation.

"Original Advance" is defined in the first recital.

"Original Bank" is defined in the first recital.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Liens" means Liens specifically described on Schedule III.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PIGAP II" means WilPro Energy Services (PIGAP II) Limited, a Cayman Islands corporation.

"Plan" means an employee pension benefit plan (other than a Multiemployer Plan) as defined in Section 3(2) of ERISA currently maintained by, or to which contributions have been made at any time after December 31, 1984, by, the Borrower or any ERISA Affiliate for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"PowerTel" means PowerTel Limited, an Australian corporation. "Public Filings" means the Borrower's annual report on Form 10-K for the year ended December 31, 1998.

"Rating Category" means, as to the Borrower, the relevant category applicable to the Borrower from time to time as set forth on Schedule V, which is based on the ratings (or lack thereof) of the Borrower's senior unsecured long-term debt by S&P or Moody's. In the event there is a split between the ratings of the Borrower's senior unsecured long-term debt by S&P and Moody, "Rating Category" shall mean, as to the Borrower, the relevant category applicable to the Borrower from time to time as set forth on Schedule V, which is based on the higher of the ratings of the Borrower's senior unsecured long-term debt by S&P and Moody.

"Related Party" of any Person means any corporation, partnership, joint venture or other entity of which more than 10% of the outstanding capital stock or other equity interests having ordinary voting power to elect a majority of the board of directors of such corporation, partnership, joint venture or other entity or others performing similar functions (irrespective of whether or not at the time capital stock or other equity interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person or which owns at the time directly or indirectly more than 10% of the outstanding capital stock or other equity interests having ordinary voting power to elect a majority of the board of directors of such Person or others performing similar functions (irrespective of whether or not at the time capital stock or other equity interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency); provided, however, that neither the Borrower nor any Subsidiary of the Borrower shall be considered to be a Related Party of the Borrower or any Subsidiary of the Borrower.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw Hill Companies on the date hereof.

"Sale and Lease-Back Transaction" of any Person means any arrangement entered into by such Person or any Subsidiary of such Person, directly or indirectly, whereby such Person or any Subsidiary of such Person shall sell or transfer any property, whether now owned or hereafter acquired, and whereby such Person or any Subsidiary of such Person shall then or thereafter rent or lease as lessee such property or any part thereof or other property which such Person or any Subsidiary of such Person intends to use for substantially the same purpose or purposes as the property sold or transferred.

"Seminole" means Seminole Pipeline Company, a Delaware corporation.

"Stated Termination Date" means January 22, 2001, or such later date, if any as may be agreed to by the Borrower and the Banks pursuant to Section 2.18.

"Subordinated Debt" means any Debt of the Borrower which is effectively subordinated to the obligations of the Borrower hereunder and under the Notes.

"Subsidiary" of any Person means any corporation, partnership, joint venture or other entity of which more than 50% of the outstanding capital stock or other equity interests having ordinary voting power to elect a majority of the board of directors of such corporation, partnership, joint venture or other entity or others performing similar functions (irrespective of whether or not at the time capital stock or other equity interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person.

"Tangible Net Worth" of any Person means, as of any date of determination, the excess of total assets of such Person over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles, excluding, however, from the determination of total assets (i) patents, patent applications, trademarks, copyrights and trade names, (ii) goodwill, organizational, experimental, research and development expense and other like intangibles, (iii) treasury stock, (iv) monies set apart and held in a sinking or other analogous fund established for the purchase, redemption or other retirement of capital stock or Subordinated Debt, and (v) unamortized debt discount and expense.

"Termination Date" means the earlier of (i) the Stated Termination Date or (ii) the date of termination in whole of the Commitments pursuant to Section 2.4, 2.17 or 6.1.

"Termination Event" means (i) a "reportable event", as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC or an event described in Section 4062(f) of ERISA, or (ii) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a "substantial employer," as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate under Section 4064 of ERISA upon the termination of a Plan or Multiple Employer Plan, or (iii) the distribution of a notice of intent to terminate a Plan pursuant to Section 4041(a)(2) of ERISA or the treatment of a Plan amendment as a termination under Section 4041 of

ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"TGPL" means Transcontinental Gas Pipe Line Corporation, a Delaware corporation.

"TGT" means Texas Gas Transmission Corporation, a Delaware corporation.

"Transfer Agreement" has the meaning specified in Section 8.6.

"Type" has the meaning set forth in the definition herein of A Advance.

"Unrated" means that no senior unsecured long-term debt of the Borrower is rated by S&P and no senior unsecured long-term debt of the Borrower is rated by Moody's.

"WCG" means Williams Communications Group, Inc., a Delaware corporation.

"WCS" means Williams Communications Solutions, LLC, a Delaware limited liability company.

"WES" means Williams Energy Services, a Delaware corporation.

"WFS" means Williams Field Services Group, Inc., a Delaware corporation.

"Wholly-Owned Subsidiary" of any Person means any Subsidiary of such Person all of the capital stock and other equity interests of which is owned by such Person or any Wholly-Owned Subsidiary of such Person.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

"WPC" means Williams Pipelines Central, Inc., a Delaware corporation, formerly Williams Natural Gas Company.

"WPL" means Williams Pipe Line Company, a Delaware corporation.

Section I.2 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

Section I.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles, and each reference herein to "generally accepted accounting principles" shall mean generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.1(e).

Section I.4 Miscellaneous. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

Section I.5 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or in the absence of such announcement or publication, the effective date of, any change in, or withdrawal or termination of, such rating. In the event the standards for any rating by Moody's or S&P are revised, or any such rating is designated differently (such as by changing letter designations to different letter designations or to numerical designations), the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Majority Banks in good faith. Long-term debt supported by a letter of credit, guaranty, insurance or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of the Borrower, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Ba1 and other such debt of the Borrower Ba2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Ba2 by Moody's.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

Section II.1 The A Advances. Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make A Advances to the Borrower from time to time on any Business Day during the period from the date hereof until the Termination Date in an aggregate amount outstanding not to exceed at any time such Bank's Commitment; provided that the aggregate amount of the Commitments of the Banks shall, except for purposes of Section 2.3(a), be deemed used from time to time to the extent of the aggregate amount of the B Advances then outstanding to the Borrower and such deemed use of the aggregate amount of such Commitments shall be applied to the Banks ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "B Reduction"). Each A Borrowing shall be in an aggregate amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof, and shall consist of A Advances of the same Type made to the Borrower on the same day by the Banks ratably according to their respective Commitments. Within the limits of each Bank's Commitment, the Borrower may borrow, prepay pursuant to Section 2.10 and reborrow under this Section 2.1.

Section II.2 Making the A Advances. (a) Each A Borrowing shall be made on notice, given not later than (1) in the case of a proposed Borrowing comprised of Eurodollar Rate Advances, 11:00 A.M. (New York City time) at least three Business Days prior to the date of the proposed Borrowing, and (2) in the case of a proposed Borrowing comprised of Base Rate Advances, 10:00 A.M. (New York City time) on the date of the proposed Borrowing, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by telecopy, telex or cable. Each such notice of an A Borrowing (a "Notice of A Borrowing") shall be by telecopy, telex or cable, confirmed immediately in writing, in substantially the form of Exhibit B-1 hereto, executed by the Borrower and specifying therein the requested (i) date of such A Borrowing (which shall be a Business Day), (ii) initial Type of A Advances comprising such A Borrowing, (iii) aggregate amount of such A Borrowing, and (iv) in the case of an A Borrowing comprised of Eurodollar Rate Advances, initial Interest Period for each such A Advance. Each Bank shall, before 11:00 A.M. (New York City time) on the date of such A Borrowing, make available for the account of its Applicable Lending Office to the Agent at its New York address referred to in Section 8.2, in same day funds, such Bank's ratable portion of such A Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) Anything herein to the contrary notwithstanding:

(i) at no time shall there be outstanding to the Borrower more than six A Borrowings comprised of Eurodollar Rate Advances;

(ii) the Borrower may not select Eurodollar Rate Advances for any Borrowing if the aggregate amount of such Borrowing is less than $20,000,000;

(iii) if the Majority Banks shall notify the Agent that either (A) the Eurodollar Rate for any Interest Period for any Eurodollar Rate Advances will not adequately reflect the cost to such Banks of making or funding their respective Eurodollar Rate Advances for such Interest Period, or (B) that U.S. dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, or it is otherwise impossible to have Eurodollar Rate Advances, the Agent shall forthwith so notify the Borrower and the Banks, whereupon (I) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and (II) the obligations of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent, at the request of the Majority Banks, shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and, except as provided in Section 2.2(b)(v), each Advance comprising any requested A Borrowing shall be a Base Rate Advance;

(iv) if the Agent is unable to determine the Eurodollar Rate for Eurodollar Rate Advances, the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and, except as provided in Section 2.2(b)(v), each Advance comprising any requested A Borrowing shall be a Base Rate Advance; and

(v) if the Borrower has requested a proposed A Borrowing consisting of Eurodollar Rate Advances and as a result of circumstances referred to in Section 2.2(b)(iii) or (iv) such A Borrowing would not consist of Eurodollar Rate Advances, the Borrower may, by notice given not later than 3:00 P.M. (New York City time) at least one Business Day prior to the date such proposed A Borrowing would otherwise be made, cancel such A Borrowing, in which case such A Borrowing shall be canceled and no Advances shall be made as a result of such requested A Borrowing, but the Borrower shall indemnify the Banks in connection with such cancellation as contemplated by Section 2.2(c).

(c) Each Notice of A Borrowing shall be irrevocable and binding on the Borrower, except as set forth in Section 2.2(b)(v). In the case of any A Borrowing which the related Notice of A Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of A Borrowing for such A Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of reasonably anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the A Advance to be made by such Bank as part of such A Borrowing when such A Advance, as a result of such failure, is not made on such date. A certificate in reasonable detail as to the basis for and the amount of such loss, cost or expense submitted to the Borrower and the Agent by such Bank shall be prima facie evidence of the amount of such loss, cost or expense. If an A Borrowing which the related Notice of A

Borrowing specifies is to be comprised of Eurodollar Rate Advances is not made as an A Borrowing comprised of Eurodollar Rate Advances as a result of Section 2.2(b), the Borrower shall indemnify each Bank against any loss (excluding loss of profits), cost or expense incurred by such Bank by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank prior to the time such Bank is actually aware that such A Borrowing will not be so made to fund the A Advance to be made by such Bank as part of such A Borrowing. A certificate in reasonable detail as to the basis for and the amount of such loss, cost or expense submitted to the Borrower and the Agent by such Bank shall be prima facie evidence of the amount of such loss, cost or expense.

(d) Unless the Agent shall have received notice from a Bank prior to the date of any A Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such A Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such A Borrowing in accordance with subsection (a) of this Section 2.2 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to A Advances comprising such A Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's A Advance as part of such A Borrowing for purposes of this Agreement.

(e) The failure of any Bank to make the A Advance to be made by it as part of any A Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its A Advance on the date of such A Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the A Advance to be made by such other Bank on the date of any A Borrowing.

Section II.3 Fees.

(a) Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee on the average daily unused (for the purposes of this Section 2.3(a), B Advances shall not, for purposes of this Section 2.3(a), be considered to be usage of any Commitment) portion of such Bank's Commitment to the Borrower from the date hereof until the Termination Date at a rate per annum from time to time equal to the Applicable Commitment Fee Rate from time to time, payable in arrears on the last day of each March, June, September and December during the term such Bank has any Commitment and on the Termination Date; and Borrower agrees that it shall also pay to the Agent on the effective date hereof for the account of the Original Banks all commitment fees which are accrued and unpaid as of the date hereof pursuant to Section 2.3(a) of the 1999 Credit Agreement.

(b) Agent's Fees. The Borrower agrees to pay to the Agent, for its sole account, such fees as may be separately agreed to in writing by the Borrower and the Agent.

(c) Participation and Amendment Fees. The Borrower agrees to pay on the date of this Agreement to the Agent for the account of each Bank the participation and amendment fee due such Bank pursuant to that certain updated information memorandum delivered to the Banks in December, 1999.

Section II.4 Reduction of the Commitments. The Borrower shall have the right, upon at least five Business Days notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Banks; provided that each partial reduction shall be in the aggregate amount of at least $20,000,000; and provided further, that the aggregate amount of the Commitments of the Banks shall not be reduced to an amount which is less than the aggregate principal amount of the Advances then outstanding to the Borrower.

Section II.5 Repayment of A Advances. The Borrower shall repay, on the Stated Termination Date or such earlier date as the Notes may be declared due pursuant to Article VI, the unpaid principal amount of each A Advance made by each Bank to the Borrower.

Section II.6 Interest on A Advances. The Borrower shall pay interest on the unpaid principal amount of each A Advance made by each Bank to the Borrower from the date of such A Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) Base Rate Advances. At such times as such A Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Advance shall be Converted or paid in full; provided that any amount of principal of any Base Rate Advance, interest, fees and other amounts payable hereunder (other than principal of any Eurodollar Rate Advance) which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the Base Rate in effect from time to time plus 2% per annum. Notwithstanding the above, the Borrower shall pay on the effective date hereof all accrued, unpaid interest on any Base Rate Advance made pursuant to the 1999 Credit Agreement and outstanding as of the date hereof, if any.

(b) Eurodollar Rate Advances. At such times as such A Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such A Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time for such A Advance, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period; provided that any amount of principal of any Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the greater of (x) the sum of the Base Rate in effect from time to time plus 2% per annum and (y) the sum of the rate per annum required to be paid on such A Advance immediately prior to the date on which such amount became due plus 2% per annum. Notwithstanding the above, the Borrower shall pay on the effective date hereof any unpaid accrued interest on any Eurodollar Rate Advance made pursuant to the 1999 Credit Agreement and outstanding as of the date hereof, if any.

Section II.7 Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Eurodollar Rate Advance of such Bank, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Agent. A certificate as to the amount of such additional interest submitted to the Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error. No Bank shall have the right to recover any additional interest pursuant to this Section 2.7 for any period more than 90 days prior to the date such Bank notifies the Borrower that additional interest may be charged pursuant to this Section 2.7.

Section II.8 Interest Rate Determination. The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate for each Eurodollar Rate Advance determined by the Agent for purposes of Section 2.6(b).

Section II.9 Evidence of Debt. The indebtedness of the Borrower resulting from the A Advances owed to each Bank by the Borrower shall be evidenced by an A Note of the Borrower payable to the order of such Bank.

Section II.10 Prepayments.

(a) The Borrower shall not have any right to prepay any principal amount of any A Advance, except as provided in this Section 2.10.

(b) The Borrower shall (i) in respect of Base Rate Advances, upon notice to the Agent before 10:00 A.M. (New York City time) on the date of prepayment and (ii) in respect of Eurodollar Rate Advances, upon at least three Business Days' notice to the Agent, in each case stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, prepay the outstanding principal amounts of the A Advances comprising part of the same A Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid and amounts, if any, required to be paid pursuant to Section 8.4(b) as a result of such prepayment; provided, however, that each partial prepayment pursuant to this Section 2.10(b) shall be in an aggregate principal amount not less than $5,000,000 and in an aggregate principal amount such that after giving effect thereto (1) no A Borrowing comprised of

Base Rate Advances shall have a principal amount outstanding of less than $5,000,000 and (2) no A Borrowing comprised of Eurodollar Rate Advances shall have a principal amount outstanding of less than $20,000,000.

(c) The Borrower will give notice to the Agent, at or before the time of each prepayment by the Borrower of Advances, pursuant to this Section 2.10 specifying the Advances which are to be prepaid and the amount of such prepayment to be applied to such Advances. Each payment of any Advance pursuant to this Section 2.10 or any other provision of this Agreement shall be made in a manner such that all Advances comprising part of the same Borrowing are paid in whole or ratably in part.

Section II.11 Increased Costs.

(a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation, application or applicability of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining Eurodollar Rate Advances to the Borrower, then the Borrower shall from time to time, upon demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Agent by such Bank, shall be prima facie evidence of the amount of such increased cost. No Bank shall have the right to recover any such increased costs for any period more than 90 days prior to the date such Bank notifies the Borrower of any such introduction, change, compliance or proposed compliance.

(b) If any Bank determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend to the Borrower hereunder and other commitments of this type, then, upon demand by such Bank (with a copy of such demand to the Agent), the Borrower shall immediately pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend hereunder. A certificate as to the amount of such additional amounts, submitted to the Borrower and the Agent by such Bank, shall be prima facie evidence of the amount of such additional amounts. No Bank shall have any right to recover any additional amounts under this Section 2.11(b) for any period more than 90 days prior to the date such Bank notifies the Borrower of any such compliance.

(c) In the event that any Bank makes a demand for payment under Section 2.7 or this Section 2.11, the Borrower may within ninety (90) days of such demand, if no Event of Default or event which, with the giving of notice or lapse of time or both, would constitute an Event of Default then exists, replace such Bank with another commercial bank in accordance with all of the provisions of the last sentence of Section 8.6(a) (including execution of an appropriate Transfer Agreement); provided that (i) all obligations of such Bank to lend hereunder shall be terminated and the Notes payable to such Bank and all other obligations owed to such Bank hereunder shall be purchased in full without recourse at par plus accrued interest at or prior to such replacement, (ii) such replacement bank shall be reasonably satisfactory to the Agent and the Majority Banks, (iii) such replacement bank shall, from and after such replacement, be deemed for all purposes to be a "Bank" hereunder with a Commitment in the amount of the Commitment of such Bank immediately prior to such replacement (plus, if such replacement bank is already a Bank prior to such replacement the respective Commitment of such Bank to the Borrower prior to such replacement), as such amount may be changed from time to time pursuant hereto, and shall have all of the rights, duties and obligations hereunder of the Bank being replaced, and (iv) such other actions shall be taken by the Borrower, such Bank and such replacement bank as may be appropriate to effect the replacement of such Bank with such replacement bank on terms such that such replacement bank has all of the rights, duties and obligations hereunder as such Bank (including, without limitation, execution and delivery of new Notes to such replacement bank, redelivery to the Borrower in due course of the Notes of the Borrower payable to such Bank and specification of the information contemplated by Schedule I as to such replacement bank).

Section II.12 Illegality. Notwithstanding any other provision of this Agreement, if any Bank shall notify the Agent that the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or that any central bank or other governmental authority shall assert that it is unlawful, for any Bank or its Eurodollar Lending Office to perform its obligations hereunder to make, or Convert a Base Rate Advance into, a Eurodollar Rate Advance or to continue to fund or maintain any Eurodollar Rate Advance, then, on notice thereof to the Borrower by the Agent, (i) the obligation of each of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent, at the request of the Majority Banks, shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and (ii) the Borrower shall forthwith prepay in full all Eurodollar Rate Advances of all Banks then outstanding together with all accrued interest thereon and all amounts payable pursuant to Section 8.4(b), unless each Bank shall determine in good faith in its sole opinion that it is lawful to maintain the Eurodollar Rate Advances made by such Bank to the end of the respective Interest Periods then applicable thereto or unless the Borrower, within five Business Days of notice from the Agent, Convert all Eurodollar Rate Advances of all Banks then outstanding into Base Rate Advances in accordance with Section 2.19.

Section II.13 Payments and Computations.

(a) The Borrower shall make each payment hereunder and under the Notes to be made by it not later than 11:00 A.M. (New York City time) on the day when due in U.S. dollars to the

Agent at its New York address referred to in Section 8.2 in same day funds, without deduction, counterclaim or offset of any kind. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest or commitment fees ratably (other than amounts payable pursuant to Section 2.7, 2.11, 2.14, 2.16 or 8.4(b)) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. In no event shall any Bank be entitled to share any fee paid to the Agent pursuant to Section 2.3(b), any auction fee paid to the Agent pursuant to Section 2.16(a)(i) or any other fee paid to the Agent, as such.

(b) The Borrower hereby authorizes each Bank, if and to the extent payment owed to such Bank by the Borrower is not made when due hereunder or under any Note held by such Bank, to charge from time to time against any or all of the Borrower's accounts with such Bank any amount so due.

(c) (i) All computations of interest based on clause (a) or clause (b) of the definition herein of Base Rate and of commitment fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and (ii) all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or clause (c) of the definition herein of Base Rate shall be made by the Agent, and all computations of interest pursuant to Section 2.7 shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or commitment fees are payable. Each determination by the Agent (or, in the case of Section 2.7, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due by the Borrower to any Bank hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank hereunder. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section II.14 Taxes.

(a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.13, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings with respect thereto, and all liabilities with respect thereto, excluding in the case of each Bank and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.14) such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made by the Borrower hereunder or under the Notes executed by it or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or such Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.14) owed and paid by such Bank or the Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Bank or the Agent, as the case may be, makes written demand therefore.

