

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement [] Confidential, for Use of the
Commission Only (as permitted by
Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

THE WILLIAMS COMPANIES, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and
0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee
is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

 [] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act
Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid
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the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[Williams Companies Logo]

KEITH E. BAILEY, CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER

To the Stockholders of The Williams Companies, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of The Williams Companies, Inc. to be held on Thursday, May 15, 1997, in the Adam's Mark Hotel, 100 East 2nd Street, Tulsa, Oklahoma, commencing at 11 a.m., local time. We look forward to greeting personally as many of our stockholders as possible at the meeting.

The Notice of the Annual Meeting and Proxy Statement accompanying this letter provide information concerning matters to be considered and acted upon at the meeting. A report on the operations of the Company will be presented at the meeting, followed by a question-and-answer and discussion period.

We know that most of our stockholders are unable personally to attend the Annual Meeting. Proxies are solicited so that each stockholder has an opportunity to vote on all matters that are scheduled to come before the meeting. Whether or not you plan to attend, please take a few minutes now to sign, date and return your proxy in the enclosed postage-paid envelope. Regardless of the number of shares you own, your vote is important.

Thank you for your continued interest in the Company.

Very truly yours,

/s/ KEITH E. BAILEY

Keith E. Bailey

Enclosures
March 26, 1997

THE WILLIAMS COMPANIES, INC.
ONE WILLIAMS CENTER
TULSA, OKLAHOMA 74172

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 15, 1997

To the Stockholders of
The Williams Companies, Inc.

NOTICE IS HEREBY GIVEN that the 1997 Annual Meeting of Stockholders of The Williams Companies, Inc. will be held in the Adam's Mark Hotel, 100 East 2nd Street, Tulsa, Oklahoma, on Thursday, May 15, 1997, at 11 a.m., local time, for the following purposes:

1. To elect three directors of the Company;
2. To consider and act upon a proposal to amend the Company's Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock;
3. To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as the independent auditor of the Company for 1997; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 21, 1997, as the record date for the meeting, and only holders of Common Stock of record at such time will be entitled to vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

David M. Higbee
Secretary

Tulsa, Oklahoma
March 26, 1997

EVEN IF YOU INTEND TO BE PRESENT AT THE MEETING, PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY PROMPTLY SO THAT YOUR SHARES OF COMMON STOCK MAY BE REPRESENTED AND VOTED AT THE MEETING. A RETURN ENVELOPE IS ENCLOSED FOR THIS PURPOSE.

THE WILLIAMS COMPANIES, INC.
ONE WILLIAMS CENTER
TULSA, OKLAHOMA 74172

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

MAY 15, 1997

This Proxy Statement is furnished by The Williams Companies, Inc. (the "Company"), in connection with the solicitation of proxies by the Board of Directors of the Company to be used at the 1997 Annual Meeting of Stockholders to be held at the time and place and for the purposes set forth in the foregoing Notice of Annual Meeting of Stockholders, and at any and all adjournments of said meeting. The term "Company" also includes subsidiaries where the context requires.

SOLICITATION AND REVOCATION OF PROXIES AND VOTING

Execution and return of the enclosed proxy will not affect a stockholder's right to attend the Annual Meeting of Stockholders and to vote in person, and a stockholder giving a proxy has the power to revoke it at any time before it is exercised. The proxy may be revoked prior to its exercise by delivering written notice of revocation to the Secretary of the Company, by executing a later dated proxy or by attending the Annual Meeting and voting in person. Properly executed proxies in the accompanying form, received in due time and not previously revoked, will be voted at the Annual Meeting or any adjournment thereof as specified therein by the person giving the proxy, but, if no specification is made, the shares represented by proxy will be voted as recommended by the Board of Directors.

The expenses of this proxy solicitation, including the cost of preparing and mailing the Proxy Statement and proxy, will be paid by the Company. Such expenses may also include the charges and expenses of banks, brokerage firms and other custodians, nominees or fiduciaries for forwarding proxies and proxy material to beneficial owners of the Company's Common Stock. The Company expects to solicit proxies primarily by mail, but directors, officers, employees and agents of the Company may also solicit proxies in person or by telephone or by other electronic means. In addition, the Company has retained Morrow & Co., Inc. to assist in the solicitation of proxies for which the Company will pay an estimated \$9,500 in fees, plus expenses and disbursements. This Proxy Statement and accompanying proxy were first mailed to stockholders on or about March 31, 1997.

The presence, in person or by proxy, of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business. If a quorum is present, proposals to be voted on at the Annual Meeting, other than the election of directors which requires a plurality of the votes cast, will be decided by a majority of the votes cast by the stockholders entitled to vote thereon, present in person or represented by proxy, unless the proposal relates to matters on which more than a majority vote is required under the Company's Restated Certificate of Incorporation, as amended, its By-laws, the laws of the State of Delaware under whose laws the Company is incorporated, or other applicable law.

A stockholder may, with respect to the election of directors: (i) vote for the election of all nominees named herein; (ii) withhold authority to vote for all such nominees; or (iii) vote for the election of all such nominees other than any nominees with respect to whom the vote is specifically withheld by indicating in the space provided on the proxy. A stockholder may, with respect to each other matter to be voted upon: (i) vote for the matter; (ii) vote against the matter; or (iii) abstain from voting on the matter.

Votes withheld from a nominee for election as a director or votes on other matters that reflect abstentions or broker non-votes (i.e., shares as to which the record owner has not received instructions from the beneficial owner of the shares on a matter as to which, under the applicable rules of the New York Stock Exchange, the record owner does not have authority to vote without such instruction), will be treated as present at the

Annual Meeting for the purpose of determining a quorum but will not be counted as votes cast. A majority of the votes properly cast is required to ratify the appointment of the auditor. The affirmative vote of a majority of the shares of the Company's outstanding Common Stock is required to approve the amendment to the Company's Restated Certificate of Incorporation. Accordingly, abstentions and broker non-votes will have the effect of a vote against the amendment.