(d) Within 30 days after the date of the payment of Taxes by or at the direction of the Borrower, the Borrower will furnish to the Agent, at its address referred to in Section 8.2, the original or a certified copy of a receipt evidencing payment thereof. Should any Bank or the Agent ever receive any refund, credit or deduction from any taxing authority to which such Bank or the Agent would not be entitled but for the payment by the Borrower of Taxes as required by this Section 2.14 (it being understood that the decision as to whether or not to claim, and if claimed, as to the amount of any such refund, credit or deduction shall be made by such Bank or the Agent, as the case may be, in its sole discretion), such Bank or the Agent, as the case may be, thereupon shall repay to the Borrower an amount with respect to such refund, credit or deduction equal to any net reduction in taxes actually obtained by such Bank or the Agent, as the case may be, and determined by such Bank or the Agent, as the case may be, to be attributable to such refund, credit or deduction.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.14 shall survive the payment in full of principal and interest hereunder and under the Notes.

Section II.15 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary or involuntary, or through the exercise of any right of set-off or otherwise) on account of the A Advances made by it (other than pursuant to Section 2.7, 2.11, 2.14 or 8.4(b)) in excess of its ratable share of payments on account of the A Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the A Advances owed to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section II.16 The B Advances.

(a) Each Bank severally agrees that the Borrower may make B Borrowings under this Section 2.16 from time to time on any Business Day during the period from the date hereof until the earlier of (1) the Termination Date or (2) the date occurring thirty (30) days prior to the Stated Termination Date in the manner set forth below; provided that, following the making of each B Borrowing, the aggregate amount of the Advances then outstanding to the Borrower shall not exceed the aggregate amount of the Commitments of the Banks (computed without regard to any B Reduction).

(i) The Borrower may request a B Borrowing under this Section 2.16 by delivering to the Agent, by telecopier, telex or cable, confirmed immediately in writing, a notice of a B Borrowing (a "Notice of B Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying the date and aggregate amount of the proposed B Borrowing, the maturity date for repayment of each B Advance to be made as part of such B Borrowing (which maturity date may not be earlier than the date occurring 14 days after the date of such B Borrowing or later than the earlier of (x) 6 months after the date of such B Borrowing or (y) the Stated Termination Date), the interest payment date or dates relating thereto, and any other terms to be applicable to such B Borrowing (including, without limitation, the basis to be used by the Banks in determining the rate or rates of interest to be offered by them as provided in paragraph (ii) below and prepayment terms, if any, but excluding any waiver or other modification to any of the conditions set forth in Article III), not later than 10:00 A.M. (New York City time) (A) at least one (1) Business Day prior to the date of the proposed B Borrowing, if the Borrower shall specify in the Notice of B Borrowing that the rates of interest to be offered by the Banks shall be fixed rates per annum and (B) at least five (5) Business Days prior to the date of the proposed B Borrowing, if the Borrower shall instead specify in the Notice of B Borrowing the basis to be used by the Banks in determining the rates of interest to be offered by them. The Agent shall in turn promptly notify each Bank of each request for a B Borrowing received by it from the Borrower by sending such Bank a copy of the related Notice of B Borrowing. Each time that the Borrower gives a Notice of B Borrowing, the Borrower shall pay to the Agent an auction fee equal to $2000.

(ii) Each Bank may, if in its sole discretion it elects to do so, irrevocably offer to make one or more B Advances to the Borrower as part of such proposed B Borrowing at a rate or rates of interest specified by such Bank in its sole discretion, by notifying the Agent (which shall give prompt notice thereof to the Borrower), before 10:00 A.M. (New York City time) (x) on the date of such proposed B Borrowing, in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above, and (y) three Business Days before the date of such proposed B Borrowing in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, of the minimum amount and maximum amount of each B Advance which such Bank would be willing to make as part of such proposed B Borrowing (which amounts may, subject to the proviso to the first sentence of this Section 2.16(a), exceed such Bank's Commitment to the Borrower), the rate or rates of interest therefor and such Bank's Applicable Lending Office with respect to such B Advance; provided that if the Agent in its capacity as a Bank shall, in its sole discretion, elect to make any such offer, it shall notify the Borrower of such offer before 9:45 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Banks. If any Bank shall elect not to make such an offer, such Bank shall so notify the Agent, before 10:00 A.M. (New York City time) on the date on which notice of such election is to be given to the Agent by the other Banks, and such Bank shall not be obligated to, and shall not, make any B Advance as part of such B Borrowing; provided that the failure by any Bank to give such notice shall not cause such Bank to be obligated to make any B Advance as part of such proposed B Borrowing.

(iii) The Borrower shall, in turn, before 11:00 A.M. (New York City time) (x) on the date of such proposed B Borrowing in the case of a Notice of B Borrowing delivered pursuant to clause (A) of paragraph (i) above and (y) three Business Days before the date of such proposed B Borrowing in the case of a Notice of B Borrowing delivered pursuant to clause (B) of paragraph (i) above, either

(A) cancel such B Borrowing by giving the Agent notice to that effect, or

(B) accept one or more of the offers made by any Bank or Banks pursuant to paragraph (ii) above, in order of the lowest to highest rates of interest or margins (or, if two or more Banks bid at the same rates of interest, and the amount of accepted offers is less than the aggregate amount of such offers, the amount to be borrowed from such Banks as part of such B Borrowing shall be allocated among such Banks pro rata on the basis of the maximum amount offered by such Banks at such rates or margin in connection with such B Borrowing), in any aggregate amount up to the aggregate amount initially requested by the Borrower in the relevant Notice of B Borrowing, by giving notice to the Agent of the amount of each B Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the Borrower by the Agent on behalf of such Bank for such B Advance pursuant to paragraph ii above) to be made by each Bank as part of such B Borrowing, and reject any remaining offers made by Banks pursuant to paragraph (ii) above by giving the Agent notice to that effect.

(iv) If the Borrower notifies the Agent that such B Borrowing is canceled pursuant to paragraph (iii)(A) above, the Agent shall give prompt notice thereof to the Banks and such B Borrowing shall not be made.

(v) If the Borrower accepts one or more of the offers made by any Bank or Banks pursuant to paragraph (iii)(B) above, the Agent shall in turn promptly notify (A) each Bank that has made an offer as described in paragraph (ii) above, of the date and aggregate amount of such B Borrowing and whether or not any offer or offers made by such Bank pursuant to paragraph (ii) above have been accepted by the Borrower, (B) each Bank that is to make a B Advance as part of such B Borrowing, of the amount of each B Advance to be made by such Bank as part of such B Borrowing, and (C) each Bank that is to make a B Advance as part of such B Borrowing, upon receipt, that the Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III. Each Bank that is to make a B Advance as part of such B Borrowing shall, before 12:00 noon (New York City time) on the date of such B Borrowing specified in the notice received from the Agent pursuant to clause (A) of the preceding sentence or any later time when such Bank shall have received notice from the Agent pursuant to clause (C) of the preceding sentence, make available for the account of its Applicable Lending Office to the Agent at its New York address referred to in Section 8.2 such Bank's portion of such B Borrowing, in same day funds. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by the Agent of such funds, the Agent will make such funds available to the Borrower at the Agents aforesaid address. Promptly after each B Borrowing the Agent will notify each Bank of the amount of the B Borrowing, the consequent B Reduction and the dates upon which such B Reduction commenced and will terminate.

(b) Each B Borrowing shall be in an aggregate amount of not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof. The Borrower agrees that it will not request a B Borrowing unless, upon the making of such B Borrowing, the limitations set forth in the proviso to the first sentence of Section 2.16(a) are complied with.

(c) Within the limits and on the conditions set forth in this Section 2.16, the Borrower may from time to time borrow under this Section 2.16, repay or prepay pursuant to subsection (d) below, and reborrow under this Section 2.16; provided that a B Borrowing shall not be made by the Borrower within three Business Days of the date of another B Borrowing.

(d) The Borrower shall repay to the Agent for the account of each Bank which has made a B Advance to the Borrower, or each other holder of a B Note of the Borrower, on the maturity date of each B Advance made to the Borrower (such maturity date being that specified by the Borrower for repayment of such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and provided in the B Note evidencing such B Advance) the then unpaid principal amount of such B Advance. The Borrower shall not have any right to prepay any principal amount of any B Advance unless, and then only on the terms specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above and set forth in the B Note evidencing such B Advance.

(e) The Borrower shall pay interest on the unpaid principal amount of each B Advance made to the Borrower from the date of such B Advance to the date the principal amount of such B Advance is repaid in full, at the rate of interest for such B Advance specified by the Bank making such B Advance in its notice with respect thereto delivered pursuant to subsection (a)(ii) above, payable on the interest payment date or dates specified by the Borrower for such B Advance in the related Notice of B Borrowing delivered pursuant to subsection (a)(i) above, as provided in the B Note evidencing such B Advance.

(f) The indebtedness of the Borrower resulting from each B Advance made to the Borrower as part of a B Borrowing shall be evidenced by a separate B Note of the Borrower payable to the order of the Bank making such B Advance.

(g) The failure of any Bank to make the B Advance to be made by it as part of any B Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its B Advance on the date of such B Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the B Advance to be made by such other Bank on the date of any B Borrowing.

Section II.17 Optional Termination. Notwithstanding anything to the contrary in this Agreement, if (i) any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Borrower or of any Subsidiary of the Borrower) or two or more Persons acting in concert (other than any group of employees of the Borrower or of any of its Subsidiaries) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Borrower (or other securities convertible into such securities) representing 20% or more of the combined voting power of all securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency, or (ii) during any period of up to 24 consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower or who were elected by individuals who at the beginning of such period were such directors or by individuals elected in accordance with this clause (ii) shall cease for any reason to constitute a majority of the board of directors of the Borrower, or (iii) any Person (other than the Borrower or a Wholly-Owned Subsidiary of the Borrower) or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement which upon consummation will result in its or their acquisition of, the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; then the Agent shall at the request, or may with the consent, of the holders of at least 66-2/3% in principal amount of the A Notes then outstanding or, if no A Notes are then outstanding, Banks having at least 66-2/3% of the Commitments, by notice to the Borrower, declare all of the Commitments and the obligation of each Bank to make Advances to be terminated, whereupon all of the Commitments and each such obligation shall forthwith terminate, and the Borrower shall not have any further right to borrow hereunder.

Section II.18 Extension of Termination Date. By notice given to the Agent and the Banks, at least thirty days but not more than forty-five days before January 1 of any year after 2000, the Borrower may request the Banks to extend the Stated Termination Date for an additional period to a date which is 364 days after the then current Stated Termination Date. Within thirty days after receipt of such request, each Bank that agrees, in its sole and absolute discretion, to so extend the Stated Termination Date shall notify the Borrower and the Agent that it so agrees, and if all Banks so agree the Stated Termination Date shall be so extended.

Section II.19 Voluntary Conversion of Advances. The Borrower may on any Business Day, if no Event of Default then exists, upon notice (which shall be irrevocable) given to the Agent not later than 11:00 A.M. (x) in the case of a proposed Conversion into Eurodollar Rate Advances, on the third Business Day prior to the date of the proposed conversion, and (y) in the case of a proposed Conversion into Base Rate Advances, on the date of the proposed Conversion, and subject to the provisions of Sections 2.2 and 2.12, Convert all Advances of one Type comprising the same A Borrowing into Advances of the other Type; provided that (i) no Conversion of any Eurodollar Rate Advances shall occur on a day other than the last day of an Interest Period for such Eurodollar Rate Advances, except as contemplated by Section 2.12, and (ii) Advances may not be Converted into Eurodollar Rate Advances if the aggregate unpaid principal amount of the Advances is less than $20,000,000. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the A Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the Interest Period for each such Advance.

Section II.20 Automatic Provisions.

(a If the Borrower shall fail to select the duration of any Interest Period for Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.1, the Agent will forthwith so notify the Borrower and the Banks, and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(b On the date on which the aggregate unpaid principal amount of the Eurodollar Rate Advances of the Borrower shall be reduced to less than $20,000,000, all of such Eurodollar Rate Advances shall automatically Convert into Base Rate Advances.

ARTICLE III

CONDITIONS

Section III.1 Conditions Precedent to Initial Advances. The obligation of each Bank to make its initial Advance on or after the date hereof is subject to the condition precedent that the Agent shall have received on or before the date hereof, each dated on or before such date, in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(a The A Notes executed by the Borrower to the order of each of the respective Banks and this Agreement executed by the Borrower.

(b Certified copies of the resolutions of the Board of Directors, or the Executive Committee thereof, of the Borrower authorizing the execution of this Agreement and the Notes.

(c A certificate of the Secretary or an Assistant Secretary of the Borrower certifying (i) that attached thereto are true and correct copies of the Certificate of Incorporation and Bylaws of the Borrower and (ii) the names and true signatures of the officers of the Borrower authorized to sign this Agreement, Notices of A Borrowing, Notices of B Borrowing and the Notes to be executed by the Borrower and any other documents to be delivered hereunder by the Borrower.

(d An opinion of William G. von Glahn, General Counsel of the Borrower, substantially in the form of Exhibit C hereto and as to such other matters as any Bank through the Agent may reasonably request.

(e An opinion of Mayer, Brown & Platt, special counsel to the Agent, substantially in the form of Exhibit D hereto.

(f A certificate of an officer of the Borrower stating the respective ratings by each of S&P and Moody's of the senior unsecured long-term debt of the Borrower as in effect on the date of this Agreement.

(g Payment for the account of the Banks of those participation fees and amendment fees as set forth in Section 2.3(c) hereof and for the account of the Original Banks payment of accrued, unpaid interest through the date of this Agreement on Advances, if any, made pursuant to the 1999 Credit Agreement and outstanding as of the date hereof, to the extent payable pursuant to Section

2.6 and all accrued and unpaid commitment fees due and payable to the Original Banks on or prior to such date pursuant to Section 2.3(a).

Section III.2 Additional Conditions Precedent to Each A Borrowing. The obligation of each Bank to make an A Advance on the occasion of any A Borrowing (including the initial A Borrowing) shall be subject to the further conditions precedent that on the date of such A Borrowing (a the following statements shall be true (and each of the giving of the applicable Notice of A Borrowing and the acceptance by the Borrower of the proceeds of such A Borrowing shall constitute a representation and warranty by the Borrower that on the date of such A Borrowing such statements are true):

(i The representations and warranties contained in Section 4.1 pertaining to the Borrower and its Subsidiaries are correct on and as of the date of such A Borrowing, before and after giving effect to such A Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(ii No event has occurred and is, continuing, or would result from such A Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and

(iii After giving effect to such A Borrowing and all other Borrowings which have been requested on or prior to such date but which have not been made prior to such date, the aggregate principal amount of all Advances will not exceed the aggregate of the Commitments (computed without regard to any B Reduction);

and (b) the Agent shall have received such other approvals, opinions or documents as any Bank through the Agent may reasonably request.

Section III.3 Conditions Precedent to Each B Borrowing. The obligation of each Bank which is to make a B Advance to the Borrower on the occasion of a B Borrowing (including the initial B Borrowing) to make such B Advance as part of such B Borrowing is subject to the further conditions precedent that (i) at or before the time required by paragraph (iii) of Section 2.16(a), the Agent shall have received the written confirmatory notice of such B Borrowing contemplated by such paragraph, (ii) on or before the date of such B Borrowing, but prior to such B Borrowing, the Agent shall have received a B Note executed by the Borrower payable to the order of such Bank for each of the one or more B Advances to be made by such Bank as part of such B Borrowing, in a principal amount equal to the principal amount of the B Advance to be evidenced thereby and otherwise on such terms as were agreed to for such B Advance in accordance with Section 2.16, and (iii) on the date of such B Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of B Borrowing and the acceptance by the Borrower of the proceeds of such B Borrowing shall constitute a representation and warranty by the Borrower that on the date of such B Borrowing such statements are true):

(10 The representations and warranties contained in Section 4.1 are correct on and as of the date of such B Borrowing, before and after giving effect to such B Borrowing and to the application of the proceeds therefrom, as though made on and as of such date,

(20 No event has occurred and is continuing, or would result from such B Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given or time elapse or both,

(30 Following the making of such B Borrowing and all other Borrowings to be made on the same day to the Borrower under this Agreement, the aggregate principal amount of all Advances to the Borrower then outstanding will not exceed the aggregate amount of the Commitments (computed without regard to any B Reduction), and

(40 After giving effect to such B Borrowing and all other Borrowings which have been requested on or prior to such date but which have not been made prior to such date, the aggregate principal amount of all Advances will not exceed the aggregate of the Commitments of the Banks (computed without regard to any B Reduction);

and (b) the Agent shall have received such other approvals, opinions or documents as any Bank through the Agent may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section IV.1 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole. Each Subsidiary of the Borrower is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole. Each Subsidiary of the Borrower has all corporate powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole.

(b The execution, delivery and performance by the Borrower of this Agreement and the Notes and the consummation of the transactions contemplated by this Agreement are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower and will not result in or require the creation or imposition of any Lien prohibited by this Agreement. At the time of each borrowing of any Advance by the Borrower, such borrowing and the use of the proceeds of such Advance will be within the Borrower's corporate powers, will have been duly authorized by all necessary corporate action, will not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower and will not result in or require the creation or imposition of any Lien prohibited by this Agreement.

(c No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes or the consummation of the transactions contemplated by this Agreement. At the time of each borrowing of any Advance by the Borrower, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body will be required for such borrowing or the use of the proceeds of such Advance.

(d This Agreement has been duly executed and delivered by the Borrower. This Agreement is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity. The A Notes are, and when executed the B Notes will be, the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1998, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at September 30, 1999, and the related Consolidated statement of income and cash flows of the Borrower and its Subsidiaries for the three months then ended, duly certified by an authorized financial officer of the Borrower, copies of which have been furnished to each Bank, fairly present, subject, in the case of such balance sheet as at September 30, 1999, and such statement of income and cash flows for the three months then ended, to year-end audit adjustments, the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of operations of the Borrower and its Subsidiaries for the year and three month period, respectively, ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Since September 30, 1999, there has been no material adverse change in the condition or operations of the Borrower or its Subsidiaries.

(f Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, there is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower or any material Subsidiary of the Borrower before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of the Borrower and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Agreement or any Note.

(g No proceeds of any Advance has been or will be used for any purpose or in any manner not permitted by Section 5.2(k).

(h The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any such margin stock (other than purchases of common stock expressly permitted by Section 5.2(k)) or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Following the application of the proceeds of each Advance, not more than 25% of the value of the assets of the Borrower will be represented by such margin stock and not more than 25% of the value of the assets of the Borrower and its Subsidiaries will be represented by such margin stock.

(i The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j No Termination Event has occurred or is reasonably expected to occur with respect to any Plan for which an Insufficiency exists. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and the Borrower is not aware of any reason to expect that any Multiemployer Plan is to be in reorganization or to be terminated within the meaning of Title IV of ERISA.

(k The Borrower and the Subsidiaries of the Borrower have filed all United States Federal income tax returns and all other material domestic tax returns which are required to be filed by them and have paid, or provided for the payment before the same become delinquent of, all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any such Subsidiary, other than those taxes contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and the material Subsidiaries of the Borrower in respect of taxes are adequate.

(l The Borrower is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(m Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, the Borrower and its material Subsidiaries are in compliance in all material respects with all Environmental Protection Statutes to the extent material to their respective operations or financial condition. Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, the aggregate contingent and non-contingent liabilities of the Borrower and its Subsidiaries (other than those reserved for in accordance with generally accepted accounting principles and set forth in the financial statements regarding the Borrower referred to in Section 4.1(e) and delivered to each Bank) which are reasonably expected to arise in connection with (i) the requirements of Environmental Protection Statutes or (ii) any obligation or liability to any Person in connection with any Environmental matters (including, without limitation, any release or threatened release (as such terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980) of any Hazardous Waste, Hazardous Substance, other waste, petroleum or petroleum products into the Environment) does not exceed 10% of the Consolidated Tangible Net Worth of the Borrower (excluding liabilities to the extent covered by insurance if the insurer has confirmed that such insurance covers such liabilities or which the Borrower reasonably expects to recover from ratepayers).

ARTICLE V

COVENANTS OF THE BORROWER

Section V.1 Affirmative Covenants. So long as any Note shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will, unless the Majority Banks shall otherwise consent in writing:

(a Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders (except where failure to comply could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole), such compliance to include, without limitation, the payment and discharge before the same become delinquent of all taxes, assessments and governmental charges or levies imposed upon it or any of its Subsidiaries or upon any of its property or any property of any of its Subsidiaries, and all lawful claims which, if unpaid, might become a Lien upon any property of it or any of its Subsidiaries; provided that neither the Borrower nor any Subsidiary of the Borrower shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with generally accepted accounting principles, if required by such principles, have been provided on the books of the Borrower or such Subsidiary, as the case may be.

(b Reporting Requirements. Furnish to each of the Banks:

(i as soon as possible and in any event within five days after the occurrence of each Event of Default or each event which, with the giving of notice or lapse of time or both, would constitute an Event of Default, continuing on the date of such statement, a statement of an authorized financial officer of the Borrower setting forth the details of such Event of Default or event and the actions, if any, which the Borrower has taken and proposes to take with respect thereto;

(ii as soon as available and in any event not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, the Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such quarter and the Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an authorized financial officer of the Borrower as having been prepared in accordance with generally accepted accounting principles, together with a certificate of said officer (a) stating that he has no knowledge that an Event of Default, or an event which, with notice or lapse of time or both, would constitute an Event of Default has occurred and is continuing or, if an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof and the action, if any, which the Borrower proposes to take with respect thereto, and (b) showing in detail the calculation supporting such statement in respect of Section 5.2(b);

(iii as soon as available and in any event not later than 105 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, including therein Consolidated balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Subsidiaries for such fiscal year, in each case prepared in accordance with generally accepted accounting principles and certified by Ernst & Young, LLP or other independent certified public accountants of recognized standing acceptable to the Majority Banks, together with a certificate of such accounting firm to the Banks (a) stating that, in the course of the regular audit of the business of the Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that an Event of Default or an event which, with notice or lapse of time or both, would constitute an Event of Default, has occurred and is continuing, or if, in the opinion of such accounting firm, an Event of Default or such an event has occurred and is continuing, a statement as to the nature thereof, and (b) showing in detail the calculations supporting such statement in respect of Section 5.2(b);

(iv such other information respecting the business or properties, or the condition or operations, financial or otherwise, of the Borrower or any of its material Subsidiaries as any Bank through the Agent may from time to time reasonably request;

(v promptly after the sending or filing thereof, copies of all proxy material, reports and other information which the Borrower sends to any of its security holders, and copies of all final reports and final registration statements which the Borrower or any material Subsidiary of the Borrower files with the Securities and Exchange Commission or any national securities exchange;

(vi as soon as possible and in any event (A) within 30 Business Days after the Borrower or any ERISA Affiliate knows or has reason to know that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred and (B) within 30 Business Days after the Borrower or any ERISA Affiliate knows or has reason to know that any other Termination Event with respect to any Plan has occurred or is reasonably expected to occur, a statement of the chief financial officer or chief accounting officer of the Borrower describing such Termination Event and the action, if any, which the Borrower or such ERISA Affiliate proposes to take with respect thereto;

(vii promptly and in any event within 25 Business Days after receipt thereof by the Borrower or any ERISA Affiliate, copies of each notice received by the Borrower or any ERISA Affiliate from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(viii within 30 days following request therefor by any Bank, copies of each Schedule B (Actuarial Information) to each annual report (Form 5500 Series) of the Borrower or any ERISA Affiliate with respect to each Plan;

(ix promptly and in any event within 25 Business Days after receipt thereof by the Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (A) the imposition of a Withdrawal Liability by a Multiemployer Plan, (B) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (C) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA, or (D) the amount of liability incurred, or expected to be incurred, by the Borrower or any ERISA Affiliate in connection with any event described in clause (A), (B) or (C) above;

(x not more than 60 days (or 105 days in the case of the last fiscal quarter of a fiscal year of the Borrower) after the end of each fiscal quarter of the Borrower, a certificate of an authorized financial officer of the Borrower stating the respective ratings, if any, by each of S&P and Moody's of the senior unsecured long-term debt of the Borrower as of the last day of such quarter; and

(xi promptly after any withdrawal or termination of any letter of credit, guaranty, insurance or other credit enhancement referred to in the second to last sentence of Section 1.5 or any change in the indicated rating set forth therein or any change in, or issuance, withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof.

(c Maintenance of Insurance. Maintain, and cause each of its material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or its Subsidiaries operate, provided that the Borrower or any of its Subsidiaries may self-insure to the extent and in the manner normal for companies of like size, type and financial condition.

(d Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified, and cause each Subsidiary to qualify and remain qualified, as a foreign corporation in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its properties, except (1) in the case of any Subsidiary of the Borrower, where the failure of such Subsidiary to so preserve, maintain, qualify and remain qualified could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole and (2) in the case of the Borrower, where the failure of the Borrower to preserve and maintain such rights, franchises and privileges and to so qualify and remain qualified could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole.

Section V.2 Negative Covenants. So long as any Note shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Majority Banks:

(a Liens, Etc. Create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey, or permit any such Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt of any Person, except, that the Borrower may create, incur, assume or suffer to exist Permitted Liens.

(b Debt. Permit the ratio of (A) the aggregate amount of all Net Debt of the Borrower to (B) the sum of the Consolidated Net Worth of the Borrower plus the Net Debt of the Borrower to exceed (1) 0.7 to 1.0 at any time during the period beginning on the date hereof through December 31, 2000, (2) 0.675 to 1.0 at any time during the period beginning January 1, 2001 through December 31, 2001 or (3) 0.65 to 1.0 at any time on or after January 1, 2002 through the term of this Agreement.

(c Merger and Sale of Assets. Merge or consolidate with or into any other Person, or sell, lease or otherwise transfer all or substantially all of its assets, or permit any of its material Subsidiaries to merge or consolidate with or into any other Person, or sell, lease or otherwise transfer all or substantially all of its assets, except that this Section 5.2(c) shall not prohibit:

(i the Borrower and its Subsidiaries from selling, leasing or otherwise transferring their respective assets in the ordinary course of business;

(ii any merger, consolidation or sale, lease or other transfer of assets involving only the Borrower and its Subsidiaries; provided, however, that transactions under this paragraph (ii) shall be permitted if, and only if, (x) there shall not exist or result an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default and (y) in the case of each transaction referred to in this paragraph (ii) involving the Borrower or any of its Subsidiaries, such transaction could not reasonably be expected to impair materially the ability of the Borrower to perform its obligations hereunder and under the Notes and the Borrower shall continue to exist;

(iii the Borrower and its Subsidiaries from selling, leasing or otherwise transferring their respective gathering assets and other production area facilities, or the stock of any Person substantially all of the assets of which are gathering assets and other production area facilities, to the Borrower or any Subsidiary of the Borrower for consideration that is not materially less than the net book value of such assets and facilities; provided, however, that transactions under this paragraph (iii) shall be permitted if, and only if, there shall not exist or such transaction shall not result in an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default; or

(iv sales of receivables of any kind.

(d Agreements to Restrict Dividends and Certain Transfers. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its capital stock or pay any Debt or other obligation owed to the Borrower or to any Subsidiary of the Borrower; or (ii) to make loans or advances to the Borrower or any Subsidiary of the Borrower, except (1) encumbrances and restrictions on any immaterial Subsidiary of the Borrower (other than WPC and WFS), (2) those encumbrances and restrictions existing on the date hereof and described in Exhibit E, and (3) other encumbrances and restrictions now or hereafter existing of the Borrower or any of its Subsidiaries that are not more restrictive in any material respect than the encumbrances and restrictions with respect to the Borrower or its Subsidiaries described in Exhibit E.

(e Loans and Advances. Make or permit to remain outstanding any loan or advance from the Borrower, or own, purchase or acquire any obligations or debt securities of any Subsidiary of the Borrower, except that the Borrower may make and permit to remain outstanding loans and advances to its Subsidiaries (and such Subsidiaries may borrow or otherwise receive such loans and advances), if each such loan or advance (excluding loans and advances to a Subsidiary of the Borrower if the aggregate principal amount of all such excluded loans and advances to such Subsidiary does not exceed $100,000) is evidenced by a written instrument duly executed by the Subsidiary of the Borrower to which such loan or advance is made, bears interest at the Borrower's or such Subsidiary's market rate of interest and matures on or before the Termination Date.

(f Maintenance of Ownership of Certain Subsidiaries. Sell, issue or otherwise dispose of, or create, assume, incur or suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any shares of or any interest in any shares of the capital stock of or interest in (1) WPC, WFS, WPL, TGPL, TGT, NWP, or any of their respective material Subsidiaries or (2) any Subsidiary of the Borrower at the time it owns any shares of or any interest in any shares of the capital stock of WFS, WPL, TGPL, TGT or NWP or any of their respective material Subsidiaries; provided, however, that this Section 5.2(f) shall not prohibit the sale or other disposition of the stock of any Subsidiary of the Borrower to the Borrower or any Wholly-Owned Subsidiary of the Borrower if, but only if, (x) there shall not exist or result an Event of Default or an event which with notice or lapse of time or both would constitute an Event of Default and (y) in the case of each sale or other disposition referred to in this proviso involving the Borrower or any of its Subsidiaries, such sale or other disposition could not reasonably be expected to impair materially the ability of the Borrower to perform its obligations hereunder and under the Notes and the Borrower shall continue to exist.

(g Compliance with ERISA. (i) Terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in any liability of the Borrower or any ERISA Affiliate to the PBGC in excess of $5,000,000, or (ii) permit to exist any occurrence of any Termination Event with respect to a Plan for which there is an Insufficiency in excess of $5,000,000.

(h Transactions with Related Parties. Make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, or permit any material Subsidiary of the Borrower to make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, any Related Party of the Borrower or of such Subsidiary unless as a whole such sales, purchases, extensions of credit, rendition of services and other transactions are (at the time such sale, purchase, extension of credit, rendition of services or other transaction is entered into) on terms and conditions reasonably fair in all material respects to the Borrower or such Subsidiary in the good faith judgment of the Borrower.

(i Guarantees. Guarantee or otherwise become contingently liable for, or permit any of its Subsidiaries to guarantee or otherwise become contingently liable for, Debt of any Subsidiary of the Borrower (other than guaranties of obligations of WES and any Subsidiary of WES that is not a Borrower as defined in and pursuant to that certain Second Amended and Restated Credit Agreement dated July 23, 1997 among the Borrowers as named therein, certain financial institutions party thereto (the "Banks"), certain Co-Agents identified therein, and Citibank, N.A., as Agent for the Banks, as amended by amendments dated January 26, 1999 and as of the date hereof, (as the same may be further amended, supplemented, restated or modified, the "Multiyear Williams Credit Agreement")) while an Event of Default is continuing.

(j Sale and Lease-Back Transactions. Enter into, or permit any of its Subsidiaries to enter into, any Sale and Lease-Back Transaction, if after giving effect thereto the Borrower would not be permitted to incur at least $1.00 of additional Debt secured by a Lien permitted by paragraph (z) of Schedule III.

(k Use of Proceeds. Use any proceeds of any Advance for any purpose other than general corporate purposes (including, without limitation, working capital and capital expenditures) or use any such proceeds in any manner which violates or results in a violation of law; provided, however, that no proceeds of any Advance will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, (other than any purchase of common stock of any corporation, if such purchase is not subject to Sections 13 and 14 of the Securities Exchange Act of 1934 and is not opposed, resisted or recommended against by such corporation or its management or directors, provided that the aggregate amount of common stock of any corporation (other than Apco Argentina Inc., a Cayman Islands corporation) purchased during any calendar year shall not exceed 1% of the common stock of such corporation issued and outstanding at the time of such purchase) or in any manner which contravenes law, and no proceeds of any Advance will be used to purchase or carry any margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System).

ARTICLE VI

EVENTS OF DEFAULT

Section VI.1 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a The Borrower shall fail to pay any principal of any Note executed by it when the same becomes due and payable, or shall fail to pay any interest on any such Note or any fee or other amount to be paid by it hereunder within ten days after the same becomes due and payable; or (b Any certification, representation or warranty made by the Borrower herein or by the Borrower (or any officer of the Borrower) in writing under or in connection with any Note or this Agreement (including, without limitation, representations and warranties deemed made pursuant to Section 3.2 or 3.3) shall prove to have been incorrect in any material respect when made or deemed made; or

(c The Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5. 1 (b) on its part to be performed or observed and such failure shall continue for five Business Days after the earlier of the date notice thereof shall have been given to the Borrower by the Agent or any Bank or the date the Borrower shall have knowledge of such failure, or (ii) any term, covenant or agreement contained in this Agreement (other than a term, covenant or agreement contained in Section 5. 1 (b)) or any Note on its part to be performed or observed; or

(d The Borrower or any Subsidiary of the Borrower shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least $60,000,000 in the aggregate (excluding Debt evidenced by the Notes) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment or as required pursuant to an illegality event of the type set forth in Section 2.12), prior to the stated maturity thereof; provided, however, that the provisions of this Section 6.1(d) shall not apply to any Non-Recourse Debt of any Subsidiary of the Borrower which is not a Borrower as defined in and pursuant to the Multiyear Williams Credit Agreement; or

(e The Borrower or any material Subsidiary of the Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any material Subsidiary of the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), shall remain undismissed or unstayed for a period of 30 days; or the Borrower or any material Subsidiary of the Borrower shall take any action to authorize any of the actions set forth above in this subsection (e); or

(f Any judgment or order for the payment of money in excess of $60,000,000 shall be rendered against the Borrower or any material Subsidiary of the Borrower and remain unsatisfied and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g Any Termination Event with respect to a Plan shall have occurred and, 30 days after notice thereof shall have been given to the Borrower by the Agent, (i) such Termination Event shall still exist and (ii) the sum (determined as of the date of occurrence of such Termination Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which a Termination Event shall have occurred and then exist (or in the case of a Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $5,000,000; or

(h The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date of such notification), exceeds $15,000,000 in the aggregate or requires payments exceeding $10,000,000 per annum; or

(i The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years which include the date hereof by an amount exceeding $5,000,000;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the holders of at least 66-2/3% in principal amount of the A Notes then outstanding or, if no A Notes are then outstanding, Banks having at least 66-2/3% of the Commitments, by notice to the Borrower, declare all of the Commitments and the obligation of each Bank to make Advances to be terminated, whereupon all of the Commitments and each such obligation shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the holders of at least 66-2/3% in principal amount of the A Notes then outstanding or if no A Notes are then outstanding, Banks having at least 66-2/3% of the Commitments, or, if no A Notes are then outstanding and all Commitments have terminated, the holders of at least 66-2/3% in principal amount of the B Notes then outstanding, by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable by the Borrower under this Agreement to be forthwith due and payable, whereupon such Notes, such interest and all such amounts shall become and be forthwith due and payable, without requirement of any presentment, demand, protest, notice of intent to accelerate, further notice of acceleration or other further notice of any kind (other than the notice expressly provided for above), all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any Event of Default described in Section 6.1(e), (A) the obligation of each Bank to make Advances shall automatically be terminated and (B) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE AGENT, CO-SYNDICATION AGENTS AND DOCUMENTATION AGENT

Section VII.1 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of holders of at least 66-2/3% in principal amount of the A Notes then outstanding or, if no A Notes are then outstanding, Banks having at least 66-2/3% of the Commitments (or, if no A Notes are then outstanding and all Commitments have terminated, upon the instructions of holders of at least 66-2/3% in principal amount of the B Notes then outstanding), and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Note, this Agreement or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section VII.2 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Note or this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may treat the payee of any Note as the holder thereof until the Agent receives and accepts a Transfer Agreement executed by the Borrower, the Bank which is the payee of such Note, as assignor, and the assignee in accordance with the last sentence of Section 8.6(a); (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any Note or this Agreement; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Note or this

Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Note or this Agreement or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any, Note or this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

Section VII.3 Citibank, CIBC, Commerzbank, Credit Lyonnais and Affiliates. With respect to its Commitments, the Advances made by it and the Notes issued to it, Citibank shall have the same rights and powers under any Note and this Agreement as any other Bank and may exercise the same as though it was not the Agent; with respect to its Commitments, the Advances made by it and the Notes issued to it, each of CIBC, Commerzbank and Credit Lyonnais shall have the rights and powers under any Note and this Agreement as any other Bank and may exercise the same as though it was not a Co-Syndication Agent or Documentation Agent, as the case may be. The term "Bank" or "Banks" shall, unless otherwise expressly indicated, include each of Citibank, CIBC, Commerzbank and Credit Lyonnais in its individual capacity. Citibank, CIBC, Commerzbank, Credit Lyonnais and the respective affiliates of each may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any Subsidiary of the Borrower, any Person who may do business with or own, directly or indirectly, securities of the Borrower or any such Subsidiary and any other Person, all as if Citibank were not the Agent and CIBC, Commerzbank and Credit Lyonnais were not the Co-Syndication Agents and Credit Lyonnais were not the Documentation Agent without any duty to account therefor to the Banks.

Section VII.4 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent, any Co-Syndication Agent, the Documentation Agent, the Arranger or any other Bank and based on the financial statements referred to in Section 4.1(e) and such other documents and information as it has deemed appropriate. made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent, any Co-Syndication Agent, the Documentation Agent, the Arranger or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any Note or this Agreement.

Section VII.5 Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the A Notes then held by each of them (or if no A Notes are at the time outstanding or if any A Notes are held by Persons which are not Banks, ratably according to either (i) the respective amounts of their Commitments, or (ii) if all Commitments have terminated, the respective amounts of the Commitments immediately prior to the time the Commitments terminated), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any Note or this Agreement or any action taken or omitted by the Agent under any Note or this Agreement, provided that no Bank shall be liable to the Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agents gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any Note or this Agreement to the extent that the Agent is not reimbursed for such expenses by the Borrower.

Section VII.6 Successor Agent. The Agent may resign at any time as Agent under this Agreement by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, with the consent the Borrower (which consent shall not be unreasonably withheld), a successor Agent from among the Banks. If no successor Agent shall have been so appointed by the Majority Banks with such consent, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a Bank which is a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent under this Agreement by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and shall function as the Agent under this Agreement, and the retiring Agent shall be discharged from its duties and obligations as Agent under this Agreement. After any retiring Agents resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section VII.7 Co-Syndication Agents; Documentation Agent. The Co-Syndication Agents and the Documentation Agent have no duties or obligations under this Agreement. None of the Co-Syndication Agents or the Documentation Agent shall have, by reason of this Agreement or the Notes, a fiduciary relationship in respect of any Bank or the holder of any Note, and nothing in this Agreement or the Notes, express or implied, is intended or shall be so construed to impose on any of the Co-Syndication Agents or the Documentation Agent any obligation in respect of this Agreement or the Notes.

ARTICLE VIII

MISCELLANEOUS

Section VIII.1 Amendments, Etc. No amendment or waiver of any provision of any Note or this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Article III, (b) increase the Commitments of the Banks or subject the Banks to any additional obligations, (c) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (e) take any action which requires the signing of all the Banks pursuant to the terms of this Agreement, (f) change the percentage of the Commitments or of the aggregate unpaid principal amount of the A Notes or B Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Agreement, or (g) amend this Section 8.1; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under any Note or this Agreement.

Section VIII.2 Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopy, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to any Bank, as specified opposite its name on Schedule I hereto or specified pursuant to Section 8.6(a); if to the Borrower, as specified opposite its name on Schedule II hereto; and if to Citibank, as Agent, to its address at 399 Park Avenue, New York, New York 10043, (telecopier number: (302) 894-6120), Attention: Bilal Aman, with a copy to Citicorp North America, Inc., 1200 Smith Street, Suite 2000, Houston, Texas 77002 (telecopier number: (713) 654-2849; telex number 127001 (Attn: Route Code HOUAA)), Attention: The Williams Companies, Inc. Account Officer, or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telecopied, telegraphed, telexed or cabled, be effective when received in the mail, sent by telecopier to any party to the telecopier number as set forth herein or on Schedule I or Schedule 11 or specified pursuant to Section 8.6(a) (or other telecopy number specified by such party in a written notice to the other parties hereto), delivered to the telegraph company, telexed to any party to the telex number set forth herein or on Schedule I or Schedule II or specified pursuant to Section 8.6(a) (or other telex number designated by such party in a written notice to the other parties hereto), confirmed by telex answerback, or delivered to the cable company, respectively, except that notices and communications to the Agent shall not be effective until received by the Agent.

Section VIII.3 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right under any Note or this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in any Note and this Agreement are cumulative and not exclusive of any remedies provided by law.

Section VIII.4 Costs, Expenses and Taxes. (a)(i) The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Arranger and the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the Notes and the other documents to be delivered under this Agreement, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under any Note and this Agreement, and (ii) the Borrower agrees to pay on demand all costs and expenses, if any (including, without limitation, reasonable counsel fees and expenses, which may include allocated costs of in-house counsel), of the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) against the Borrower of any Note of the Borrower or this Agreement and the other documents to be delivered by the Borrower under this Agreement.

(b) If any payment (or purchase pursuant to Section 2.11(c) or Section 8.6(b)) of principal of, or Conversion of, any Eurodollar Rate Advance or B Advance made to the Borrower is made other than on the last day of an Interest Period relating to such Advance (or in the case of a B Advance, other than on the original scheduled maturity date thereof), as a result of a payment pursuant to Section 2.10 or 2.12 or acceleration of the maturity of the Notes pursuant to Section 6.1 or for any other reason or as a result of any such purchase or any Conversion, the Borrower shall, upon demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of any such payment, purchase or Conversion, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund or maintain such Advance.