As a matter of policy, proxies and voting tabulations that identify individual stockholders are kept confidential. Such documents are only made available to those who process the proxy cards, tabulate the vote and serve as inspectors of election, none of whom are Company employees, and certain employees of the Company responsible for the Annual Meeting. The vote of any stockholder is not disclosed except as may be necessary to meet legal requirements.

Only holders of the Company's Common Stock of record at the close of business on March 21, 1997, will be entitled to receive notice of and to vote at the Annual Meeting. The Company had 158,712,481 shares of Common Stock outstanding on the record date, and each share is entitled to one vote.

ELECTION OF DIRECTORS

The Company's Restated Certificate of Incorporation, as amended, provides for three classes of directors of as nearly equal size as possible and further provides that the total number of directors shall be determined by resolution adopted by the affirmative vote of a majority of the Board of Directors, except that the total number of directors may not be less than five nor more than 17. The term of each class of directors is normally three years and the term of one class expires each year in rotation.

Three individuals, all of whom are currently directors of the Company, have been nominated for election as directors at the Annual Meeting. Each has been nominated for a three-year term and nine directors will continue in office to serve pursuant to their prior elections. In accordance with the recommendation of the Nominating Committee, the Board of Directors proposes that the following nominees be elected: Messrs. Keith E. Bailey, W. R. Howell and James C. Lewis. The nominees named have been nominated for full three-year terms expiring in May 2000. Mr. James A. McClure, currently a director of the Company, will retire at the 1997 Annual Meeting in accordance with the Company's retirement policy for directors, and the Board has elected to reduce the size of the Board to 12 effective with such retirement.

The persons named as proxies in the accompanying proxy, who have been designated by the Board of Directors, intend to vote, unless otherwise instructed in such proxy, for the election of Messrs. Keith E. Bailey, W. R. Howell and James C. Lewis. Should any nominee named herein become unable for any reason to stand for election as a director of the Company, the persons named in the proxy will vote for the election of such other person or persons as the Nominating Committee may recommend and the Board of Directors may propose to replace such nominee or, if none, the Nominating Committee will recommend that the size of the Board be reduced. The Company knows of no reason why any of the nominees will be unavailable or unable to serve.

The names of the nominees and the directors whose terms of office will continue after the 1997 Annual Meeting, their principal occupations during the past five years, other directorships held and certain other information are set forth below.

STANDING FOR ELECTION

CLASS I

(TERM EXPIRES MAY 2000)

KEITH E. BAILEY, AGE 54

Director since 1988. Mr. Bailey was elected Chairman of the Board of the Company in 1994. He was elected President of the Company in 1992 and Chief Executive Officer in 1994. He served as Executive Vice President of the Company from 1986 to 1992. Mr. Bailey is also a director of BOK Financial Corporation, Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, Texas Gas Transmission Corporation and Apco Argentina Inc.

W. R. HOWELL, AGE 61

Director since March 1997. Mr. Howell is Chairman Emeritus of J. C. Penney Company, Inc., a major retailer. He was Chairman of the Board and Chief Executive Officer of J. C. Penney from 1983 to 1995. He is also a director of Exxon Corporation, Warner-Lambert Company, Bankers Trust, Halliburton Company and Chairman of the Board of Trustees of Southern Methodist University, Dallas, Texas.

JAMES C. LEWIS, AGE 64

Director since 1978. Mr. Lewis is Chairman of the Board of Optimus Corporation, an investment company, and has been for more than five years. Mr. Lewis is also a director of CFT, Inc.

DIRECTORS CONTINUING IN OFFICE

CLASS II

(TERM EXPIRES MAY 1998)

GLENN A. COX, AGE 67

Director since 1992. Mr. Cox was President and Chief Operating Officer of Phillips Petroleum Company, a company engaged in the exploration, production, refining and marketing of petroleum and in the manufacture and distribution of a wide variety of chemicals, until his retirement in 1991. Mr. Cox is also a director of BOK Financial Corporation, Helmerich & Payne, Inc. and Union Texas Petroleum Holdings, Inc.

THOMAS H. CRUIKSHANK, AGE 65

Director since 1990. Mr. Cruikshank was Chairman of the Board and Chief Executive Officer of Halliburton Company, a diversified oil field services, engineering and construction company, until his retirement in 1995. He was an executive of Halliburton for more than five years. Mr. Cruikshank is also a director of The Goodyear Tire & Rubber Company, Seagull Energy Corporation and Lehman Bros. Holdings, Inc.

PATRICIA L. HIGGINS, AGE 47

Director since 1995. Ms. Higgins is Vice President and Chief Information Officer of the Aluminum Company of America, an integrated aluminum company, and has been since January 1997. She was President of Worldwide Communications Market Sector Group of Unisys Corporation from 1995 to 1996 and a Group Vice President of NYNEX from 1991 to 1994. Ms. Higgins is also a director of Fleet Bank N.A.

GORDON R. PARKER, AGE 61

Director since 1987. Mr. Parker was Chairman of the Board of Newmont Mining Corporation, a company engaged in the exploration for, and the operation and management of, precious metal properties, until his retirement in 1994. He was an executive of Newmont for more than five years. Mr. Parker is also a director of Caterpillar, Inc. and Phelps Dodge Corporation.

JOSEPH H. WILLIAMS, AGE 63

Director since 1969. Mr. Williams is engaged in personal investments. He was Chairman of the Board and Chief Executive Officer of the Company prior to his retirement in 1994. He was an executive of the Company for more than five years. Mr. Williams is also a director of The Prudential Life Insurance Company of America, Flint Industries, Inc. and The Orvis Company, Inc.