(c) The Borrower agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Agent, the Co-Syndication Agents, the Documentation Agent, the Arranger and each Bank and each of their respective directors, officers, employees and agents from and against any and all claims, damages, liabilities and out-of-pocket expenses (including, without limitation, reasonable fees and disbursements of counsel) for which any of them may become liable or which may be incurred by or asserted against the Agent, the Co-Syndication Agents, the Documentation Agent, the Arranger or such Bank or any such director, officer, employee or agent (other than by another Bank or any successor or assign of another Bank), in each case in connection with or arising out of or by reason of any investigation, litigation, or proceeding, whether or not any of the Agent, the Co-Syndication Agents, the Documentation Agent, the Arranger, such Bank or any such director, officer, employee or agent is a party thereto, arising out of, related to or in connection with this Agreement or the Notes or any transaction in which any proceeds of all or any part of the Advances are applied (other than any such claim, damage, liability or expense to the extent attributable to the gross negligence or willful misconduct of, or violation of any law or regulation by, either the party seeking indemnity under this Section 8.4(c) or any of its directors, officers, employees or agents).

Section VIII.5 Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.1 to authorize the Agent to declare the Notes due and payable pursuant to the provisions of Section 6.1, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Notes held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or such Notes and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

Section VIII.6 Binding Effect; Transfers. (a) This Agreement shall become effective when it shall have been executed by the Borrower, the Co-Syndication Agents, the Documentation Agent and the Agent and when each Bank, listed on the signature pages hereof has delivered an executed counterpart hereof to the Agent, has sent to the Agent a facsimile copy of its signature hereon or has notified the Agent that such Bank has executed this Agreement and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent and each Bank and their respective successors and assigns; provided that the Borrower shall not have the right to assign any of its rights hereunder or any interest herein without the prior written consent of all of the Banks. Each Bank may assign to one or more banks, financial institutions or government entities all or any part of, or may grant participations to one or more banks, financial institutions or government entities in or to all or any part of, any Advance or Advances owing to such Bank, any Note or Notes held by such Bank and all or any portion of such Bank's Commitments, and to the extent of any such assignment or participation (unless otherwise stated therein), the assignee or purchaser of such assignment or participation shall, to the fullest extent permitted by law, have the same rights and benefits hereunder and under such Note or Notes as it would have if it were such Bank hereunder; provided that, except in the case of an assignment meeting the requirements of the next sentence hereof, (1) (i) such Bank's obligations under this Agreement, including, without limitation, its Commitment hereunder, shall remain unchanged, (ii) such Bank shall remain responsible for the performance thereof, (iii) such Bank shall remain the holder of any such Note or Notes for all purposes under this Agreement, and (iv) the Borrower, the other Banks and the Agent shall continue to deal solely with and directly with such Bank in connection with such Bank's rights and obligations under this Agreement; and (2) no Bank shall assign or grant a participation that conveys to the assignee or participant the right to vote or consent under this Agreement, other than the right to vote upon or consent to (i) any increase in the amount of any Commitment of such Bank; (ii) any reduction of the principal amount of, or interest to be paid on, such Bank's Advance or Advances or Note or Notes; (iii) any reduction of any fee or other amount payable hereunder to such Bank; or (iv) any postponement of any date fixed for any payment of principal of, or interest on, such Bank's Advance or Advances or Note or Notes or any fee or other amount payable hereunder to such Bank.

If (I) the assignee of any Bank either (1) is another Bank or is an affiliate of a Bank or (2) is approved in writing by the Agent and the Borrower or (3) is approved in writing by the Agent and either an Event of Default exists or the Borrower has relinquished the right to approve the assignment pursuant to Section 8.6(b) and (II) such assignee assumes all or any portion (which portion shall be a constant, and not a varying, percentage, and the amount of the Commitment assigned, whether all or a portion, shall be in a minimum amount of $5,000,000 or such lesser amount as may be approved in writing by the Agent and the Borrower for such assignment) of the Commitment of such assigning Bank by executing a document in the form of Exhibit F (or with such changes thereto as have been approved in writing by the Agent in its sole discretion as evidenced by its execution thereof) duly executed by the Agent, the Borrower (unless an Event of Default exists or the Borrower has relinquished the right to approve the assignment pursuant to Section 8.6(b)), such assigning Bank and such assignee and delivered to the Agent ("Transfer Agreement"), then upon such delivery, (i) such assigning Bank shall be released from its obligations under this Agreement with respect to all or such portion, as the case may be, of its Commitments; (ii) such assignee shall become obligated for all or such portion, as the case may be, of such Commitments and all other obligations of such assigning Bank hereunder with respect to or arising as a result of all or such portion, as the case may be, of such Commitments; (iii) such assignee shall be assigned the right to vote or consent under this Agreement, to the extent of all or such portion, as the case may be, of such Commitments; (iv) the Borrower shall deliver, in replacement of the A Note of the Borrower to such assigning Bank then outstanding (a) to such assignee, a new A Note of the Borrower in the amount of the Commitment of such assigning Bank which is being so assumed by such assignee plus, in the case of any assignee which is already a Bank hereunder, the amount of such assignee's Commitment immediately prior to such assignment (any such assignee which is already a Bank hereunder agrees to cancel and return to the Borrower, with reasonable promptness following the delivery of such new A Note, the A Note being replaced thereby), (b) to such assigning Bank, a new A Note in the amount of the balance, if any, of the Commitment of such assigning Bank to the Borrower (without giving effect to any B Reduction) retained by such assigning Bank (and such assigning Bank agrees to cancel and return to the Borrower, with reasonable promptness following delivery of such new A Notes, the A Note being replaced thereby), and (c) to the Agent, photocopies of such new A Notes; (v) if such assignment is of all of such assigning Bank's Commitment, all of the outstanding A Advances made by such assigning Bank shall be transferred to such assignee; (vi) if such assignment is not of all of such Commitments, a part of each A Advance to the Borrower equal to the amount of such Advance multiplied by a fraction, the numerator of which is the amount of such portion of such assigning Bank's Commitment so assumed and the denominator of which is the amount of the Commitment of such assigning Bank (without giving effect to any B Reduction) immediately prior to such assumption, shall be transferred to such assignee and evidenced by such assignee's A Note from the Borrower, and the balance of such A Advance shall be evidenced by such assigning Bank's new A Note from the Borrower delivered pursuant to clause (iv)(b) of this sentence; (vii) if such assignee is not a "Bank" hereunder prior to such assignment, such assignee shall become a party to this Agreement as a Bank and shall be deemed to be a "Bank" hereunder and the amount of all or such portion, as the case may be, of the Commitment so assumed shall be deemed to be the amount set opposite such assigning Bank's name on Schedule IV for purposes of this Agreement and (viii) if such assignee is not a Bank hereunder prior to such assignment, such assignee shall be deemed to have specified the offices of such assignee named in the respective Transfer Agreement as its "Domestic Lending Office" and "Eurodollar Lending Office" for all purposes of this Agreement and to have specified for purposes of Section 8.2 the notice information set forth in such Transfer Agreement; and the Agent shall promptly after execution of any Transfer Agreement by the Agent and the other parties thereto notify the Banks of the parties to such Transfer Agreement and the amounts of the assigning Bank's Commitment assumed thereby.

(b) If the Borrower does not consent to a proposed assignment by a Bank pursuant to the last sentence of Section 8.6(a), the Borrower may, within 15 days of its receipt of a request that it consent to such assignment, nominate by notice to the Agent and such Bank a bank which, if it is not a Bank, is acceptable to the Agent, and which unconditionally offers in writing (with a copy to the Agent) to purchase and assume, to the extent of the amount of such proposed assignment, in accordance with all of the provisions of the last sentence of Section 8.6(a) (including execution of an appropriate Transfer Agreement), all of such Bank's rights and obligations (including, without limitation, its Commitment) hereunder and interest in the Advances owing to such Bank and the Notes held by such Bank without recourse at par plus interest accrued thereon to the date of such purchase on a date therein specified (not less than three nor greater than five Business Days after such nomination). Such Bank at its option may elect to accept or not accept such purchase offer. If a Bank accepts such an offer and the bank first nominated by the Borrower pursuant to this Section 8.6(b) fails to purchase such rights and interest on such specified date in accordance with the terms of such offer, the Borrower may, within 15 days of such failure, repeat the process contemplated by the first sentence of this Section 8.6(b) by nominating another bank for purposes of this Section 8.6(b) by notice to the Agent and such Bank. If (i) the Borrower does not so nominate such a bank, within 15 days of its receipt of such request that it consent to such assignment, or (ii) the Borrower fails to nominate another bank following such a failure to purchase or (iii) such second nominated bank fails to purchase in accordance with the terms of an offer complying with the first sentence of this Section 8.6(b), the Borrower shall be deemed to have relinquished its right to consent to such assignment. If such Bank elects to not accept such a purchase offer under this Section 8.6(b) as to a particular proposed assignment, the Borrower shall not be deemed to have relinquished its right to consent to such assignment.

(c) The Borrower agrees to promptly execute the Transfer Agreement pertaining to any assignment as to which approval by the Borrower of the assignee is not required by clause (I) of the last paragraph of Section 8.6(a).

(d) Any Bank may assign, as collateral or otherwise, any of its rights (including, without limitation, rights to payments of principal of and/or interest on the Notes) under this Agreement or any of the Notes to any Federal Reserve Bank without notice to or consent of the Borrower or the Agent.

Section VIII.7 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section VIII.8 Interest. It is the intention of the parties hereto that the Agent and each Bank shall conform strictly to usury laws applicable to it, if any. Accordingly, if the transactions with the Agent or any Bank contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary in the Notes, this Agreement or any other agreement entered into in connection with or as security for this Agreement or the Notes, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by the Agent or such Bank, as the case may be, under the Notes, this Agreement or under any other agreement entered into in connection with or as security for this Agreement or the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law and any excess shall be canceled automatically and, if theretofore paid, shall at the option of the Agent or such Bank, as the case may be, be credited by the Agent or such Bank, as the case may be, on the principal amount of the obligations owed to the Agent or such Bank, as the case may be, by the Borrower or refunded by the Agent or such Bank, as the case may be, to the Borrower, and (ii) in the event that the maturity of any Note or other obligation payable to the Agent or such Bank, as the case may be, is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to the Agent or such Bank, as the case may be, may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to the Agent or such Bank, as the case may be, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of the Agent or such Bank, as the case may be, be credited by the Agent or such Bank, as the case may be, on the principal amount of the obligations owed to the Agent or such Bank, as the case may be, by the Borrower or refunded by the Agent or such Bank, as the case may be, to the Borrower.

Section VIII.9 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section VIII.10 Survival of Agreements, Representations and Warranties, Etc. All warranties, representations and covenants made by the Borrower or any officer of the Borrower herein or in any certificate or other document delivered in connection with this Agreement shall be considered to have been relied upon by the Banks and shall survive the issuance and delivery of the Notes and the making of the Advances regardless of any investigation. The indemnities and other payment obligations of the Borrower contained in this Agreement, and the indemnities by the Banks in favor of the Agent and its officers, directors, employees and agents, will survive the repayment of the Advances and the termination of this Agreement.

Section VIII.11 Borrower's Right to Apply Deposits. In the event that any Bank is placed in receivership or enters a similar proceeding, the Borrower may, to the full extent permitted by law, make any payment due to such Bank hereunder, to the extent of finally collected unrestricted deposits of the Borrower in U.S. dollars held by such Bank, by giving notice to the Agent and such Bank directing such Bank to apply such deposits to such indebtedness. If the amount of such deposits is insufficient to pay such indebtedness then due and owing in full, the Borrower shall pay the balance of such insufficiency in accordance with this Agreement.

Section VIII.12 Confidentiality. Each Bank agrees that it will use best efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries which is furnished pursuant to this Agreement and which (i) the Borrower in good faith considers to be confidential and (ii) is either clearly marked confidential or is designated by the Borrower to the Agent or the Banks in writing as confidential, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Bank or submitted to or required by the Board of Governors of the Federal Reserve System or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, (e) to the prospective transferee in connection with any contemplated transfer of any of the Notes or any interest therein by such Bank, provided that such prospective transferee executes an agreement with or for the benefit of the Borrower containing provisions substantially identical to those contained in this Section 8.12, and provided further that if the contemplated transfer is a grant of a participation in a Note (and not an assignment), no such information shall be authorized to be delivered to such participant pursuant to this clause (e) except (i) such information delivered pursuant to Section 4.1(e) or Section 5.1(b) (other than paragraph (iv) thereof), and (ii) if prior notice of the delivery thereof is given to the Borrower, such information as may be required by law or regulation to be delivered, (f) in connection with the exercise of any remedy by such Bank pertaining to this Agreement, any of the Notes or any other document delivered in connection herewith, (g) in connection with any litigation involving such Bank pertaining to this Agreement, any of the Notes or any other document delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any affiliate of any Bank, provided that such affiliate executes an agreement with or for the benefit of the Borrower containing provisions substantially identical to those contained in this Section 8.12.

Section VIII.13 WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT, THE CO-SYNDICATION AGENTS, THE DOCUMENTATION AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY NOTE OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

THE WILLIAMS COMPANIES, INC.

By:

Name: James G. Ivey

Title: Treasurer

[Signature page to Second Amended and Restated Credit Agreement]

AGENT:

CITIBANK, N.A., as Agent

By:

Authorized Officer

CO-SYNDICATION AGENTS:

CANADIAN IMPERIAL BANK OF
COMMERCE, as Co-Syndication Agent

By:

Authorized Officer

COMMERZBANK AG,
as Co-Syndication Agent

By:

Authorized Officer

DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH, as
Documentation Agent

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BANKS:

CITIBANK, N.A.

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE CHASE MANHATTAN BANK

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

CIBC INC.

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE FUJI BANK, LIMITED

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BANK OF AMERICA, N.A., FORMERLY KNOWN AS
BANK OF AMERICA NATIONAL TRUST AND SAVINGS
ASSOCIATION

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BANK OF MONTREAL

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

CREDIT LYONNAIS NEW YORK BRANCH

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BANK ONE, NA (f/k/a THE FIRST NATIONAL BANK OF CHICAGO)

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

ABN AMRO BANK N.V.

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE BANK OF NEW YORK

By: --------------------------------

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE BANK OF NOVA SCOTIA

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BARCLAYS BANK PLC

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE INDUSTRIAL BANK OF JAPAN
TRUST COMPANY

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

UBS AG, STAMFORD BRANCH

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

ROYAL BANK OF CANADA

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

SOCIETE GENERALE, SOUTHWEST AGENCY

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

THE SUMITOMO BANK, LIMITED

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

COMMERZBANK AG

NEW YORK AND GRAND CAYMAN
BRANCHES

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

AMSOUTH BANK OPERATING AS FIRST AMERICAN BANK

By: ------------------------------------
Authorized Officer

By: -----------------------------------
Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

BANQUE NATIONALE DE PARIS, HOUSTON
AGENCY

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

ARAB BANKING CORPORATION (B.S.C.)

By:

Stephen A. Plauche
Vice President

[Signature page to Second Amended and Restated Credit Agreement]

BW CAPITAL MARKETS, INC.

By: --------------------------------

Authorized Officer

By: --------------------------------

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

CREDIT SUISSE FIRST BOSTON

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

DG BANK DEUTSCHE
GENOSSENSCHAFTSBANK AG, CAYMAN
ISLAND BRANCH

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

NATIONAL WESTMINSTER BANK PLC
NEW YORK BRANCH

By: --------------------------------

Title: -----------------------------

NATIONAL WESTMINSTER BANK PLC
NASSAU BRANCH

By: --------------------------------

Title: -----------------------------

[Signature page to Second Amended and Restated Credit Agreement]

BANK OF OKLAHOMA, N.A.

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

COMMERCE BANK, N.A.

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

CREDIT AGRICOLE INDOSUEZ

By:

Authorized Officer

By:

Authorized Officer

[Signature page to Second Amended and Restated Credit Agreement]

WITHDRAWING ORIGINAL BANKS:

The following Original Banks sign only for purposes of acknowledging the assignment, without recourse and without representation or warranty, of 100% of their Commitments pursuant to the Original Credit Agreement:

BANKBOSTON, N.A.

By: --
Authorized Officer

MELLON BANK

By: --
Authorized Officer

SCHEDULE I

APPLICABLE LENDING OFFICES

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
Citibank N.A.	Citibank N.A. 399 Park Avenue New York, New York 10043 Notices: Citibank, N.A. 399 Park Avenue New York, New York 10043 Telecopier: (212) 527-1084 Telex: None Attn: Christine Grundel Dept: Medium Term Finance with copies to: Citicorp North America, Inc. 1200 Smith Street, Suite 2000 Houston, Texas 77002 Telecopier: (713) 654-2849 Telex: 127001 (Attn. Route Code HOUAA) Attn: The Williams Companies, Inc. Account Officer	Citibank N.A. 399 Park Avenue New York, New York 10043 Notices: Citibank, N.A. 399 Park Avenue New York, New York 10043 Telecopier: (212) 527-1084 Telex: None Attn: Christine Grundel Dept: Medium Term Finance with copies to: Citicorp North America, Inc. 1200 Smith Street, Suite 2000 Houston, Texas 77002 Telecopier: (713) 654-2849 Telex: 127001 (Attn. Route Code HOUAA) Attn: The Williams Companies, Inc. Account Officer
The Chase Manhattan Bank	The Chase Manhattan Bank 270 Park Avenue, 21st Floor New York, New York 10017 Telecopier: (212) 270-3897 Telephone: (212) 270-4676 Attn: Peter Ling	The Chase Manhattan Bank 270 Park Avenue, 21st Floor New York, New York 10017 Telecopier: (212) 270-3897 Telephone: (212) 270-4676 Attn: Peter Ling
The Fuji Bank, Limited (New York Branch)	The Fuji Bank, Limited (New York Branch) 2 World Trade Center 79th Floor New York, New York 10048 Telecopier: (212) 321-9407 Telephone: (212) 898-2597 Attn: Felix Amerasinghe	The Fuji Bank, Limited (New York Branch) 2 World Trade Center 79th Floor New York, New York 10048 Telecopier: (212) 321-9407 Telephone: (212) 898-2597 Attn: Felix Amerasinghe

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
Bank of Montreal	Bank of Montreal 115 S. LaSalle St., 11W Chicago, Illinois 60603 Telecopier: (312) 750-6061 Telephone: (312) 750-6047 Attn: Craig Reynolds - Client Services	Bank of Montreal 115 S. LaSalle St., 11W Chicago, Illinois 60603 Telecopier: (312) 750-6061 Telephone: (312) 750-6047 Attn: Craig Reynolds - Client Services
Commerzbank AG, Atlanta Agency	Commerzbank AG, Atlanta Agency 1230 Peachtree St., NE Suite 3500 Atlanta, Georgia 30309 Telephone: (404) 888-6518 Telecopier: (404) 888-6539 Attn: Brian Campbell	Commerzbank AG, Atlanta Agency 1230 Peachtree St., NE Suite 3500 Atlanta, Georgia 30309 Telephone: (404) 888-6518 Telecopier: (404) 888-6539 Attn: Brian Campbell
Credit Lyonnais New York Branch	Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, New York 10019 Telecopier: (713) 759-9766 Telephone: (713) 751-0500 Attn: Bernadette Archie	Credit Lyonnais New York Branch 1301 Avenue of the Americas New York, New York 10019 Telecopier: (713) 759-9766 Telephone: (713) 751-0500 Attn: Bernadette Archie
Bank One, NA	Bank One, NA Bank One Plaza 0634, IBOP, 10 Chicago, Illinois 60670 Telephone: (312) 732-5219 Telecopier: (312) 732-4840 Attn: Mattie Reed	Bank One, NA Bank One Plaza 0634, 1BOP, 10 Chicago, Illinois 60670 Telephone: (312) 732-5219 Telecopier: (312) 732-4840 Attn: Mattie Reed
ABN AMRO Bank N.V.	ABN AMRO Bank, N.V. 208 South LaSalle, Suite 1500 Chicago, Illinois 60604-1003 Telephone: (312) 992-5110 Facsimile: (312) 992-5111 Attn: Credit Administration with copies to: ABN AMRO Bank, N.V. 208 South LaSalle, Suite 1500 Chicago, Illinois 60604-1003 Telephone: (312) 992-5152 Facsimile: (312) 992-5157 Attn: Loan Administration	ABN AMRO Bank, N.V. 208 South LaSalle, Suite 1500 Chicago, Illinois 60604-1003 Telephone: (312) 992-5110 Facsimile: (312) 992-5111 Attn: Credit Administration with copies to: ABN AMRO Bank, N.V. 208 South LaSalle, Suite 1500 Chicago, Illinois 60604-1003 Telephone: (312) 992-5152 Facsimile: (312) 992-5157 Attn: Loan Administration

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
	ABN AMRO North America, Inc. Three Riverway, Suite 1700 Houston, Texas 77056 Telephone: (713) 964-3316 Facsimile: (713) 621-5810 Attn: Michael Nepreux	ABN AMRO North America, Inc. Three Riverway, Suite 1700 Houston, Texas 77056 Telephone: (713) 964-3316 Facsimile: (713) 621-5810 Attn: Michael Nepreux
The Bank of Toyko-Mitsubishi, Ltd., Houston Agency	The Bank of Toyko-Mitsubishi, Ltd., Houston Agency 1100 Louisiana St., Suite 2800 Houston, Texas 77002-5216 Telephone: (713) 655-3845 Telecopier: (713) 655-3855 Attn: J.M. McIntyre	The Bank of Toyko-Mitsubishi, Ltd., Houston Agency 1100 Louisiana St., Suite 2800 Houston, Texas 77002-5216 Telephone: (713) 655-3845 Telecopier: (713) 655-3855 Attn: J.M. McIntyre
Barclays Bank PLC	Barclays Bank PLC-New York Branch 222 Broadway, 11th Floor New York, New York 10038 Telephone: (212) 412-3702 Telecopier: (212) 412-5308 Attn: David Barton	Barclays Bank PLC-New York Branch 222 Broadway, 11th Floor New York, New York 10038 Telephone: (212) 412-3702 Telecopier: (212) 412-5308 Attn: David Barton
AmSouth	AmSouth Bank First American Center Fourth & Union St. NA-0310 Nashville, Tennessee 37237-0310 Telephone: (615) 770-4059 Telecopier: (615) 748-2485 Attn: Seth Butler	AmSouth Bank First American Center Fourth & Union St. NA-0310 Nashville, Tennessee 37237-0310 Telephone: (615) 770-4059 Telecopier: (615) 748-2485 Attn: Seth Butler
Banque Nationale de Paris, Houston Agency	Banque Nationale de Paris, Houston Agency 333 Clay Street, Suite 3400 Houston, Texas 77002 Telephone: (713) 951-1240 Telecopier: (713) 659-1414 Attn: Donna Rose	Banque Nationale de Paris, Houston Agency 333 Clay Street, Suite 3400 Houston, Texas 77002 Telephone: (713) 951-1240 Telecopier: (713) 659-1414 Attn: Donna Rose

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
Arab Banking Corporation (B.S.C.)	Arab Banking Corp. 277 Park Avenue, 32nd Floor New York, New York 10172 Telephone: (212) 583-4771 Telecopier: (212) 583-0932 Attn: Loan Administration	Arab Banking Corp. (Grand Cayman) 277 Park Avenue, 32nd Floor New York, New York 10172 Telephone: (212) 583-4770 Telecopier: (212) 583-0932 Attn: Loan Administration
BW Capital Markets, Inc.	BW Capital Markets, Inc. 630 Fifth Avenue Rockefeller Center Suite 1919 New York, New York 10111 Telecopier: (212) 218-1810 Attn: Thomas A. Lowe	BW Capital Markets, Inc. 630 Fifth Avenue Rockefeller Center Suite 1919 New York, New York 10111 Telecopier: (212) 218-1810 Attn: Thomas A. Lowe
Westdeutsche Landesbank Girozentrale, New York Branch	Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, New York 10038 Telecopier: (212) 302-7946 Telephone: (212) 852-6113 Attn: Phil Green	Westdeutsche Landesbank Girozentrale, New York Branch 1211 Avenue of the Americas New York, New York 10038 Telecopier: (212) 302-7946 Telephone: (212) 852-6113 Attn: Phil Green
Credit Suisse First Boston	Credit Suisse First Boston 11 Madison Avenue New York, New York 10010 Telephone: (212) 325-9093 Telecopier: (212) 325-8314 Attn: Todd Morgan	Credit Suisse First Boston 11 Madison Avenue New York, New York 10010 Telephone: (212) 325-9093 Telecopier: (212) 325-8314 Attn: Todd Morgan
DG Bank	DG Bank 609 Fifth Avenue New York, New York 10017 Telephone: (212) 745-1560 Telecopier: (212) 745-1556 Attn: Mark K. Connelly	DG Bank 609 Fifth Avenue New York, New York 10017 Telephone: (212) 745-1560 Telecopier: (212) 745-1556 Attn: Mark K. Connelly
Societe Generale, Southwest Agency	Societe Generale, Southwest Agency 2001 Ross Avenue, Suite 4800 Dallas, Texas 75201 Telecopier: (214) 754-0171 Telephone: (214) 979-2767 Attn: Tequlla English Loan Specialist	Societe Generale, Southwest Agency 2001 Ross Avenue, Suite 4800 Dallas, Texas 75201 Telecopier: (214) 754-0171 Telex: (214) 979-2767 Attn: Tequlla English Loan Specialist

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
The Sumitomo Bank, Limited	The Sumitomo Bank, Limited 277 Park Avenue New York, NY 10172 Telex: SUMBK 420515/SUMBK Telecopier: (212) 224-5188 with copies to: The Sumitomo Bank, Limited 277 Park Avenue New York, NY 10172 Attn: Ms. Andrea Wei, V.P. PANA - Legal Department	The Sumitomo Bank, Limited 277 Park Avenue New York, NY 10172 Telex: SUMBK 420515/SUMBK Telecopier: (212) 224-5188 with copies to: The Sumitomo Bank, Limited 277 Park Avenue New York, NY 10172 Attn: Ms. Andrea Wei, V.P. PANA - Legal Department
National Westminster Bank	National Westminster Bank PLC New York Branch 65 East 55th Street, 24th Floor New York, New York 10022 Telephone: (212) 401-1494 Telecopier: (212) 401-1406 Attn: Sheila Shaw with copies to: Greenwich NatWest 600 Travis St., Suite 6070 Houston, Texas 77002 Telecopier: (713) 221-2430 Telephone: (713) 221-2429 Attn: Kristi DeMaiolo	National Westminster Bank PLC Nassau Branch 65 East 55th Street, 24th Floor New York, New York 10022 Telephone: (212) 401-1494 Telecopier: (212) 401-1406 Attn: Sheila Shaw with copies to: Greenwich NatWest 600 Travis St., Suite 6070 Houston, Texas 77002 Telecopier: (713) 221-2430 Telephone: (713) 221-2429 Attn: Kristi DeMaiolo
The Bank of Nova Scotia	The Bank of Nova Scotia 600 Peachtree St., N.E. Suite 2700 Atlanta, Georgia 30308 Telecopier: (404) 888-8998 Telex: 00542319 Attn: Robert L. Ahern with copy to: 1100 Louisiana, Suite 3000 Houston, Texas 77002 Telecopier: (713) 752-2425 Telephone: (713) 759-3440 Attn: Greg Smith	The Bank of Nova Scotia 600 Peachtree St., N.E. Suite 2700 Atlanta, Georgia 30308 Telecopier: (404) 888-8998 Telex: 00542319 Attn: Robert L. Ahern with copy to: 1100 Louisiana, Suite 3000 Houston, Texas 77002 Telecopier: (713) 752-2425 Telephone: (713) 759-3440 Attn: Greg Smith

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
Bank of America, N.A.	Bank of America, N.A. 901 Main Street, 14th Floor Dallas, Texas 75202 Telecopier: (214) 209-9415 Telephone: (214) 209-1225 Attn: Mekedes B. Kassaye with copy to: Bank of America Three Allen Center, Suite 4550 Houston, Texas 77002 Telecopier: (713) 651-4807 Telephone: (713) 651-4855 Attn: Claire Liu	Bank of America, N.A. 901 Main Street, 14th Floor Dallas, Texas 75202 Telecopier: (214) 209-9415 Telephone: (214) 209-1225 Attn: Mekedes B. Kassaye with copy to: Bank of America Three Allen Center, Suite 4550 Houston, Texas 77002 Telecopier: (713) 651-4807 Telephone: (713) 651-4855 Attn: Claire Liu
Bank of New York	Bank of New York One Wall St., 19th Floor New York, New York 10286 Telecopier: (212) 635-7923 Telephone: (212) 635-7834 Attn: Raymond Palmer (Ray)	Bank of New York One Wall St., 19th Floor New York, New York 10286 Telecopier: (212) 635-7923 Telephone: (212) 635-7834 Attn: Raymond Palmer (Ray)
Bank of Oklahoma, N.A.	Bank of Oklahoma, N.A. One Williams Center, 8th Floor Tulsa, Oklahoma 74192 Telecopier: (918) 588-6880 Telephone: (918) 588-6217 Attn: Robert Mattax (Bob)	Bank of Oklahoma, N.A. One Williams Center, 8th Floor Tulsa, Oklahoma 74192 Telecopier: (918) 588-6880 Telephone: (918) 588-6217 Attn: Robert Mattax (Bob)
Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, Georgia 30339 Telecopier: (770) 319-4950 Telephone: (770) 319-4821 Attn: Katherine McGovern with a copy to: 1600 Smith, Ste. 3000 Houston, Texas 77002 Telecopier: (713) 650-3727 Telephone: (713) 650-2588 Attn: Mark Wolf	Canadian Imperial Bank of Commerce Two Paces West 2727 Paces Ferry Road, Suite 1200 Atlanta, Georgia 30339 Telecopier (770) 319-4950 Telephone: (770) 319-4821 Attn: Katherine McGovern with a copy to: 1600 Smith, Ste. 3000 Houston, Texas 77002 Telecopier: (713) 650-3727 Telephone: (713) 650-2588 Attn: Mark Wolf

Name of Bank	Domestic Lending Office	Eurodollar Lending Office
Commerce Bank, N.A.	Commerce Bank, N.A. 1000 Walnut Street, 17th Floor Kansas City, Missouri 64106 Telecopier: (816) 234-7290 Telephone: (816) 234-2477 Attn: Dennis Block	Commerce Bank, N.A. 1000 Walnut Street, 17th Floor Kansas City, Missouri 64106 Telecopier: (816) 234-7290 Telephone: (816) 234-2477 Attn: Dennis Block
Industrial Bank of Japan Trust	Industrial Bank of Japan Trust 1251 Avenue of the Americas New York, New York 10020 Telecopier: (212) 282-4480 Telephone: (212) 282-4090 Attn: Richard Emmich	Industrial Bank of Japan Trust 1251 Avenue of the Americas New York, New York 10020 Telecopier: (212) 282-4480 Telephone: (212) 282-4090 Attn: Richard Emmich
Credit Agricole Indosuez	Credit Agricole Indosuez Texas Commerce Tower 600 Travis, Suite 2340 Houston, Texas 77002 Telecopier: (713) 223-7029 Telephone: (713) 223-7001 Attn: Brian Knezeak	Credit Agricole Indosuez Texas Commerce Tower 600 Travis, Suite 2340 Houston, Texas 77002 Telecopier: (713) 223-7029 Telephone: (713) 223-7001 Attn: Brian Knezeak
UBS	UBS AG, Stamford Branch 677 Washington Boulevard Stamford, Connecticut 06901 Telecopier: (203) 719-3898 Telephone: (203) 719-4090 Attn: Paul Morrison	UBS AG, Stamford Branch 677 Washington Boulevard Stamford, Connecticut 06901 Telecopier: (203) 719-3898 Telephone: (203) 719-4090 Attn: Paul Morrison
Royal Bank of Canada	Royal Bank of Canada, New York One Liberty Plaza, 4th Floor New York, New York 10006 Telecopier: (212) 428-2372 Telephone: (212) 428-6321 Attn: Assistant Manager, Loan Processing	Royal Bank of Canada, New York One Liberty Plaza, 4th Floor New York, New York 10006 Telecopier: (212) 428-2372 Telephone: (212) 428-6321 Attn: Assistant Manager, Loan Processing

SCHEDULE II

BORROWER INFORMATION

SCHEDULE III

PERMITTED BORROWER LIENS

SCHEDULE IV

COMMITMENTS

AS OF JANUARY 24, 2000

BANKS	COMMITMENT
Citibank, N.A.	$ 89,000,000
Arab Banking Corporation (B.S.C.)	$ 25,000,000
BW Capital Markets, Inc.	$ 25,000,000
The Chase Manhattan Bank	$ 89,000,000
CIBC Inc.	$ 89,000,000
The Fuji Bank, Limited, New York Branch	$ 62,000,000
Bank of America, N.A.	$ 49,000,000
Banque Nationale de Paris	$ 25,000,000
Commerce Bank, N.A.	$ 5,000,000
Commerzbank AG, New York & Grand Cayman Branch	$ 89,000,000
Credit Agricole Indosuez	$ 30,000,000
Credit Suisse First Boston	$ 16,000,000
Westdeutsche Landesbank Girozentrale, New York Bra	$ 40,000,000
DG Bank Deutsche Genoesenschaftbank AG	$ 25,000,000
National Westminster Bank PLC	$ 35,000,000
AmSouth Bank	$ 20,000,000
Bank of Oklahoma, N.A.	$ 5,000,000
Bank of Montreal	$ 50,000,000
Credit Lyonnais New York Branch	$ 89,000,000
Bank One, NA	$ 89,000,000
UBS AG, Stamford Branch	$2 5,000,000
ABN AMRO Bank N.V.	$ 70,000,000

BANKS	COMMITMENT
The Bank of New York	$ 65,000,000
The Bank of Nova Scotia	$ 89,000,000
The Bank of Tokyo-Mitsubishi, Ltd. - Houston Agency	$ 20,000,000
Barclays Bank PLC	$ 65,000,000
Industrial Bank of Japan Trust Company	$ 25,000,000
Royal Bank of Canada, New York	$ 45,000,000
Societe Generale, Southwest Agency	$ 40,000,000
The Sumitomo Bank, Limited	$ 10,000,000
COMMITMENTS	$1,400,000,000

SCHEDULE V

RATING CATEGORIES

Rating Category of the Borrower	S&P or Moody's ratings of the senior unsecured long-term debt of the Borrower*	Applicable Margin	Applicable Commitment Fee Rate
One	A or better by S&P or A2 or better by Moody's	.50%	.075%
Two	A- by S&P or A3 by Moody's	.625%	.085%
Three	BBB+ by S&P or Baa1 by Moody's	.75%	.095%
Four	BBB by S&P or Baa2 by Moody's	.875%	.10%
Five	BBB- by S&P and Baa3 by Moody's	1.125%	.15%
Six	BBB- by S&P or Baa3 by Moody's	1.5%	.20%
Seven	Borrower is Unrated or none of the above applies to Borrower	2.0%	.25%

*If split-rated, the higher rating will apply.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
GREENWOOD DIVISION

LILLIAN A. ROBINSON, NETTIE LOU JONES FRANCES R. AXTELL, MARSHAL LEE ROBINSON, DONALD STEVE ROBINSON, BILLY PETE ROBINSON, CHARLIE ROBINSON, AMEY R. HAMMOND, JANICE R. TROTTER, JACKIE CECIL ROBINSON, and JACKIE KAY ROBINSON	Civil Action No 8:00-0058-13
Plaintiffs,	
v.	ANSWERS OF DEFENDANT WILLIAMS ENERGY VENTURES, INC. TO LOCAL RULE 26.06 INTERROGATORIES AND REQUEST FOR DOCUMENTS
COLONIAL PIPELINE COMPANY, a Delaware Corporation; BP AMOCO CORPORATION, an Indiana Corporation, f/k/a Amoco Oil Company; B.P. EXPLORATION & OIL, INC., an Ohio Corporation; WILLIAMS ENERGY VENTURES, INC., a Delaware Corporation; and PHILLIPS PIPELINE COMPANY, a Delaware Corporation.	
Defendants.	

Williams Energy Ventures, Inc., through counsel, hereby respectfully responds to Local Rule 26.06 Interrogatories and Directives to Produce as follows:

(1) If the defendant is improperly identified, give the proper identification and state whether counsel will accept service of an amended summons and pleading reflecting the correct identification.

ANSWER: Defendant Williams Energy Ventures, Inc. (hereinafter "Williams") is properly identified.

(2) Furnish a detailed factual basis for each defense you assert in your responsive pleading. If a contract, writing or document forms the basis of any claim against you and/or the basis for any defense asserted, quote or attach the relevant portions, state your construction thereof and your position with regard thereto.

ANSWER:

Williams did not acquire the facilities at issue in this matter until nearly twenty years after Plaintiffs' settled and released their claims for alleged contamination from the facilities in 1980. Williams purchased its share of the former Conoco petroleum storage facility identified in Paragraph 7 of the Complaint through a series of purchase agreements dated May 10, 1996, June 18, 1998 and February 19, 1999, and purchased the former Amoco petroleum storage facility identified in Paragraph 7 of the Complaint through a purchase agreement dated October 29, 1998. Prior to acquiring these properties, Williams had no control over the facilities and asserts that it cannot be held responsible for alleged negligence or contamination of prior owners. Furthermore, Williams contends that any releases of petroleum products that may have occurred at its facilities subsequent to its ownership were promptly contained and have not reached or otherwise impacted Plaintiffs' properties.

(1) Upon information and belief, Plaintiffs' claims are barred by reason of their failure to mitigate, minimize or avoid the damages alleged in the Complaint. Furthermore, upon information and belief, some or all of Plaintiffs have operated or allowed to be operated a junkyard on their property(ies), used septic systems and engaged in other activities that may have contributed to contamination of the Plaintiffs' property.

(2) Any acts or omissions alleged in the Complaint may have occurred, resulted from or have been proximately caused by the superseding intervention of causes and parties outside the control of Williams. Plaintiffs previously filed suit against Amoco Oil Company, Southern Facilities, Inc., Phillips Petroleum Company, Gulf Oil Company and Petroleum Pipeline Company alleging damage to their properties and other claims due to alleged environmental contamination. Williams asserts that it cannot be held responsible for the alleged acts of the parties to Plaintiffs' original action, current co-defendants, or other parties allegedly responsible for the contamination and damage to Plaintiffs' properties.

(3) All or some of Plaintiffs' claims are barred by the applicable statutes of limitation. Plaintiffs' Complaint purports to assert causes of action arising after the execution of the April 11, 1980 Release between Plaintiffs and the parties to the original action. Under applicable law, Williams asserts that some or all of Plaintiffs' claims are therefore barred the statutes of limitation and the doctrine of laches.

(4) Upon information and belief, Plaintiffs have consented to the presence of contaminants on their property. At the time Plaintiffs entered into the Release on April 11, 1980, Plaintiffs recognized that contamination existed on their property and would continue to remain there. Nonetheless, Plaintiffs entered into a Release Agreement with Amoco Oil Company, Southern Facilities, Inc., Phillips Petroleum Company, Gulf Oil Company and Petroleum Pipeline Company with the express understanding that contamination would remain on their properties. In addition, upon information and belief, some or all of Plaintiffs assumed the risk by purchasing and/or moving to their property with knowledge of the existence of contamination.

(5) Although it was not a party to the Release agreement entered into by Plaintiffs and the defendants in the prior litigation, Williams asserts that all or some of Plaintiffs' claims are barred by the terms of the Release and application of the easements granted in connection with the settlement of the

prior litigation. Furthermore, Plaintiffs entered into an Agreement of Settlement, Unconditional Release of Claims, and Covenant not to Sue with Conoco Inc. on January 27, 2000 which releases Williams from any claims based upon the condition of the former Conoco facility now owned by Williams.

(6) The imposition of punitive damages in an action of this nature, or under the facts such as those alleged, would be violative of the Constitution of the State of South Carolina and the United States of America. Williams has not acted willfully or maliciously toward Plaintiffs and there is no basis for Plaintiffs' punitive damages claim.

(3) Describe by name and citation or other generally recognized identification, decisions, statutes, ordinances, acts, codes, regulations and legal principles, standards, and customs or usages, which you contend are especially applicable to this action. State which jurisdiction's law applies to each claim or defense and why.