CLASS III

(TERM EXPIRES MAY 1999)

ROBERT J. LAFORTUNE, AGE 70

Director since 1978. Mr. LaFortune is self-employed and manages personal interests and investments. He has been so employed for more than five years. He is the former mayor of Tulsa. Mr. LaFortune is also a director of BOK Financial Corporation.

JACK A. MACALLISTER, AGE 69

Director since 1994. Mr. MacAllister is Chairman Emeritus of U S WEST, Inc., a telecommunications company. Mr. MacAllister retired as Chairman of the Board of U S WEST in 1992. He served as the Chief Executive Officer of U S WEST from 1982 to 1990. Mr. MacAllister is also a director of TELUS Corporation.

PETER C. MEINIG, AGE 57

Director since 1993. Mr. Meinig is President and Chief Executive Officer of HM International, Inc., a privately-owned diversified manufacturing and management company, and has been for more than five years.

KAY A. ORR, AGE 58

Director since 1991. Mrs. Orr served as Governor of Nebraska from 1987 to 1991. Mrs. Orr is also a director of the Consumer Services Board of ServiceMaster.

COMMITTEES, MEETINGS AND DIRECTOR COMPENSATION

The Board of Directors has the responsibility for establishing broad corporate policies and for the overall performance of the Company. However, the Board is not involved in the day-to-day operations of the Company. The Board is kept informed of the Company's business through discussions with the Chief Executive Officer and other officers, by reviewing analyses and reports provided to it on a regular basis and by participating in Board and Committee meetings.

The Board of Directors held 12 meetings during 1996. No director attended less than 75 percent of the Board and Committee meetings. The Board has established standing committees to consider designated matters. The Committees of the Board are Executive, Audit, Nominating and Compensation. In accordance with the By-laws of the Company, the Board of Directors annually elects from its members the members and chairman of each Committee.

Executive Committee. Members: Keith E. Bailey, Chairman, Glenn A. Cox, Robert J. LaFortune, James C. Lewis, Peter C. Meinig and Joseph H. Williams.

The Executive Committee is authorized to act for the Board of Directors in the management of the business and affairs of the Company, except as such authority may be limited from time to time by the laws of the State of Delaware. The Executive Committee met one time in 1996.

Audit Committee. Members: Robert J. LaFortune, Chairman, Patricia L. Higgins, James C. Lewis, James A. McClure, Peter C. Meinig and Kay A. Orr.

The Audit Committee is composed of nonemployee directors. The Audit Committee annually considers the qualifications of the independent auditor of the Company and makes recommendations to the Board on the engagement of the independent auditor. The Audit Committee meets on a scheduled basis with representatives of the independent auditor and is available to meet at the request of the independent auditor. During meetings, the Audit Committee receives reports regarding the Company's books of accounts, accounting procedures, financial statements, audit policies and procedures and other matters within the scope of the Committee's duties. It reviews the plans for and results of audits of the Company and its subsidiaries. It reviews and approves the independence of the independent auditor. It considers and authorizes the fees for both audit and nonaudit services of the independent auditor, and the Committee or its Chairman must authorize in advance any nonaudit services in excess of \$50,000.

The Audit Committee also meets with representatives of the Company's Audit Services Department. It reviews the results of the internal audits, compliance with the Company's written policies and procedures and the adequacy of the Company's system of internal accounting and management controls. It meets with the financial and accounting officers of the Company and the executive officers of subsidiary companies to review various aspects of their operations. During 1996, the Audit Committee met seven times.

Nominating Committee. Members: Kay A. Orr, Chairman, Thomas H. Cruikshank, Jack A. MacAllister, James A. McClure, Gordon R. Parker and Joseph H. Williams.

The Nominating Committee is composed of nonemployee directors. The Nominating Committee is responsible for recommending candidates to fill vacancies on the Board as such vacancies occur, as well as the slate of nominees for election as directors by the stockholders at each Annual Meeting of Stockholders. Additionally, the Committee recommends to the Board the individual to be the Chairman of the Board and Chief Executive Officer. During 1996, the Nominating Committee met three times.

Qualifications considered by the Nominating Committee for director candidates include an attained position of leadership in the candidate's field of endeavor, business and financial experience, demonstrated exercise of sound business judgment, expertise relevant to the Company's lines of business and the ability to serve the interests of all stockholders. The Committee will consider director candidates submitted to it by other directors, employees and stockholders. As a requisite to consideration, each recommendation must be accompanied by biographical material on the proposed candidate, as well as an indication that the proposed candidate would be willing to serve as a director if elected. Recommendations with supporting material may be sent to the attention of the Corporate Secretary.

Compensation Committee. Members: Thomas H. Cruikshank, Chairman, Glenn A. Cox, Patricia L. Higgins, Jack A. MacAllister and Gordon R. Parker.

The members of the Compensation Committee are nonemployee directors and are not eligible to participate in any of the plans or programs which the Committee administers. The Compensation Committee approves the standard for setting salary ranges for executive officers of the Company, reviews and approves the salary budgets for all other officers of the Company and of each subsidiary and specifically reviews and approves the compensation of the senior executives of the Company. It reviews action taken by management in accordance with the salary guidelines for executives and establishes the performance objectives for variable compensation for executives. It also approves stock option grants for the executive officers named herein. See the "Compensation Committee Report on Executive Compensation" elsewhere herein. During 1996, the Compensation Committee met three times.

Compensation of Directors. Employee directors receive no additional compensation for service on the Board of Directors or Committees of the Board. Directors who are not employees receive an annual retainer of \$12,000 in cash and 375 shares of Common Stock and a Committee retainer (with the exception of the Executive Committee) of \$4,000 for each Committee assignment held, and an additional fee for attending Board and Committee meetings (with the exception of Executive Committee meetings) of \$1,000 and \$500, respectively. Members of the Executive Committee do not receive an annual retainer for Executive Committee membership but do receive a \$750 meeting fee. Chairmen of the Audit, Nominating and Compensation Committees are paid an additional annual fee of \$2,500.

Under the Company's 1996 Stock Plan for Non-Employee Directors, a director may elect to receive all or any part of cash fees in the form of Common Stock or deferred stock. Deferred stock may be deferred to any subsequent year or until such individual ceases to be a director. Dividend equivalents are paid on deferred shares and may be received in cash or reinvested in additional deferred shares. Six directors elected to defer fees under this plan in 1996.

Under the 1996 Stock Plan for Non-Employee Directors, all nonemployee directors receive an annual stock option grant of 2,000 shares of the Company's Common Stock. The options are exercisable on the date of grant and remain exercisable until the earlier of ten years after the date of grant or five years after the director ceases to serve as a director of the Company. The exercise price is equal to the market value of the stock on the date of grant as defined by the Plan.

All directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board or any Committee or otherwise by reason of their being a director.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

The following table provides certain summary information concerning compensation of the Company's Chief Executive Officer and each of the four other most highly compensated executive officers of the Company for the three fiscal years ended December 31, 1996:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION		
		SALARY	BONUS (YR. EARNED)	RESTRICTED STOCK AWARDS(1)(2) (YR. EARNED)	STOCK OPTIONS(3)	ALL OTHER COMPENSATION(4)
Keith E. Bailey	1996	\$675,000	\$275,000	\$ 675,356(5)	75,001	\$ 9,914
Chairman, President and Chief Executive Officer	1995	572,000	250,000	573,950(5)	75,001	13,740
	1994	550,000	0	1,202,750(5)	75,001	13,500
Brian E. O'Neill	1996	\$326,000	\$163,876	\$ 70,233	30,001	\$53,742(6)
President,	1995	313,600	239,640	70,560	22,500	58,483(6)
Williams' Interstate Natural Gas Pipelines	1994	304,600	109,000	82,000	24,901	58,243(6)
Stephen L. Cropper	1996	\$310,250	\$136,006	\$ 58,288	30,001	\$ 9,914
President, Williams Energy Group	1995	290,000	194,516	51,221	37,501	13,740
	1994	271,600	80,500	81,000	24,901	13,500
John C. Bumgarner, Jr.	1996	\$307,450	\$161,412	69,176	30,001	\$ 9,914
Senior Vice President, Corporate Development & Planning	1995	279,450	246,712	312,846(7)	37,501	13,740
	1994	266,450	110,000	53,000	22,500	13,500
Lloyd A. Hightower	1996	\$301,000	\$225,750	\$ 0	30,001	\$ 9,914
President, Williams Field Services Group(8)	1995	291,600	167,880	50,520	22,500	13,740
	1994	271,600	70,200	90,000	24,901	13,500

(1) Amounts reported in this column include the dollar value of deferred and restricted stock awards under the terms of the Company's 1996 Stock Plan and 1990 Stock Plan as of the date such awards were granted. Awards converted to deferred stock are done so based on the 52-week average stock price for the award year. Receipt of deferred stock is deferred for three years.

(2) The total number of restricted shares held and the aggregate market value at December 31, 1996, were as follows: Mr. Bailey, 168,250 shares valued at \$6,309,375 and Mr. Bumgarner, 15,000 shares valued at \$562,500. The total number of shares of deferred stock held and the aggregate market value at December 31, 1996, were as follows: Mr. Bailey, 35,664 shares valued at \$1,337,400; Mr. O'Neill, 34,663 shares valued at \$1,299,863; Mr. Cropper, 17,955 shares valued at \$673,312; Mr. Bumgarner, 42,048 shares valued at \$1,576,800; and Mr. Hightower, 10,094 shares valued at \$378,525. Aggregate market value was calculated using \$37.50 per share, the closing price of the Company's Common Stock reported in the table entitled "New York Stock Exchange Composite Transactions" contained in The Wall Street Journal for December 31, 1996. Dividends are paid on the restricted shares and dividend equivalents are paid on deferred stock at the same time and at the same rate as dividends paid to stockholders generally.

(3) Adjusted to reflect the impact of a three-for-two stock split distributed on December 30, 1996.

(4) Consists of contributions made by the Company to the Investment Plus Plan, a defined contribution plan, on behalf of each of the named executive officers and allocations made by the Company to the accounts of the named executive officers under the Bonus Employee Stock Ownership Plan, except as noted in Note 6.

(5) Represents 37,500 shares of restricted stock valued at the market price on date of grant (\$17.333) awarded in January 1994, 33,000 shares of restricted stock valued at December 31, 1994 (\$16.75) awarded in 1995 as 1994 incentive compensation, 19,650 shares of restricted stock valued at Decem-

ber 31, 1995 (\$29.209) awarded in 1996 as 1995 incentive compensation and 18,100 shares of restricted stock valued at December 31, 1996 (\$37.3125) awarded in 1997 as 1996 incentive compensation instead of the cash and deferred stock incentive compensation received by other executive officers. The restrictions on Mr. Bailey's restricted stock awards lapse in April 2002.

- (6) Includes an annual payment of \$44,742 from Transcontinental Gas Pipe Line Corporation, a subsidiary of the Company, under the terms of a separation of employment agreement between Mr. O'Neill and Transco Energy Company, dated November 24, 1987.
- (7) Includes 15,000 shares of restricted stock valued at the market price on date of grant (\$16.667) and awarded as a special bonus in 1995. The restrictions on Mr. Bumgarner's restricted stock lapse three years from date of grant.
- (8) Mr. Hightower retired as of January 31, 1997.