ANSWER:

South Carolina law applies to Plaintiffs' common law claims and Williams' defenses thereto. Williams contends that the following decisions and statutes are especially applicable to this action:

Statute of Limitations:

S.C. Code Ann. Sections 15-3-530, 15-3-535

Dean v. Ruscon Corp., 321 S.C. 360, 468 S.E.2d 645 (1995)

Barr v. City of Rock Hill, 330 S.C. 640, 500 S.E.2d 157 (Ct. App. 1998)

Glenn v. School District No. Five of Anderson County, 294 S.C. 530, 366 S.E.2d 47 (Ct. App. 1988)

Assumption of Risk:

Davenport v. Cotton Hope Plantation Horizontal Property Regime, 333 S.C. 71, 508 S.E.2d 565 (1998)

Cutchin v. South Carolina Dept. of Highways and Public Transp., 301 S.C. 35, 389 S.E.2d 646 (1990)

Griffin v. Griffin, 282 S.C. 288, 318 S.E.2d 24 (Ct. App. 1984)

Contributory Negligence:

Nelson v. Concrete Supply Co., 303 S.C. 243, 399 S.E.2d 783 (1991)

Gruber v. Santee Frozen Foods, Inc., 309 S.C. 13, 419 S.E.2d 795 (Ct. App. 1992)

Laches:

Treadaway v. Smith, 325 S.C. 367, 479 S.E.2d 849 (Ct. App. 1996)

Mitigation of Damages:

Chastain v. Owens Carolina, Inc., 310 S.C. 417, 426 S.E.2d 834 (1993)

Du Bose v. Bultman, 215 S.C. 468, 56 S.E.2d 95 (1949)

Sullivan v. City of Anderson, 81 S.C. 178, 62 S.E.862 (1908)

Williams reserves the right to assert additional defenses and supporting authority once discovery is conducted.

(4) If you contend that some other person or legal entity is, in whole or in part, liable to you or the party asserting a claim against you in this matter, identify such person or entity and describe the basis of said liability.

ANSWER:

Williams has claims for indemnification against Amoco, BP Amoco, Murphy, TOC, and Conoco arising from their prior use and operation of the facilities currently owned by Williams. In addition, Williams may have claims against Amoco, BP, BP Amoco and Colonial Pipeline Company with respect to the migration of contaminants across or under Williams' property. Williams also has a claim for indemnification against Infinger, the transportation company that caused an approximately 20 gallon gasoline spill at the Williams facility in July 1999. By agreement of the parties, Williams is not pursuing these claims for indemnification or contribution at this time. Williams reserves the rights to assert these claims, and any others, once discovery is conducted.

(5) State the full names, addresses, and telephone numbers of all lay witnesses whose testimony you may use at the trial of this case and describe the specific factual issues to which that testimony is expected to relate.

ANSWER:

Plaintiffs

The following individuals may testify regarding operations at the former Amoco, Southern Facilities, Conoco and current Williams facilities:

Don Schilling
Williams Energy Ventures
______ Sweetwater Road
North Augusta, Georgia
____

Jackie Outzs
1885 Sweet Water Road
Edgefield, South Carolina 29284
803-278-3070

Tom Nelson
(Address unknown)
803-593-4614

George Griffith
728 Sage Court
North Augusta, South Carolina 29860
803-867-2038

Joyce Chillingworth
Williams Energy Services
P.O. Box 3448
One Williams Center
Tulsa, Oklahoma 74101
(918) 573-3377

Lori Murtaugh
Department of Health and Environmental Control
Bureau of Water
Groundwater Assessment and Development
2600 Bull Street
Columbia, South Carolina 29201-1708

Fred George Harpley
Infinger
North Augusta, South Carolina
803-867-2038

Any witness listed by any other party. Williams reserves the right to name and call additional fact witnesses once discovery is conducted.

(6) Identify by full name, address, and telephone number each person whom you expect to call as an expert witness at the trial of this case, and, as to each expert so identified, state the subject matter on which he is expected to testify, the substance of the facts and opinions to which he is expected to testify, and a summary of the grounds for each opinion.

ANSWER:

Since no discovery has been conducted, Williams has not yet determined which expert witnesses it will call in this matter and will provide the names of any expert witnesses as soon as such determination has been made.

(7) Set forth the names of all insurance companies or other insuring entities which may be liable to satisfy part or all of a judgment centered against you in this action, or to indemnify or reimburse for payments made to satisfy the judgment. Set forth the insurance coverage relating to each claim against you, the number of each policy, the amount of applicable liability coverage provided in each policy, and the named insured in each policy. Are you aware of any question of coverage?

ANSWER:

AEGIS
Policy No. X0559A1A98
Named Insured: The Williams Companies, Inc.
Excess: over $2,000,000 retention
$35,000,000 claim first made; $35,000,000 aggregate
Williams is currently unaware of any question of coverage.

(8) State the time you estimate it will take you to complete discovery. Explain if appropriate.

ANSWER:

Since this matter involves complex factual and legal issues and will necessarily involve expert opinion testimony, the parties are preparing a proposed scheduling order to submit for the Court's consideration.

(9) As to each claim, state whether it should be tried jury or nonjury and why. If the answer is different with respect to any claim from the answer given by any party, explain why your answer is different and state the basis for your answer.

ANSWER:

Williams asserts that all of Plaintiffs' claims and Williams' defenses thereto, except those for declaratory judgment and injunctive relief, should be tried by a jury.

(10) If the defendant is a publicly owned entity, or a partner, parent, subsidiary or affiliate of a publicly-owned entity, identify the publicly-owned entity and its relationship to the defendant. If there is a publicly-owned entity not a party to the case that has a significant financial interest in the outcome, identify such entity and the nature of the financial interest.

ANSWER: Not applicable.

(11) Is there any reason why this action should be transferred to another division?

ANSWER:

No.

(12) Do you want a mediation conference to be scheduled in this case? If so, when?

ANSWER:

Williams asserts that a mediation conference would be appropriate in this matter after the completion of discovery.

(13) Do you, at this time, request or oppose an expedited trial under Local Civil Rule 16.12 through 16.14? If so, include the information requested by that local civil rule in these responses.

ANSWER:

Due to the complex factual and legal issues and anticipated lengthy discovery period needed, Williams does not request an expedited trial.

(14) If you are asserting a counterclaim or other secondary claim, provide the information required by Local Civil Rule 26.03(e).

ANSWER:

Williams is not asserting a counterclaim or other secondary claim at this time.

Respectfully submitted this the ___ day of March, 2000.

Larry D. Estridge
Fed. ID No. 4876
Sarah E. Day
Fed. ID No. 7267

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Lawrence B. Somers
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Attorneys for Defendant
Williams Energy Ventures, Inc.

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3300 One First Union Center
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Charlotte, North Carolina 28202-6025
Telephone: (704) 331-4900

CERTIFICATE OF SERVICE

I certify that I have this day served the party in this action with a copy of the foregoing ANSWERS OF DEFENDANT WILLIAMS ENERGY VENTURES, INC. TO LOCAL RULE 26.06 INTERROGATORIES AND REQUEST FOR DOCUMENTS by placing said copy in the United States mail, postage prepaid, addressed as follows to the attorneys of record:

Lawrence B. Somers

EXHIBIT 4(e)

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (herein called this "Amendment"), dated as of January 24, 2000 is entered into by and among the Borrowers party to the Credit Agreement (as hereinafter defined), the Banks from time to time party to the Credit Agreement, the Co-Agents as named therein and Citibank, N.A., as agent for the Banks (in such capacity, the "Agent"). Except as otherwise defined or as the context requires, terms defined in the Credit Agreement are used herein as therein defined.

W I T N E S S E T H:

WHEREAS, The Williams Companies, Inc. ("TWC") and certain of its Subsidiaries (TWC and such Subsidiaries, the "Borrowers") have entered into a certain Second Amended and Restated Credit Agreement dated as of July 23, 1997 (the "1997 Credit Agreement") with the Banks, the Co-Agents and the Agent, which agreement has been amended by an Amendment to Second Amended and Restated Credit Agreement dated January 26, 1999 and letter agreements dated as of March 15, 1999, May 20, 1999 and September 27, 1999 (the 1997 Credit Agreement as so amended the "Credit Agreement"); and

WHEREAS, the Borrowers and the Banks now desire to amend the Credit Agreement in certain respects, as hereinafter provided,

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrowers and the Banks hereby agree as follows:

SECTION 1. Amendment of Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Applicable Margin" in such Section 1.01 is hereby amended and restated in its entirety to read as follows:

> "Applicable Margin" means as to any Eurodollar Rate Advance to any Borrower, the rate per annum set forth in Schedule XI under the heading "Applicable Margin" for the relevant Rating Category applicable to such Borrower from time to time. The Applicable Margin determined pursuant to this definition for any Eurodollar Rate Advance to any Borrower shall change when and as the relevant Rating Category applicable to such Borrower changes.

(b) The definition of "Applicable WilTel Debt to EBITDA Ratio" in such Section 1.01 is hereby deleted in its entirety.

(c) The definition of "Applicable WPL Debt to TNW Ratio" in such Section 1.01 is hereby deleted in its entirety.

(d) The definition of "Borrowers" in such Section 1.01 is amended and restated to read in its entirety as follows:

"Borrowers" means TWC, NWP, TGPL, and TGT.

(e) The following definitions are added to such Section 1.01 immediately after the definition of "Business Day":

"Cash Holdings" of any Person means the total investment of such Person at the time of determination in:

(a) demand deposits and time deposits maturing within one year with a Bank (or other commercial banking institution of the stature referred to in clause (d)(i));

(b) any note or other evidence of indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government or by a government of another country which carries a long-term rating of Aaa by Moody's or AAA by S&P;

(c) commercial paper, maturing not more than nine months from the date of issue, which is issued by

(i) a corporation (other than the affiliate of a Borrower) rated (x) A-1 by S&P, P-1 by Moody's, F-1 by Fitch or A by Duff and Phelps or (y) lower than set forth in clause (x) above, provided that the value of all such commercial paper shall not exceed 10% of the total value of all commercial paper comprising "Cash Holdings," or

(ii) any Bank (or its holding company) with a rating on its long-term unsecured debt of at least AA from S&P or Aa from Moody's;

(d) any certificate of deposit or bankers acceptance, maturing not more than three years after such time, which is issued by either

(i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $1,000,000,000, or

(ii) any Bank with a rating on its long-term unsecured debt of at least AA by S&P or Aaa by Moody's;

(e) notes or other evidences of indebtedness, maturing not more than three years after such time, issued by

(i) a corporation (other than an affiliate of a Borrower) rated AA by S&P or Aa by Moody's; or

(ii) any Bank (or its holding company) with a rating on its long-term unsecured debt of at least AA by S&P or Aaa by Moody's; or

(f) any repurchase agreement entered into with any Bank (or other commercial banking institution of the stature referred to in clause (d)(i)) which

(i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (d);

(ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Bank (or other commercial banking institution) thereunder; and

(g) money market preferred instruments by participation in a Dutch auction (or the equivalent) where the investment is rated no lower than Aa by Moody's or AA by S&P.

"ChoiceSeat" means ChoiceSeat, L.L.C., a Cayman Islands limited liability company.

(f) The definition of "Consolidated Net Worth" in such Section 1.01 is amended and restated to read in its entirety as follows:

"Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of TWC, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests exceed $511,700,000 in the aggregate.

(g) The following definition is added to such Section 1.01 immediately after the definition of "Debt":

"Designated Minority Interests" of TWC means, as of any date of determination, the total of the minority interests in the following Subsidiaries of TWC: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) WCG,

(vi) WilTel, (vii) ChoiceSeat, (viii) PowerTel, and (ix) other Consolidated Subsidiaries of TWC, as presented in its Consolidated balance sheet, in an amount not to exceed in the aggregate $9,000,000 for such other Consolidated Subsidiaries not referred to in clauses (i) through (viii); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

(h) The following definition is added to such Section 1.01 immediately after the definition of "EBITDA":

"El Furrial" means WilPro Energy Services (El Furrial) Limited, a Cayman Islands corporation.

(i) The following definitions are added to Section 1.01 immediately after the definition of "Multiple Employer Plan":

"Nebraska Energy" means Nebraska Energy, L.L.C., a Kansas limited liability company.

"Net Debt" means for any Person, as of any date of determination, the excess of (x) the aggregate amount of all Debt of such Person and its Subsidiaries on a Consolidated basis over (y) the sum of the Cash Holdings of such Person and its Subsidiaries on a Consolidated basis.

(j) The definition of "Permitted WCG Liens" in such Section 1.01 is hereby deleted in its entirety.

(k) The definition of "Permitted WHD Liens" in such Section 1.01 is hereby deleted in its entirety.

(l) The definition of "Permitted WilTel Liens" in such Section 1.01 is hereby deleted in its entirety.

(m) The definition of "Permitted WPL Liens" in such Section 1.01 is hereby deleted in its entirety.

(n) The following definition is added to such Section 1.01 immediately after the definition of "Person":

"PIGAP II" means WilPro Energy Services (PIGAP II) Limited, a Cayman Islands corporation.

(o) The following definition is added to such Section 1.01 immediately after the definition of "Plan":

"PowerTel" means PowerTel Limited, an Australian corporation.

(p) The definition of "Sale and Lease-Back Transaction" in such Section 1.01 is amended by deleting the proviso contained therein such that the definition reads in its entirety as follows:

Sale and Lease-Back Transaction" of any Person means any arrangement entered into by such Person or any Subsidiary of such Person, directly or indirectly, whereby such Person or any Subsidiary of such Person shall sell or transfer any property, whether now owned or hereafter acquired, and whereby such Person or any Subsidiary of such Person shall then or thereafter rent or lease as lessee such property or any part thereof or other property which such Person or any Subsidiary of such Person intends to use for substantially the same purpose or purposes as the property sold or transferred.

(q) The following definition is added to such Section 1.01 immediately after the definition of "Sale and Lease-Back Transaction":

"Seminole" means Seminole Pipeline Company, a Delaware corporation.

(r) The definition of "WilTel Debt to EBITDA Ratio" in such Section 1.01 is hereby deleted in its entirety.

(s) The definition of "WilTel Pro Forma Income Statements" in such Section 1.01 is hereby deleted in its entirety.

(t) The definition of "WNG" in such Section 1.01 is deleted and replaced in its entirety with the following:

"WPC" means Williams Gas Pipelines Central, Inc., a Delaware corporation, formerly Williams Natural Gas Company.

(u) The definition of "WPL Debt to TNW Ratio" in such Section 1.01 is hereby deleted in its entirety.

SECTION 2. Amendment of Section 3.02(a). Section 3.02(a) of the Credit Agreement is hereby amended by deleting clause (iv) thereof.

SECTION 3. Amendment of Section 3.03(iii)(a). Section 3.03(iii)(a) is hereby amended by deleting clause (5) thereof.

SECTION 4. Deletion of Section 4.01(n). Section 4.01(n) of the Credit Agreement is hereby deleted in its entirety.

SECTION 5. Amendment of Section 5.01(b)(x). Section 5.01(b)(x) is hereby amended and restated in its entirety to read as follows:

> (x) not more than 60 days (or 105 days in the case of the last fiscal quarter of a fiscal year of such Borrower) after the end of each fiscal quarter of such Borrower, a certificate of an authorized financial officer of such Borrower stating the respective ratings, if any, by each of S&P and Moody's of the senior unsecured long-term debt of such Borrower as of the last day of such quarter; and

SECTION 6. Amendment of Section 5.02(a). Section 5.02(a) of the Credit Agreement is hereby amended by deleting clauses (ii), (vi), (vii) and (viii) thereof and replacing them with the following: "(ii) [Intentionally Deleted]"; "(vi) [Intentionally Deleted]"; "(vii) [Intentionally Deleted]"; and "(viii) [Intentionally Deleted]", respectively.

SECTION 7. Amendment of Section 5.02(b). Section 5.02(b) of the Credit Agreement is hereby amended as follows:

(a) Clause (i) of such Section 5.02(b) is hereby amended and restated to read in its entirety as follows:

> (b) Debt. (i) In the case of TWC, permit the ratio of (A) the aggregate amount of Net Debt of TWC to (B) the sum of the Consolidated Net Worth of TWC plus Net Debt of TWC to exceed (1) 0.7 to 1.0 at any time during the period beginning on the date hereof through December 31, 2000, (2) 0.675 to 1.0 at any time during the period beginning on January 1, 2001 through December 31, 2001, or (3) 0.65 to 1.0 at any time during the period beginning on January 1, 2002 through the term of this Agreement;

(b) Clause (ii) of such Section 5.02(b) is hereby deleted in its entirety and replaced with the following: "(ii) [Intentionally Deleted]."

(c) Clause (iii) of such Section 5.02(b) is hereby amended by deleting the words "and WHD" in the parenthetical occurring in the first line thereof.

SECTION 8. Amendment of Section 5.02(c). Section 5.02(c) of the Credit Agreement is hereby amended by deleting clauses (iv) and (vi) thereof and replacing them with "(iv) [Intentionally Deleted]" and "(vi) [Intentionally Deleted]," respectively

SECTION 9. Amendment of Section 5.02(d). Section 5.02(d) of the Credit Agreement is hereby amended as follows:

(a) The reference to "WNG" in the parenthetical beginning in the seventh line thereof is replaced with a reference to "WPC."

(b) The word "and" is inserted in the ninth line thereof after the phrase "Exhibit E", the comma after the phrase "Exhibit E" in the twelfth line thereof is replaced with a period, and the ending phrase reading "and (4) any encumbrances and restrictions created in connection with any sale and lease-back of cushion gas by any Borrower or any Subsidiary of any Borrower or any sale and lease-back of inventory by WPL or any of its Subsidiaries (other than another Borrower)," together with the final period, are hereby deleted.

SECTION 10. Amendment of Section 5.02(f). Section 5.02(f) of the Credit Agreement is hereby amended as follows: the references to WilTel, WCG and WHD in clause (1) in the fifth line of such Section 5.02(f) and in clause (2) in the eighth line of such Section 5.02(f) are each deleted. References in such Section to "WNG" are replaced by references to "WPC".

SECTION 11. Amendment of Section 5.02(j). Section 5.02(j) is amended by inserting the word "and" after the phrase "TGT and its Subsidiaries," in clause (iv) thereof, and replacing the comma ending clause (v) with a period and deleting clauses (vi) and (vii) thereof.

SECTION 12. Amendments of Schedules III through VII. The following clauses of Schedules III through VII are hereby deleted: clause (aa) of each of Schedules III, IV and V; clause (bb) of Schedule VI and clause (j) of Schedule VII.

SECTION 13. Deletion of Schedule VIII. Schedule VIII is hereby deleted in its entirety.

SECTION 14. Withdrawal of WHD; Merger. Pursuant to a letter dated May 20, 1999 delivered to the Agent from Williams Holdings of Delaware, Inc. ("WHD"), WHD has terminated, pursuant to Section 2.04(a) of the Credit Agreement, the Commitments of the Banks to WHD in whole and has elected, pursuant to Section 2.04(b) of the Credit Agreement, to cease to be a Borrower under the Credit Agreement, effective as of the date of such letter; provided that, pursuant to Section 2.04(b) of the Credit Agreement, WHD remains a Borrower for purposes of the definition of Majority Banks and for purposes of Sections 2.11, 2.14 and 8.04 thereof. WHD subsequently merged into TWC, such merger effective as of July 31, 1999 and, to the extent that WHD continues in its capacity as a Borrower pursuant to Section 2.04(b) of the Credit Agreement, TWC assumed the obligations of WHD.

SECTION 15. To induce the Agent and the Banks to enter into this Amendment, the Borrowers hereby reaffirm, as of the date hereof, their representations and warranties contained in Article IV of the Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(a) Each Borrower is a duly organized or validly formed, validly existing and in good standing under the laws of the State of Delaware and has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of such Borrower and its Subsidiaries taken as a whole. Each Subsidiary of the Borrower is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of such Borrower and its Subsidiaries taken as a whole. Each Subsidiary of any Borrower has all corporate powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of such Borrower and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by each Borrower of this Amendment and the consummation of the transactions contemplated by this Amendment are within such Borrower's corporate or limited liability company powers, have been duly authorized by all necessary corporate or limited liability company action, do not contravene (i) such Borrower's charter, by-laws or formation agreement or (ii) any law or any contractual restriction binding on or affecting such Borrower and will not result in or require the creation or imposition of any Lien.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by any Borrower of this Amendment or the consummation of the transactions contemplated by this Amendment.

(d) This Amendment has been duly executed and delivered by each Borrower. This Amendment and the Credit Agreement as amended by this Amendment are the legal, valid and binding obligations of each Borrower enforceable against such Borrower in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Except as set forth in the Public Filings, there is, as to each Borrower, no pending or, to the knowledge of each Borrower, threatened action or proceeding affecting such Borrower or any material Subsidiary of such Borrower before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of such Borrower and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Amendment, the Credit Agreement or any Note. For the purposes of this Section, "Public Filings" shall mean each Borrower's respective annual reports on Form 10-K for the year ended December 31, 1998, and each Borrower's respective quarterly reports on Form 10-Q for the quarter ended September 30, 1999.