STOCK OPTION GRANTS IN LAST FISCAL YEAR

The following table provides certain information concerning the grant of stock options during the last fiscal year to the named executive officers:

OPTION GRANTS IN LAST FISCAL YEAR

NAME	INDIVIDUAL GRANTS(1)(2)					GRANT DATE PRESENT VALUE(3)
	NUMBER OF OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (PER SHARE)	EXPIRATION DATE		
Keith E. Bailey	24,999	0.62%	\$33.375	03/21/06	\$245,657	
	25,001	0.62	32.250	07/20/06	248,838	
	25,001	0.62	34.625	11/21/06	252,172	
	75,001	1.86%			\$746,667	
	=====	=====			=====	
Brian E. O'Neill	9,999	0.25%	\$33.375	03/21/06	\$ 98,257	
	10,001	0.25	32.250	07/20/06	99,538	
	10,001	0.25	34.625	11/21/06	100,872	
	30,001	0.75%			\$298,667	
	=====	=====			=====	
Stephen L. Cropper	9,999	0.25%	\$33.375	03/21/06	\$ 98,257	
	10,001	0.25	32.250	07/20/06	99,538	
	10,001	0.25	34.625	11/21/06	100,872	
	30,001	0.75%			\$298,667	
	=====	=====			=====	
John C. Bumgarner, Jr.	9,999	0.25%	\$33.375	03/21/06	\$ 98,257	
	10,001	0.25	32.250	07/20/06	99,538	
	10,001	0.25	34.625	11/21/06	100,872	
	30,001	0.75%			\$298,667	
	=====	=====			=====	
Lloyd A. Hightower	9,999	0.25%	\$33.375	03/21/06	\$ 98,257	
	10,001	0.25	32.250	07/20/06	99,538	
	10,001	0.25	34.625	11/21/06	100,872	
	30,001	0.75%			\$298,667	
	=====	=====			=====	

(1) Adjusted to reflect the three-for-two stock split distributed on December 30, 1996.

(2) Options granted in 1996 will vest 50 percent on January 20, 2000, and 50 percent on January 20, 2001, subject to accelerated vesting in certain circumstances. The options generally have a term of ten years, subject to earlier expiration following certain terminations of employment. The options permit the executive officers to elect cashless withholding of option shares to pay taxes in certain circumstances. The Company granted these options under its 1990 and 1996 Stock Plans.

- (3) The grant date present value is determined using the Black-Scholes option pricing model. The present value, as of the date of grant, calculated using the Black-Scholes model, is based on assumptions about future stock price volatility and dividend yield. The model does not take into account that the stock options are subject to vesting restrictions and that executives cannot sell their options. The calculations assume an expected volatility of 24 percent, a risk-free rate of return of 6.2 percent, a dividend yield of 3 percent and an exercise date at the end of the contractual term in 2006. The actual value, if any, that may be realized by an executive will depend on the market price of the Company's Common Stock on the date of exercise. The dollar amounts shown are not intended to forecast possible future appreciation in the Company's stock price.

OPTION EXERCISES AND FISCAL YEAR-END VALUES

The following table provides certain information on stock option exercises in 1996 by the named executive officers and the value of such officers' unexercised options at December 31, 1996:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED, IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Keith E. Bailey.....	33,000	\$ 792,000	395,301	100,002	\$8,825,528	\$783,355
Brian E. O'Neill.....	112,200	2,305,798	88,900	38,302	1,818,715	280,915
Stephen L. Cropper.....	34,500	883,602	146,168	38,302	3,104,485	280,915
John C. Bumgarner, Jr.....	0	0	78,536	37,501	1,401,429	265,629
Lloyd A. Hightower.....	0	0	79,699	38,302	1,582,707	280,915

- (1) Based on the closing price of the Company's Common Stock reported in the table entitled "New York Stock Exchange Composite Transactions" contained in The Wall Street Journal for December 31, 1996 (\$37.50), less the exercise price. The values shown reflect the value of options accumulated over periods of up to ten years. Such values had not been realized at that date and may not be realized. In the event the options are exercised, their value will depend upon the value of the Company's Common Stock on the date of exercise.

RETIREMENT PLAN

The Company's Pension Plan is a noncontributory, tax-qualified defined benefit plan subject to the Employee Retirement Income Security Act of 1974. The Pension Plan generally includes salaried employees of the Company who have completed one year of service. Except as noted below, executive officers of the Company participate in the Pension Plan on the same terms as other full-time employees.

The normal retirement benefit is a monthly annuity determined by averaging compensation during the four calendar years of employment with the highest compensation within the ten calendar years preceding retirement. Covered compensation includes amounts in the Bonus and Restricted Stock Awards columns of the Summary Compensation Table (as to deferred stock only and restricted stock in the case of Mr. Bailey). Normal retirement age is 65. Early retirement may be taken with reduced benefits beginning as early as age 55. At retirement, employees are entitled to receive a single-life annuity or one of several optional forms of settlement having an equivalent actuarial value to the single-life annuity.

The Internal Revenue Code of 1986, as amended (the "Code"), currently limits the pension benefits that can be paid from a tax-qualified defined benefit plan, such as the Pension Plan, to highly compensated individuals. These limits prevent such individuals from receiving the full pension benefit based on the same formula as is applicable to other employees. As a result, the Company has adopted an unfunded Supplemental Retirement Plan to provide a supplemental retirement benefit equal to the amount of such reduction to every

employee whose benefit payable under the Pension Plan is reduced by Code limitations, including the executive officers named in the Summary Compensation Table.

The following schedule illustrates projected annual retirement benefits based on the formula effective June 11, 1996, payable under both the tax-qualified and the supplemental retirement plans based on various levels of final average annual remuneration and years of service. The benefits are not subject to deduction for any offset amounts:

PENSION PLAN TABLE

REMUNERATION	YEARS OF SERVICE				
	15	20	25	30	35
\$ 400,000	\$109,022	\$145,363	\$181,703	\$218,044	\$ 254,385
600,000	164,522	219,363	274,203	329,044	383,885
800,000	220,022	293,363	366,703	440,044	513,385
1,000,000	275,522	367,363	459,203	551,044	642,885
1,200,000	331,022	441,363	551,703	662,044	772,385
1,400,000	386,522	515,363	644,203	773,044	901,885
1,600,000	442,022	589,363	736,703	884,044	1,031,385
1,800,000	497,522	663,363	829,203	995,044	1,160,885

As of December 31, 1996, the years of credited service under the Pension Plan for the executive officers named in the Summary Compensation Table were: Mr. Bailey, 23; Mr. O'Neill, 9; Mr. Cropper, 22; Mr. Bumgarner, 20; and Mr. Hightower, 23.

EMPLOYMENT AGREEMENTS

As authorized by the Board of Directors, the Company has separate employment agreements with certain of the executive officers named in the Summary Compensation Table and certain other individuals. Each agreement is for a term of thirty months, renewing monthly on an "evergreen" basis unless terminated under various termination options.

The agreements provide that if the Company terminates the agreement, other than for cause, as defined, for disability, as defined, or on less than thirty-months' notice or the executive terminates the agreement for breach by the Company, including good reason, as defined, then, subject to the duty to mitigate, the executive shall be entitled to receive damages for breach of the agreement, consisting of (i) a cash payment equal to the executive's compensation, including incentive compensation, that would have been paid during the thirty-month notice period, assuming certain increases; (ii) an increase in the executive's retirement benefits based upon an additional five years of age and credited service; (iii) continuation of the executive's participation in insurance and other fringe benefit plans of the Company, or the provision of equivalent benefits, for a period of five years; and (iv) payment of an amount equal to nonvested contributions to certain other benefit plans of the Company. The Company does not believe that any of such payments would constitute "parachute payments" as defined in Section 280G of the Code and, therefore, would not be subject to the excise tax imposed under the Code. However, in the event the payments are determined to be subject to such tax, the agreements provide that the Company will pay an additional cash amount sufficient to pay such tax.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the "Committee") is composed of independent outside directors. The Committee is responsible for overseeing and administering the Company's executive compensation program.

COMPENSATION POLICY

The executive compensation program of the Company is designed to serve the interests of the Company and its stockholders by aligning executive compensation with stockholder objectives and to encourage and reward management initiatives and performance. Specifically, the executive compensation program seeks to:

(i) implement compensation practices that allow the Company to attract and retain qualified executives and maintain a competitive position in the executive marketplace with employers of comparable size and in similar lines of business;

(ii) enhance the compensation potential of executives who are in the best position to contribute to the growth and success of the Company by providing flexibility to compensate individual performance; and

(iii) directly align the interests of executives with the interests of stockholders through compensation opportunities in the form of ownership of Common Stock or Common Stock equivalents.

These objectives are met through a program comprised of base salary; annual cash bonus and deferred stock opportunities directly tied to individual performance as well as consolidated and operating company performance; and long-term incentive opportunities primarily in the form of stock options and deferred stock and the selective use of restricted stock. Compensation decisions under the executive compensation program with respect to those executives named in the Summary Compensation Table are made by the Committee.

COMPENSATION PROGRAM

Base Salary. Base salary ranges for the Company's executive officers, including those named in the Summary Compensation Table, were targeted at the 50th percentile of salary survey results. For this purpose, the Company compares itself to a group of natural gas transmission companies that are basically the same companies utilized by Standard & Poor's for the S&P Natural Gas Index used by the Company in the performance graph appearing elsewhere herein. In addition, general and telecommunications industry-specific compensation survey information supplied by nationally known compensation consulting firms and other information concerning overall compensation levels and structure, such as cash compensation and stock option award information disclosed in proxy statements of other companies, are used by the Committee in making compensation decisions.

The Committee considers base salary adjustments for each of the Company's executive officers annually. The Committee also approves annually a merit increase budget for all officers. For 1996, the merit increase budget approved for executive and salaried employees was 4.0 percent. This target was arrived at after a review of survey data. Within this framework, base salary increases for the Company's executive officers ranged from 3.2 to 5.9 percent, excluding adjustment increases. The average 1996 merit increase for such officers was 4.4 percent. Specific increases for individual executive officers involve consideration of certain subjective factors, principally the performance of such executive over the prior compensation period.

Cash Bonus and Deferred Stock. The bonus arrangement for Mr. Bailey is discussed elsewhere herein. The other executive officers of the Company are eligible each year for cash bonuses and deferred stock awards. Each executive officer has a target opportunity that is a percentage of base salary that can be earned if stretch performance targets are met. The target opportunity percentages vary by level of management. The percentages of base salary used for this purpose range from 10 percent for manager level participants to 75 percent for executive officers. The four components of the award formula are personal performance, performance to plan, performance to peers and shareholder return. Awards are earned based on the extent to which preestablished performance targets are achieved in each area. Each component is weighted, with the

sum of the weights for the four components totaling one. The components are weighted differently for each level of management depending on the Committee's subjective judgment as to the particular level of management's ability to influence achieving the performance targets for a given award component. An executive officer's award for a given year is the sum of the product of (i) the percentage actual performance bears to targeted performance (the "performance factor"); (ii) the applicable weight of the component; (iii) the target opportunity percentage; and (iv) the participant's base salary, for each of the four components.