(f) Upon giving effect to this Amendment, no event has occurred and is continuing which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

SECTION 16. The effectiveness of this Amendment is conditioned upon receipt by the Agent for the account of each Bank the participation and amendment fee due such Bank pursuant to that certain updated information memorandum delivered to the Banks in December, 1999 and receipt by the Agent of all the following documents, each in form and substance satisfactory to the Agent:

(a) Counterparts of this Amendment executed by each of the Borrowers, the Agent and the Majority Banks;

(b) A certificate of the Secretary or Assistant Secretary of each Borrower as to (i) any changes (or the absence of changes) since January 26, 1999 to its certificate of incorporation or certificate of formation and its by-laws or formation agreement as of the date hereof, (ii) the resolutions of the Borrower authorizing the execution of this Amendment and (iii) the names and true signatures of the officers authorized to execute this Amendment;

(c) An opinion of William G. von Glahn, General Counsel of the Borrower, substantially in the form of Exhibit A hereto; and

(d) Such other documents as the Agent shall have reasonably requested.

SECTION 17. This Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement as amended hereby.

SECTION 18. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. Whenever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

SECTION 19. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts.

SECTION 20. This Amendment shall be binding upon each of the Borrowers, the Agent and the Banks and their respective successors and assigns, and shall inure to the benefit of each of the Borrowers, the Agent and the Banks and the successors and assigns of the Banks.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWERS:

THE WILLIAMS COMPANIES, INC.

By:

Name: James G. Ivey
Title: Treasurer

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By:

Name:

Title:

TEXAS GAS TRANSMISSION CORPORATION

By:

Name:

Title:

NORTHWEST PIPELINE CORPORATION

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

AGENT:

CITIBANK, N.A.

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

BANKS:

CITIBANK, N.A.

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

THE CHASE MANHATTAN BANK

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

SUNTRUST BANK, ATLANTA

By:

Name:

Title:

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

CREDIT LYONNAIS NEW YORK BRANCH

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

BANK OF AMERICA, N.A., FORMERLY BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION AND NATIONSBANK, N.A.

By: ------------------------------------

Name: ----------------------------------

Title: ---------------------------------

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

CIBC INC.

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

BANK ONE, NA, FORMERLY KNOWN AS THE FIRS TNATIONAL BANK OF CHICAGO

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

BANK OF MONTREAL

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

THE BANK OF NEW YORK

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

THE BANK OF NOVA SCOTIA

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

BARCLAYS BANK PLC

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

BANKBOSTON, N.A.

By: ------------------------------------

Name: ----------------------------------

Title: ---------------------------------

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

THE FUJI BANK, LIMITED,

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

MELLON BANK, N.A.

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

ROYAL BANK OF CANADA

By: --

Name: ---------------------------------------

Title: --------------------------------------

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

SOCIETE GENERALE, SOUTHWEST AGENCY

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

WELLS FARGO BANK, N.A.

By: ______________________________________

Name: ____________________________________

Title: ___________________________________

[Signature page to Second Amendment to Second Amended and Restated Credit Agreement]

BANK OF OKLAHOMA, N.A.

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

COMMERCE BANK, N.A.

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

CREDIT AGRICOLE INDOSUEZ

By:

Name:

Title:

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
NEW YORK BRANCH

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

THE BANK OF TOKYO-MITSUBISHI, LTD.

By:

Name:

Title:

[Signature page to Second Amendment to Second Amended
and Restated Credit Agreement]

UBS AG, STAMFORD BRANCH

By:

Name:

Title:

By:

Name:

Title:

EXHIBIT 4(o)

WILLIAMS HOLDINGS OF DELAWARE, INC.

THE WILLIAMS COMPANIES, INC.

AND

CITIBANK, N.A.

TRUSTEE

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF JULY 31, 1999

SUPPLEMENTING THE INDENTURE DATED AS OF
FEBRUARY 1, 1996

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (the "First Supplemental Indenture"), dated as of July 31, 1999, by and among Williams Holdings of Delaware, Inc. ("WHD"), a Delaware corporation, The Williams Companies, Inc. ("TWC"), a Delaware corporation, and Citibank, N.A., as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, WHD and the Trustee entered into an Indenture dated as of February 1, 1996 (the "Indenture"), pursuant to which Indenture WHD has issued certain 6 1/4% Senior Debentures due 2006 and Medium-Term Notes (6.40%-6.91%) due 1999-2002 (collectively, the "Notes"); and

WHEREAS, pursuant to an Agreement and Plan of Merger dated as of July 31, 1999, by and between WHD and TWC, WHD has been merged into TWC; and

WHEREAS, Section 9.1 of the Indenture permits the Trustee and WHD to enter into indentures supplemental to evidence succession of another person to WHD and the assumption by such successor of the covenants and obligations of WHD under the Indenture.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WHD, TWC, and the Trustee hereby agree as follows:

Section 1. Definitions. Capitalized terms, which are used but not defined herein, shall have the meanings ascribed to such terms in the Indenture.

Section 2. Assumption of Certain Obligations.

(a) TWC hereby expressly assumes (i) the due and punctual payment of the principal of, premium, if any, on, interest on, and any additional amounts payable under the Indenture in respect of, the Notes, and (ii) the performance of all of the covenants provided for in the Indenture to be performed or observed by WHD.

(b) WHD and the Trustee hereby acknowledge that TWC shall succeed to, and be substituted for, and may exercise every right and power of, WHD under the Indenture with the same effect as if TWC had been named therein.

Section 3. Effect of First Supplemental Indenture. From and after the execution and delivery of this First Supplemental Indenture, the Indenture shall be deemed to be modified as herein provided, but except as modified hereby, the Indenture shall continue in full force and effect. The Indenture as modified hereby shall be read, taken, and construed as one and the same instrument.

Section 4. Notice. Any notice or communication by the Trustee to TWC is duly given if in writing and delivered in person or by express mail service to the address set forth below:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Treasurer

Section 5. Governing Law. This First Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws) as to all matters, including, without limitation, matters of validity, construction, effect, performance, and remedies.

Section 6. Counterparts. This First Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each of WHD, TWC, and the Trustee has caused this First Supplemental Indenture to be executed on its behalf by its duly authorized officer and has caused its official seal to be impressed hereon and attested by one of its duly authorized officers, all as of the day and year first above written.

[SEAL]	WILLIAMS HOLDINGS OF DELAWARE, INC.
Attest	
/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer
[SEAL]	THE WILLIAMS COMPANIES, INC.
Attest	
/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer

[SEAL]	CITIBANK, N.A., AS TRUSTEE
Attest	
/s/ NANCY FORTE	By: /s/ WAFAA ORFY
Name: Nancy Forte	Name: Wafaa Orfy
Title: Trust Officer	Title: Assistant Vice President

EXHIBIT 4(p)

WILLIAMS HOLDINGS OF DELAWARE, INC.

THE WILLIAMS COMPANIES, INC.

AND

BANKERS TRUST COMPANY

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF JULY 31, 1999

SUPPLEMENTING THE INDENTURE DATED AS OF MARCH 31, 1990
AND THE FIRST SUPPLEMENTAL INDENTURE DATED AS OF MARCH 31, 1998

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (the "Second Supplemental Indenture"), dated as of July 31, 1999, by and among Williams Holdings of Delaware, Inc. ("WHD"), a Delaware corporation, The Williams Companies, Inc. ("TWC"), a Delaware corporation, and Bankers Trust Company, a New York banking corporation, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, MAPCO Inc. and the Trustee entered into an Indenture dated as of March 31, 1990 (the "Indenture");

WHEREAS, MAPCO Inc., WHD, and the Trustee entered into the First Supplemental Indenture dated as of March 31, 1998 (the "First Supplemental Indenture");

WHEREAS, pursuant to an Agreement and Plan of Merger dated as of July 31, 1999, by and among WHD and TWC, WHD has been merged into TWC;

WHEREAS, Section 9.01 of the Indenture permits WHD and the Trustee to amend or supplement the Indenture without notice to or the consent of any Holder of Securities (as defined) to comply with Article Five of the Indenture; and

WHEREAS, Article Five of the Indenture requires, in the event of a merger, that the successor expressly assumes by supplemental indenture all of WHD's obligations in respect of the Indenture.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WHD, TWC, and the Trustee hereby agree as follows:

Section 1. Definitions. Capitalized terms which are used but not defined herein shall have the meanings ascribed to such terms in the Indenture.

Section 2. Assumption of Certain Obligations.

(a) TWC hereby expressly assumes (i) the due and punctual payment of the principal of, premium, if any, on, interest on, and any additional amounts payable under the Indenture in respect of, the Indenture, and (ii) the performance of all of the covenants provided for in the Indenture to be performed or observed by WHD.

(b) WHD and the Trustee hereby acknowledge that TWC shall succeed to, and be substituted for, and may exercise every right and power of, WHD under the Indenture with the same effect as if TWC had been named therein.

Section 3. Effect of Second Supplemental Indenture. From and after the execution and delivery of this Second Supplemental Indenture, the Indenture shall be deemed to be modified as herein provided, but except as modified hereby, the Indenture shall continue in full force and effect. The Indenture as modified hereby shall be read, taken, and construed as one and the same instrument.

Section 4. Notice. Any notice or communication by the Trustee to TWC is duly given if in writing and delivered in person or by express mail service to the address set forth below:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Treasurer

Section 5. Governing Law. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws) as to all matters, including, without limitation, matters of validity, construction, effect, performance, and remedies.

Section 6. Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each of WHD, TWC, and the Trustee has caused this Second Supplemental Indenture to be executed on its behalf by its duly authorized officer and has caused its official seal to be impressed hereon and attested by one of its duly authorized officers, all as of the day and year first above written.

[SEAL] WILLIAMS HOLDINGS OF DELAWARE, INC.

Attest

/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer

[SEAL] THE WILLIAMS COMPANIES, INC.

Attest

/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer

[SEAL] BANKERS TRUST COMPANY, AS TRUSTEE

Attest

/s/ MARC PARILLA	By: /s/ SUSAN JOHNSON
Name: Marc Parilla	Name: Susan Johnson
Title: Assistant Vice President	Title: Assistant Vice President

EXHIBIT 4(q)

WILLIAMS HOLDINGS OF DELAWARE, INC.

THE WILLIAMS COMPANIES, INC.

AND

THE FIRST NATIONAL BANK OF CHICAGO

TRUSTEE

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF JULY 31, 1999

SUPPLEMENTING THE INDENTURE DATED AS OF
FEBRUARY 25, 1997, AS AMENDED

FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (the "Fourth Supplemental Indenture"), dated as of July 31, 1999, by and among Williams Holdings of Delaware, Inc. ("WHD"), a Delaware corporation, The Williams Companies, Inc. ("TWC"), a Delaware corporation, and The First National Bank of Chicago, a national banking association, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, MAPCO Inc. and the Trustee entered into an Indenture dated as of February 25, 1997, as amended by a Supplemental Indenture No. 1 dated March 5, 1997, a Supplemental Indenture No. 2 dated March 5, 1997, and a Third Supplemental Indenture dated March 31, 1998 (the "Indenture"), pursuant to which Indenture WHD has issued certain 7.25% Notes due 2009 and 7.70% Debentures due 2027 (collectively, the "Notes"); and

WHEREAS, pursuant to an Agreement and Plan of Merger dated as of July 31, 1999, by and between WHD and TWC, WHD has been merged into TWC; and

WHEREAS, Section 8.1 of the Indenture permits the Trustee and WHD to enter into indentures supplemental to evidence succession of another person to WHD and the assumption by such successor of the covenants and obligations of WHD under the Indenture.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WHD, TWC, and the Trustee hereby agree as follows:

Section 1. Definitions. Capitalized terms, which are used but not defined herein, shall have the meanings ascribed to such terms in the Indenture.

Section 2. Assumption of Certain Obligations.

(a) TWC hereby expressly assumes (i) the due and punctual payment of the principal of, premium, if any, on, interest on, and any additional amounts payable under the Indenture in respect of, the Notes, and (ii) the performance of all of the covenants provided for in the Indenture to be performed or observed by WHD.

(b) WHD and the Trustee hereby acknowledge that TWC shall succeed to, and be substituted for, and may exercise every right and power of, WHD under the Indenture with the same effect as if TWC had been named therein.

Section 3. Effect of Fourth Supplemental Indenture. From and after the execution and delivery of this Fourth Supplemental Indenture, the Indenture shall be deemed to be modified as herein provided, but except as modified hereby, the Indenture shall continue in full force and effect. The Indenture as modified hereby shall be read, taken, and construed as one and the same instrument.

Section 4. Notice. Any notice or communication by the Trustee to TWC is duly given if in writing and delivered in person or by express mail service to the address set forth below:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Treasurer

Section 5. Governing Law. This Fourth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws) as to all matters, including, without limitation, matters of validity, construction, effect, performance, and remedies.

Section 6. Counterparts. This Fourth Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each of WHD, TWC, and the Trustee has caused this Fourth Supplemental Indenture to be executed on its behalf by its duly authorized officer and has caused its official seal to be impressed hereon and attested by one of its duly authorized officers, all as of the day and year first above written.

[SEAL] WILLIAMS HOLDINGS OF DELAWARE, INC.

Attest

/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer

[SEAL] THE WILLIAMS COMPANIES, INC.

Attest

/s/ SHAWNA L. GEHRES	By: /s/ JAMES G. IVEY
Name: Shawna L. Gehres	Name: James G. Ivey
Title: Secretary	Title: Treasurer

[SEAL] THE FIRST NATIONAL BANK OF CHICAGO, AS TRUSTEE

Attest

/s/ SOMSRI HELMER By: /s/ R. J. BRUNER

Name: Somsri Helmer Name: R. J. Bruner

Title: Trust Officer Title: Vice President

EXHIBIT 12

THE WILLIAMS COMPANIES, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDEND REQUIREMENTS
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
Earnings:					
Income from continuing operations before income taxes, extraordinary gain (loss) and cumulative effect of change in accounting principle	$ 323.0	$248.6	$ 677.5	$ 779.2	$509.6
Add:					
Interest expense -- net	598.2	484.5	440.6	410.5	321.8
Rental expense representative of interest factor	123.0	49.1	39.5	32.8	32.5
Preferred dividends of subsidiaries	--	--	--	--	3.7
Interest accrued -- 50% owned companies	7.5	6.2	--	1.3	30.7
Minority interest in income (loss) and preferred returns of consolidated subsidiaries	(7.2)	(9.6)	18.2	1.4	12.3
Equity losses in less than 50% owned companies	40.2	14.8	--	--	--
Other	(4.8)	7.6	3.2	6.3	8.0
Total earnings as adjusted plus fixed charges	$1,079.9	$801.2	$1,179.0	$1,231.5	$918.6
Combined fixed charges and preferred stock dividend requirements:					
Interest expense -- net	$ 598.2	$484.5	$ 440.6	$ 410.5	$321.8
Capitalized interest	69.8	30.6	23.3	8.2	16.2
Rental expense representative of interest factor	123.0	49.1	39.5	32.8	32.5
Pretax effect of dividends on preferred stock of the Company	5.1	12.4	16.1	16.2	18.0
Pretax effect of dividends on preferred stock and other preferred returns of subsidiaries	26.7	--	--	--	5.8
Interest accrued -- 50% owned companies	7.5	6.2	--	1.3	30.7
Combined fixed charges and preferred stock dividend requirements	$ 830.3	$582.8	$ 519.5	$ 469.0	$425.0
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	1.30	1.37	2.27	2.63	2.16

EXHIBIT 18

February 17, 2000

Board of Directors
The Williams Companies, Inc.
One Williams Center
Tulsa, OK 74101

Dear Sirs and Mesdames:

Note 1 of the Notes to consolidated financial statements of The Williams Companies, Inc. included in its Form 10-K for the year ended December 31, 1999, describes a change in the method of accounting for certain of its non-trading crude oil and refined products inventories from the last-in, first-out cost method to the average-cost method. There are no authoritative criteria for determining a `preferable' inventory costing method based on the particular circumstances; however, we conclude that such change in the method of accounting is to an acceptable alternative method which, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances.

Very truly yours,

/s/ Ernst & Young LLP

Beech Grove Processing Company *	Tennessee	100%
Tennessee Processing Company	Delaware	100%
Inland Ports, Inc. *	Tennessee	100%
Kentucky Asset Management, Inc.	Kentucky	100%
Langside Limited *	Bermuda	100%
Realco Realty Corp. *	Delaware	100%
Realco of Crown Center, Inc.	Delaware	100%
Realco of San Antonio, Inc.	Delaware	100%
The Tennessee Coal Company *	Delaware	100%
Transco Energy Company *	Delaware	100%
Energy Tech, Inc.	Delaware	100%
Transco Coal Gas Company	Delaware	100%
Transco Energy Investment Company	Delaware	100%
Transco Exploration Company	Delaware	100%
Transco Gas Company	Delaware	100%
Border Gas, Inc.	Delaware	10%
Liberty Operating Company	Delaware	100%
NESP Supply Corp.	Delaware	33.33%
Transco Liberty Pipeline Company	Delaware	100%
Transeastern Gas Pipeline Company, Inc.	Delaware	100%
Transco P-S Company	Delaware	100%
Transco Resources, Inc.	Delaware	100%
Magnolia Methane Corp.	Delaware	100%
Transco Terminal Company	Delaware	100%
Transco Tower Realty, Inc.	Delaware	100%
Tulsa Williams Company *	Delaware	100%
Valley View Coal, Inc. *	Tennessee	100%
WHD Enterprises, Inc. *	Delaware	100%
WilMart, Inc. *	Delaware	100%
Williams Acquisition Holding Company, Inc. *	New Jersey	100%
Fishhawk Ranch, Inc.	Florida	100%
Williams Acquisition Holding Company, Inc. Del *	Delaware	100%
Williams Aircraft, Inc. *	Delaware	100%
ChoiceSeat, L.L.C. *	Delaware	100%
Williams Indonesia, L.L.C. *	Delaware	100%
Williams International Investments Cayman Limited *	Cayman Islands	100%
The Asian Infrastructure Fund	Cayman Islands	79.56%
Williams Communications Group, Inc. *	Delaware	85%
Williams Communications, Inc.	Delaware	100%
Axient Communications, Inc.	Arizona	8.3%
CSI Incorporated *	Delaware	84.54%
Compass Telecommunications, Inc.	Nevada	19.9%
Concentric Network Corporation	Delaware	11.5%
Critical Connections, Inc. *	Delaware	100%
Data Communications 2000, Inc.	California	100%
Global Access Telecommunications Services Limited	England	100%
Intersys Mexico, Sa de CV	Mexico	100%
Vvytech, Ltd.	England	100%
Vyvx International Ltd	England	100%
WCS Communications Systems, Inc. *	Delaware	100%
WCS Microwave Services, Inc. *	Nevada	100%
Williams Communications Group PTE Ltd.	Singapore	100%
Williams Communications Group, Ltd.	England	100%
Williams Communications of Virginia, Inc.	Virginia	100%
Williams Global Communications Holdings, Inc.	Cayman Islands	100%
Williams International ATL Limited *	Cayman Islands	100%
ATL - Algar Telecom Leste, S. A. *	Brazil	20%
ATL Cayman International	Cayman Islands	100%

Johi Representacoes Ltda *	Brazil	100%
ATL - Algar Telecom Leste, S. A. *	Brazil	35%
ATL Cayman International	Cayman Islands	100%
SKTI-US L.L.C.	Delaware	50%
ATL - Algar Telecom Leste, S. A. *	Brazil	30%
Williams International Australian Telecom Limited *	Cayman Islands	100%
Seroja Klasik Sdn. Bhd.	Malaysia	19.9%
PowerTel Limited *	Australia	31.7%
Williams International Ventures Company *	Delaware	100%
Powertel Pty Limited	Australia	100%
WilTel Communications Pty Limited	Australia	100%
PowerTel Limited *	Australia	35%
Williams International Telecom Chile Limited *	Cayman Islands	100%
MetroCom S.A.	Chile	19.9%
Williams Learning Network, Inc. *	Delaware	100%
Williams Local Network, Inc.	Delaware	100%
Williams Wireless, Inc. *	Delaware	100%
Ziplink	Delaware	1.7%
Williams Energy Company *	Delaware	100%
Williams Energy Services *	Delaware	100%
Longhorn Enterprises of Texas, Inc. *	Delaware	100%
MAPCO Inc. DE	Delaware	100%
FleetOne Inc. *	Delaware	100%
Gas Supply, L.L.C.	Delaware	100%
MAPCO Alaska Inc.	Alaska	100%
MAPCO Canada Energy Inc.	Canada	100%
MAPCO Energy Services, L.L.C.	Delaware	100%
MAPCO Impressions Inc.	Oklahoma	100%
MAPCO Inc. NV	Nevada	100%
MAPCO Indonesia Inc.	Delaware	100%
MAPCO Minerals Corporation	Delaware	100%
TouchStar Technologies, L.L.C.	Delaware	100%
Servicios de TouchStar de Mexico S.A. de C.V. *	Mexico	90%
TouchStar Pacific Pty Limited	Australia	100%
TouchStar de Mexico S.A. de C.V. *	Mexico	90%
TouchSystems Australia Pty. Ltd.	Australia	100%
Williams Energy, L.L.C.	Delaware	100%
Williams Gathering & Transportation, L.L.C. *	Oklahoma	32.5%
Williams Equities, Inc.	Delaware	100%
Williams Gas Pipeline - Alliance Canada, Inc.	New Brunswick	100%
Williams International Energy, Inc.	Delaware	100%
WPX Enterprises, Inc.	Delaware	100%
Williams Customer Information Solution, Inc.	Delaware	100%
Williams Distributed Power Services, Inc. *	Delaware	100%
ESPAGAS USA, Inc. *	Delaware	100%
ESPAGAS, S.A. de C.V. *	Mexico	10%
Servicios de ESPAGAS. S.A. de C.V. *	Mexico	10%
Servicios de TouchStar de Mexico S.A. de C.V. *	Mexico	10%
TouchStar de Mexico S.A. de C.V. *	Mexico	10%
ESPAGAS, S.A. de C.V. *	Mexico	90%
Servicios de ESPAGAS. S.A. de C.V. *	Mexico	90%
Touchstar Energy Technologies, Inc. *	Texas	100%
Williams Energy Ventures, Inc.	Delaware	100%
Williams Ethanol Services, Inc.	Delaware	100%
Williams Memphis Terminal, Inc.	Delaware	100%
Williams Field Services Group, Inc.	Delaware	100%
Carbon County UCG, Inc.	Delaware	100%
Energy International Corporation	Pennsylvania	100%
WFS - Liquids Company	Delaware	100%
HI-BOL Pipeline Company	Delaware	100%

WFS - Offshore Gathering Company *	Delaware	100%
WFS - Pipeline Company *	Delaware	100%
WFS - NGL Pipeline Company, Inc.	Delaware	100%
Tri-States NGL Pipeline, L.L.C.	Delaware	16.67%
WFS - OCS Gathering Co.	Delaware	100%
WFS Enterprises, Inc.	Delaware	100%
Williams Field Services Company	Delaware	100%
Williams Gas Processing - Gulf Coast Company, L.P. *	Delaware	1%
Williams Gas Processing - Kansas Hugoton Company	Delaware	100%
Williams Gas Processing - Mid-Continent Region Company	Delaware	100%
Williams Gas Processing - Wamsutter Company	Delaware	100%
Williams Gas Processing Company	Delaware	100%
Williams Merchant Services Company, Inc.	Delaware	100%
Williams Energy Marketing & Trading Company	Delaware	100%
F T & T, Inc. *	Delaware	100%
Hazleton Fuel Management Company *	Delaware	100%
Hazleton Pipeline Company	Delaware	100%
TM Cogeneration Company	Delaware	100%
TransNetwork Holding Company *	Delaware	100%
Williams Energy Network, Inc.	Delaware	100%
Transco Energy Marketing Company	Delaware	100%
TXG Gas Marketing Company *	Delaware	100%
Williams Gas Company *	Delaware	100%
Utility Management Corporation	Delaware	100%
Williams Independence Marketing Company	Delaware	100%
Williams Pipe Line Company	Delaware	100%
WillBros Terminal Company	Delaware	100%
Williams Kansas El Dorado-Americus Company	Delaware	100%
Williams Pipe Line Company of Wisconsin	Wisconsin	100%
Williams Terminals Company	Delaware	100%
Williams Production Company	Delaware	100%
WPX Gas Resources Company	Delaware	100%
Williams Generation Company - Hazleton	Delaware	100%
Williams Production Rocky Mountain Company	Delaware	100%
Williams Environmental Services Company *	Delaware	100%
Williams Exploration Company *	Delaware	100%
Rainbow Resources, Inc.	Colorado	100%
Williams Express, Inc. DE *	Delaware	100%
Alaska Blimpie Co-Op, Inc.	Delaware	50%
Alaska Blimpie Co-op, Inc.	Delaware	50%
Valley Towing Service, Inc.	Tennessee	100%
Williams Alaska Petroleum, Inc.	Alaska	100%
Williams Express, Inc. AK	Alaska	100%
Williams Gathering & Transportation, L.L.C. *	Oklahoma	67.5%
Williams Petroleum Pipeline Systems, Inc.	Delaware	100%
Williams TravelCenters, Inc.	Delaware	100%
Williams Gas Pipeline Company	Delaware	100%
Kern River Acquisition Corporation *	Delaware	100%
Kern River Gas Transmission Company *	Texas	50%
Kern River Funding Corporation	Delaware	100%
Northwest Pipeline Corporation *	Delaware	100%
NWP Enterprises, Inc.	Delaware	100%
Texas Gas Transmission Corporation *	Delaware	100%
TGT Enterprises, Inc.	Delaware	100%
Transcontinental Gas Pipe Line Corporation *	Delaware	100%
Cardinal Operating Company	Delaware	100%
Cross Bay Operating Company	Delaware	100%
Cumberland Operating Company	Delaware	100%
Independence Operating Company	Delaware	100%
Marsh Resources, Inc.	Delaware	100%

Pine Needle Operating Company	Delaware	100%
TGPL Enterprises, Inc.	Delaware	100%
TRANSCO CROSS BAY COMPANY	Delaware	100%
TransCardinal Company	Delaware	100%
TransCarolina LNG Company	Delaware	100%
TransCumberland Pipeline Company	Delaware	100%
Transco Independence Pipeline Company	Delaware	100%
WGP Enterprises, Inc.	Delaware	100%
Williams Gas Processing - Gulf Coast Company, L.P. *	Delaware	99%
Williams Buccaneer Operating Company *	Delaware	100%
Williams Gas Pipeline - Alliance U.S., Inc.	Delaware	100%
Williams Gas Pipelines Central, Inc. *	Delaware	100%
Williams Storage Company *	Delaware	100%
Williams Western Pipeline Company *	Delaware	100%
Kern River Gas Transmission Company *	Texas	50%
Kern River Funding Corporation	Delaware	100%
Williams Headquarters Acquisition Company *	Delaware	100%
Williams Headquarters Building Company *	Delaware	100%
Williams Headquarters Management Company *	Delaware	100%
Williams Hugoton Compression Services, Inc. *	Delaware	100%
Williams Information Services Corporation *	Delaware	100%
Williams International Company *	Delaware	100%
Williams Gas Pipeline Mexico, S.A. de C.V. *	Mexico	10%
Williams Global Holdings Company	Delaware	100%
Williams Intercontinental Holdings Company	Delaware	100%
Williams International Bermuda Limited *	Bermuda	100%
Williams International Communications, Inc.	Delaware	100%
Williams International Cusiana-Cupiagua Limited	Cayman Islands	100%
Williams International Ecuadorian Ventures Bermuda Limited *	Bermuda	100%
Williams International El Furrial Limited	Cayman Islands	100%
WilPro Energy Services El Furrial Limited	Cayman Islands	66.67%
Williams International Guara Limited	Cayman Islands	100%
WilPro Energy Services Guara Limited	Cayman Islands	100%
Williams International Holdings Limited	Cayman Islands	100%
Williams International Investment Ventures Cayman Limited	Cayman Islands	100%
Williams International Investments Cayman Limited *	Cayman Islands	100%
The Asian Infrastructure Fund	Cayman Islands	79.56%
Williams International Jose Limited	Cayman Islands	100%
Williams International Oil & Gas Venezuela Limited	Cayman Islands	100%
Williams International Operations Venezuela Limited	Cayman Islands	100%
Williams International Pigap Limited	Cayman Islands	100%
WilPro Energy Services Pigap II Limited	Cayman Islands	70%
Williams International Pipeline Company	Delaware	100%
Williams Gas Pipeline Mexico, S.A. de C.V. *	Mexico	90%
Williams International Services Company	Nevada	100%
Worldwide Services Limited	Cayman Islands	100%
Williams International Telecom Limited *	Delaware	100%
Lightel S. A. Tecnologia da Informacao *		20%
ATL - Algar Telecom Leste, S. A. *	Brazil	35%
ATL Cayman International	Cayman Islands	100%
Williams International Telecommunications Investments Cayman Limited	Cayman Islands	100%
AIF Telecom Fund	Cayman Islands	6.41%
Williams International Venezuela Limited	Cayman Islands	100%
Williams International Ventures Bermuda Ltd. *	Bermuda	100%
Williams Learning Network UK Limited	England	100%
Williams WPC International Company	Delaware	100%
Williams Learning Center, Inc. *	Delaware	100%
Williams Midstream Natural Gas Liquids, Inc. *	Delaware	100%
Williams Natural Gas Liquids, Inc. *	Delaware	100%
Mid-America Pipeline Company	Delaware	100%

Juarez Pipeline Company	Delaware	100%
MAPL Investments, Inc.	Delaware	100%
Seminole Pipeline Company	Delaware	80%
Terrebonne Pipeline Company	Delaware	100%
Williams Ammonia Pipeline Inc.	Delaware	100%
Williams Fertilizer, Inc.	Delaware	100%
Williams Gas Energy, Inc.	Delaware	100%
Williams West Texas NGL Pipeline Company	Delaware	100%
Williams One-Call Services, Inc. *	Delaware	100%
Williams Pipeline Services Company *	Delaware	100%
Williams Reit One, Inc.	Delaware	100%
Williams Reit Two, Inc.	Delaware	100%
Williams Relocation Management, Inc. *	Delaware	100%
Williams Sodium Products Company *	Delaware	100%
Williams Strategic Sourcing Company *	Delaware	100%
Williams Underground Gas Storage Company *	Delaware	100%
Kiowa Gas Storage, L.L.C.	Delaware	50%
Williams WPC - I, Inc.	Delaware	100%
Williams WPC - II, Inc.	Delaware	100%
Williams Western Holding Company, Inc. *	Delaware	100%
Northwest Alaskan Pipeline Company	Delaware	100%
Northwest Argentina Corporation	Utah	100%
Northwest Border Pipeline Company	Delaware	100%
Northwest Land Company	Delaware	100%

- ------------------
*Multiple Parents

EXHIBIT 23(a)

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following registration statements on Form S-3 and related prospectuses and in the following registration statements on Form S-8 of The Williams Companies, Inc. of our report dated February 17, 2000, with respect to the consolidated financial statements and schedules of The Williams Companies, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 1999:

Form S-3:	Registration No. 333-20929; Registration No. 333-35097; Registration No. 333-29185; Registration No. 333-24683; Registration No. 333-66141; Registration No. 333-20927
Form S-8:	Registration No. 33-36770; Registration No. 33-44381; Registration No. 33-40979; Registration No. 33-45550; Registration No. 33-43999; Registration No. 33-51539; Registration No. 33-51543; Registration No. 33-51551; Registration No. 33-51549; Registration No. 33-51547; Registration No. 33-51545; Registration No. 33-56521; Registration No. 33-58671; Registration No. 333-03957; Registration No. 333-11151; Registration No. 333-40721; Registration No. 333-33735; Registration No. 333-30095; Registration No. 333-48945; Registration No. 333-61597; Registration No. 333-90265; and Registration No. 333-76929.

ERNST & YOUNG LLP

Tulsa, Oklahoma
March 22, 2000

EXHIBIT 23(b)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the registration statements of The Williams Companies, Inc. shown below of our report dated January 27, 1998 (March 3, 1998, as to Notes 2 and 16 to the MAPCO Inc. consolidated financial statements) with respect to the consolidated financial statements of MAPCO Inc., which report includes explanatory paragraphs relating to certain litigation to which MAPCO Inc. is a defendant and the change in its method of accounting for business process reengineering activities to conform to the consensus reached by the Emerging Issues Task Force in Issue No. 97-13, appearing in this Annual Report of The Williams Companies, Inc. on Form 10-K for the year ended December 31, 1999.

Form S-3:	Registration No. 333-20927	Registration No. 333-20929
	Registration No. 333-24683	Registration No. 333-29185
	Registration No. 333-35097	Registration No. 333-66141

Form S-8:	Registration No. 33-36770	Registration No. 33-40979
	Registration No. 33-43999	Registration No. 33-44381
	Registration No. 33-45550	Registration No. 33-51539
	Registration No. 33-51543	Registration No. 33-51545
	Registration No. 33-51547	Registration No. 33-51549
	Registration No. 33-51551	Registration No. 33-56521
	Registration No. 33-58671	
	Registration No. 333-03957	Registration No. 333-11151
	Registration No. 333-30095	Registration No. 333-33735
	Registration No. 333-40721	Registration No. 333-48945
	Registration No. 333-61597	Registration No. 333-76929
	Registration No. 333-90265	

Deloitte & Touche LLP
Tulsa, Oklahoma
March 22, 2000

EXHIBIT 24

THE WILLIAMS COMPANIES, INC.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned individuals, in their capacity as a director or officer, or both, as hereinafter set forth below their signature, of THE WILLIAMS COMPANIES, INC., a Delaware corporation ("Williams"), does hereby constitute and appoint WILLIAM G. VON GLAHN, SHAWNA L. GEHRES, and LORETTA K. ROBERTS their true and lawful attorneys and each of them (with full power to act without the others) their true and lawful attorneys for them and in their name and in their capacity as a director or officer, or both, of Williams, as hereinafter set forth below their signature, to sign Williams' Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 1999, and any and all amendments thereto or all instruments necessary or incidental in connection therewith; and

THAT the undersigned Williams does hereby constitute and appoint WILLIAM G. VON GLAHN, SHAWNA L. GEHRES, and LORETTA K. ROBERTS its true and lawful attorneys and each of them (with full power to act without the others) its true and lawful attorney for it and in its name and on its behalf to sign said Form 10-K and any and all amendments thereto and any and all instruments necessary or incidental in connection therewith.

Each of said attorneys shall have full power of substitution and resubstitution, and said attorneys or any of them or any substitute appointed by any of them hereunder shall have full power and authority to do and perform in the name and on behalf of each of the undersigned, in any and all capacities, every act whatsoever requisite or necessary to be done in the premises, as fully to all intents and purposes as each of the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys or any of them or of any such substitute pursuant hereto.

IN WITNESS WHEREOF, the undersigned have executed this instrument, all as of the 23rd day of January, 2000.

/s/ Keith E. Bailey	/s/ Jack D. McCarthy
Keith E. Bailey Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	Jack D. McCarthy Senior Vice President (Principal Financial Officer)

/s/ Gary R. Belitz

Gary R. Belitz
Controller
(Principal Accounting Officer)

/s/ Hugh M. Chapman Hugh M. Chapman Director	/s/ Glenn A. Cox Glenn A. Cox Director
/s/ Thomas H. Cruikshank Thomas H. Cruikshank Director	/s/ William E. Green William E. Green Director
/s/ Patricia L. Higgins Patricia L. Higgins Director	/s/ W.R. Howell W.R. Howell Director
/s/ James C. Lewis James C. Lewis Director	/s/ Jack A. MacAllister Jack A. MacAllister Director
/s/ Frank T. MacInnis Frank T. MacInnis Director	/s/ Peter C. Meinig Peter C. Meinig Director
/s/ Gordon R. Parker Gordon R. Parker Director	/s/ Janice D. Stoney Janice D. Stoney Director

/s/ Joseph H. Williams

Joseph H. Williams
Director

THE WILLIAMS COMPANIES, INC.

By /s/ William G. von Glahn

William G. von Glahn
Senior Vice President

ATTEST:

/s/ Shawna L. Gehres

Shawna L. Gehres
Secretary

THE WILLIAMS COMPANIES, INC.

I, the undersigned, Shawna L. Gehres, Secretary THE WILLIAMS COMPANIES, INC. a Delaware company (hereinafter called the "Company"), do hereby certify that pursuant to Section 141(f) of the General Corporation Law of Delaware, the Board of Directors of this Corporation unanimously consented, as of January 21, 2000, to the following:

> RESOLVED that the Chairman of the Board, the President or any Vice President of the Company be, and each of them hereby is, authorized and empowered to execute a Power of Attorney for use in connection with the execution and filing, for and on behalf of the Company, under the Securities Exchange Act of 1934, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

I further certify that the foregoing resolution has not been modified, revoked or rescinded and is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of THE WILLIAMS COMPANIES, INC. this 28th day of March, 2000.

/s/ SHAWNA L. GEHRES

Shawna L. Gehres
Secretary

[CORPORATE SEAL]

5
0000107263
THE WILLIAMS COMPANIES, INC.
1,000,000

12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
1,092
1,435
2,556
48
632
6,517
19,250
4,094
25,289
5,772
9,235
176
0
444
5,141
25,289
0
8,593
0
6,358
14
28
668
323
161
162
0
65
(6)
221
.50
.50

THESE AMOUNTS HAVE BEEN RESTATED OR RECLASSIFIED AS DISCUSSED IN NOTE 1 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

0000107263
THE WILLIAMS COMPANIES, INC.
1,000,000

12-MOS	12-MOS
DEC-31-1998	DEC-31-1997
JAN-01-1998	JAN-01-1997
DEC-31-1998	JUN-30-1997
503	122
0	0
1,755	1,606
31	22
497	442
3,486	2,869
16,206	14,605
3,621	3,068
18,647	16,283
4,439	3,593
6,366	5,352
0	0
102	142
432	432
3,723	3,664
18,647	16,283
0	0
7,658	8,249
0	0
5,541	6,255
196	39
40	13
515	464
248	677
107	241
141	436
(14)	(6)
(5)	(79)
0	0
122	351
.27	.83
.27	.81

5

THESE AMOUNTS HAVE BEEN RESTATED OR RECLASSIFIED AS DISCUSSED IN NOTE 1 OF NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

0000107263
THE WILLIAMS COMPANIES, INC.
1,000,000

3-MOS	6-MOS	9-MOS
DEC-31-1999	DEC-31-1999	DEC-31-1999
JAN-01-1999	JAN-01-1999	JAN-01-1999
MAR-31-1999	JUN-30-1999	SEP-30-1999
330	200	288
0	0	0
1,694	1,951	2,442
40	40	43
538	575	682
3,267	3,567	4,273
16,631	17,245	18,074
3,704	3,806	3,972
19,175	20,016	21,384
4,933	5,387	5,302
6,192	6,190	7,773
0	0	0
80	72	69
436	438	438
3,818	3,827	3,739
19,175	20,016	21,384
0	0	0
1,944	3,937	6,144
0	0	0
1,399	2,834	4,501
(3)	31	25
10	13	19
143	278	447
100	168	236
41	91	131
59	77	105
0	0	0
0	0	0
(6)	(6)	(6)
53	71	99
.12	.16	.22
.12	.16	.22

THESE AMOUNTS HAVE BEEN RESTATED OR RECLASSIFIED AS DISCUSSED IN NOTE 1 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

0000107263
THE WILLIAMS COMPANIES, INC.
1,000,000

3-MOS	6-MOS	9-MOS
DEC-31-1998	DEC-31-1998	DEC-31-1998
JAN-01-1998	JAN-01-1998	JAN-01-1998
MAR-31-1998	JUN-30-1998	SEP-30-1998
173	136	92
0	0	0
1,507	1,557	1,716
21	23	40
423	483	435
2,690	3,204	2,974
14,931	15,378	15,859
3,182	3,310	3,442
16,414	17,572	17,763
3,473	4,104	3,734
5,416	5,843	6,323
0	0	0
120	117	102
427	429	432
3,800	3,823	3,788
16,414	17,572	17,763
0	0	0
1,959	3,733	5,620
0	0	0
1,431	2,690	4,067
32	58	97
0	3	23
118	245	376
111	214	269
43	85	108
68	129	161
0	0	0
(5)	(5)	(5)
0	0	0
63	124	156
.15	.29	.35
.14	.28	.35

EXHIBIT 99

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
MAPCO Inc.:

We have audited the consolidated statements of income, changes in stockholders' equity, and cash flows of MAPCO Inc. and subsidiaries for the year ended December 31, 1997 (none of which are presented herein). Our audit also included the financial statement schedules listed at Item 14(a)2 in the MAPCO Inc. 1997 Annual Report on Form 10-K (not presented herein). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations of MAPCO Inc. and subsidiaries and their cash flows for the year ended December 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 16 to the MAPCO Inc. consolidated financial statements, MAPCO Inc. is a defendant in litigation relating to an LPG explosion in April 1992, that occurred near an underground salt dome storage facility located near Brenham, Texas.

Effective October 1, 1997, MAPCO Inc. changed its method of accounting for business process reengineering activities to conform to the consensus reached by the Emerging Issues Task Force in Issue No. 97-13.

Deloitte & Touche LLP
Tulsa, Oklahoma
January 27, 1998
(March 3, 1998, as to Notes 2 and 16
to the MAPCO Inc. consolidated financial statements)