The performance targets for the performance to plan and performance to peers components are set by the Committee at threshold, plan and stretch levels at the beginning of each year. The plan level represents a targeted level of performance for the plan year as submitted by the respective business units and as approved by the Committee in January of the plan year. Threshold and stretch levels represent the Committee's subjective assessment of performance below which there should be no bonus (the threshold target) and performance at which the full bonus potential should be paid (the stretch target). If performance is at plan, the performance factor used to calculate the award is normally 50 percent. Performance above or below plan results in awards representing a linear increase/decrease from plan to stretch and from plan to threshold depending upon where actual performance falls. Where results exceed stretch, the performance factor applied is within the sole discretion of the Committee, although, except in unusual circumstances, the performance factor may not exceed 100 percent of the award potential. Except in unusual circumstances, there are no awards for performance below threshold.

The personal performance assessment for each executive officer is based on a subjective analysis of the individual's performance with consideration given to such factors as significant business decisions, innovative achievements and timely completion of projects within budgeted ranges, among other things. The performance to plan performance factor for 1996 was tied to net income attributable to Common Stock for the Company's corporate executives and operating profit of the individual operating companies for executives in these units. The performance to peers performance factor was tied to consolidated return on equity for the Company's corporate executives and either return on equity, return on assets or consolidated return on equity of the individual operating companies, for executives in these units. Shareholder return performance was tied to earnings per share. The Committee retains the discretion to adjust reported performance to allow for extraordinary, nonrecurring factors.

Once the award is determined for each executive officer as described above, 70 percent of the award is paid in cash and 30 percent is deferred and paid in stock. The 30 percent mandatory deferred portion vests three years from the award date. Executive officers have the option to defer all or a portion of the cash award. Participants who elect to defer all or a portion of the cash award can defer for up to five years from the award date. Deferred stock cannot be sold or otherwise disposed of until the applicable deferral period lapses. The value of the deferred award is at risk during the deferral period since the value is tied to the stock price.

Long-term Compensation. The Company's 1996 Stock Plan, approved by the stockholders in 1996, permits the Committee to grant different types of stock-based awards, including deferred stock discussed above. The 1996 Stock Plan provides for stock option awards giving executives the right to purchase Common Stock over a ten-year period at the market value per share of the Company's Common Stock, as defined by the 1996 Stock Plan, as of the date the option is granted. The stock option program was revised in 1995 with 1996 awards vesting 50 percent on January 20, 2000, and 50 percent on January 20, 2001, with a provision for accelerated vesting before such dates if the Common Stock price reaches 1.61 times the average stock price on the first business day of January in the award year, for five out of ten consecutive business days. The Committee's objective with respect to stock option awards is to provide a long-term component to overall compensation which aligns the interests of executives with the interests of stockholders through stock ownership. Compensation opportunities in the form of stock options serve this purpose.

The Committee has established stock option award targets for each level of management participating in the stock option program. The target levels for annual stock option grants have been established based on competitive market practices and range from 50,000 shares for the Chairman, President and Chief Executive Officer to 1,500 shares for manager-level employees. In making decisions on stock option awards, the

Committee has available to it information on previous stock option awards granted to its executive officers. Stock option awards are not tied to preestablished performance targets.

The 1996 Stock Plan also provides for the issuance of restricted stock, which the executive cannot sell or otherwise dispose of until the applicable restriction period lapses. Restricted stock is normally forfeited if the executive terminates employment for any reason other than retirement, disability or death prior to the lapsing of applicable restrictions. The Committee uses restricted stock awards primarily to provide, on a selective basis, a vehicle for tying an element of compensation to the executive's willingness to remain with the Company in a way that aligns the executive's interests with those of the other stockholders.

At the end of 1996, the Committee retained a consulting firm to review the Company's overall executive compensation program. The consultant's findings indicated that, on average, the Company's executive officers' annual compensation (base salary plus annual bonus) was between median and 75th percentile relative to companies of its size. Except for Mr. Bailey, the Company's total compensation (annual compensation plus annualized present value of long-term incentive awards) was, on average, at about the 75th percentile relative to its peers and companies its size. Mr. Bailey's total compensation relative to the peer companies was above median, but less than the 75th percentile.

CHIEF EXECUTIVE OFFICER COMPENSATION

The full Board meets in executive session in November of each year to review Mr. Bailey's performance. The session is conducted without Mr. Bailey present, and the meeting is chaired by the Chairman of the Compensation Committee. The results of this performance review, which are shared with Mr. Bailey, are used by the Compensation Committee in making its review of Mr. Bailey's performance for compensation purposes.

The Committee approved a merit increase for Mr. Bailey in 1996 of 4 percent plus an adjustment of 14 percent to bring his base salary more in line with survey results. The recommendation was based primarily on a subjective evaluation of Mr. Bailey's performance in 1995 and a review of market survey data. Mr. Bailey's 1996 base salary approximated the median of salary survey results.

As previously mentioned, a special incentive compensation program has been designed for Mr. Bailey. As a result, Mr. Bailey does not participate in the cash bonus and deferred stock programs applicable to other executive officers previously described. In order to weight Mr. Bailey's base compensation more heavily in the form of stock, the incentive compensation program approved for him pays out entirely in restricted stock to the extent earned. The maximum award potential under the program is equal to 100 percent of base salary. The award earned in 1996 and paid in January 1997 was 18,100 shares of restricted stock. This award represents 100 percent of the award potential based on the achievement of targeted performance relative to earnings per share and a subjective evaluation of performance. The restricted stock vests in 2002. The restricted stock is forfeited to the extent Mr. Bailey terminates employment prior to the lapse of the restriction period whether due to resignation, voluntary retirement without prior Board consent or termination for cause. The Committee also awarded Mr. Bailey an additional cash bonus of \$275,000 for what the Committee deemed to be particularly outstanding performance in 1996. Under Mr. Bailey's leadership and direction, the Company continued to grow both its energy and telecommunications businesses, merged existing business units into three primary groups and introduced performance initiatives designed to increase efficiency of operations and increase responsiveness to customer needs. Also in 1996, the Company's Common Stock appreciated approximately 28 percent.

A stock option grant of 50,000 shares was also approved for Mr. Bailey in 1996. This award represents 100 percent of the target for stock option awards previously established by the Committee for the Chairman, President and Chief Executive Officer position. The specific award, relative to the target, was based on a subjective analysis of Mr. Bailey's performance.

OTHER MATTERS

Section 162(m) of the Code places a \$1 million per person limitation on the tax deduction the Company may take for compensation paid to its Chief Executive Officer and its four other highest paid executive officers, except compensation constituting performance-based compensation, as defined by the Code, is not subject to the \$1 million limit. The Committee generally intends to grant awards under the 1996 Stock Plan consistent with the terms of Section 162(m) so that such awards will not be subject to the \$1 million limit. In other respects, the Committee expects to take actions in the future that may be necessary to preserve the deductibility of executive compensation to the extent reasonably practicable and consistent with other objectives of the Company's compensation program. In doing so, the Committee may utilize alternatives such as deferring compensation to qualify compensation for deductibility and may rely on grandfathering provisions with respect to existing compensation commitments. If any executive compensation exceeds this limitation, the Committee expects that such cases will represent isolated, nonrecurring situations arising from special circumstances. The Committee believes that approximately \$108,000 of Mr. Bailey's compensation otherwise deductible for 1996 was subject to this deductibility limit.

The Compensation Committee

Thomas H. Cruikshank, Chairman
 Glenn A. Cox
 Patricia L. Higgins
 Jack A. MacAllister
 Gordon R. Parker

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

Set forth below is a line graph comparing the Company's cumulative total stockholder return on its Common Stock (assuming reinvestment of dividends) with the cumulative total return of the S&P Corporate-500 Stock Index and the S&P Natural Gas Index for the period of five fiscal years commencing January 1, 1992:

Measurement Period (Fiscal Year Covered)	The Williams Companies, Inc.	S&P 500	S&P Natural Gas
12/31/91	100.00	100.00	100.00
12/31/92	106.90	107.62	110.47
12/31/93	136.78	118.46	131.15
12/31/94	145.29	120.03	125.12
12/31/95	261.69	165.13	176.97
12/31/96	344.89	203.05	235.18

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 21, 1997, the amount of the Company's Common Stock beneficially owned by each of its directors, each of the executive officers named in the Summary Compensation Table who were serving in such capacities at such date and by all directors and executive officers as a group.

NAME OF INDIVIDUAL OR GROUP -----	SHARES OF COMMON STOCK OWNED DIRECTLY OR INDIRECTLY(1)(2) -----	SHARES UNDERLYING OPTIONS EXERCISABLE WITHIN		PERCENT OF CLASS -----
		60 DAYS(3) -----	TOTAL -----	
Keith E. Bailey.....	399,182	423,427	822,609	*
John C. Bumgarner, Jr.....	318,946	87,286	406,232	*
Glenn A. Cox.....	3,375(4)	14,004	17,379	*
Stephen L. Cropper.....	59,776	155,719	215,495	*
Thomas H. Cruikshank.....	900	21,003	21,903	*
Patricia L. Higgins.....	--	9,691	9,691	*
W. R. Howell.....	1,000	--	1,000	*
Robert J. LaFortune.....	21,975(4)	12,003	33,978	*
James C. Lewis.....	6,000	27,003	33,003	*
Jack A. MacAllister.....	6,501	6,002	12,503	*
James A. McClure.....	855	18,003	18,858	*
Peter C. Meinig.....	4,725(4)	11,004	15,729	*
Brian E. O'Neill.....	63,511	98,451	161,962	*
Kay A. Orr.....	1,500	18,003	19,503	*
Gordon R. Parker.....	3,834	27,003	30,837	*
Joseph H. Williams.....	297,558(4)	8,004	305,562	*
All directors and executive officers as a group (21 persons).....	1,690,154(5)	1,206,536	2,896,690	1.8%

* Less than 1 percent.

- (1) Includes shares held under the terms of incentive and investment plans as follows: Mr. Bailey, 286,597, including 51,699 over which he has sole voting and investment power; Mr. Bumgarner, 160,715, including 78,548 over which he has sole voting and investment power; Mr. Cropper, 34,603, including 86 over which he has sole voting and investment power; and Mr. O'Neill, 40,503, including 1,884 over which he has sole voting and investment power.
- (2) Includes shares held under the terms of compensation plans over which directors have no voting or investment power as follows: Thomas H. Cruikshank, 313; Patricia L. Higgins, 106; James C. Lewis, 273; Jack A. MacAllister, 306; Peter C. Meinig, 273; and Kay A. Orr, 259.
- (3) The Securities and Exchange Commission deems a person to have beneficial ownership of all shares which that person has the right to acquire within 60 days. The shares indicated represent stock options granted under the Company's Stock Plans. Shares subject to option cannot be voted.
- (4) Includes shares held in trust as follows: Mr. Cox, 375 shares; Mr. LaFortune, 21,000 shares; Mr. Meinig, 3,225 shares; and Mr. Williams, 12,300 shares. Each individual has voting and investment power over such shares.
- (5) Includes 440,358 shares in which the executive officers as a group have no voting or investment power and 148,017 shares in which the executive officers as a group have no investment power.

No director or officer of the Company owns beneficially any securities of the Company's subsidiaries other than directors' qualifying shares.

PROPOSAL TO INCREASE AUTHORIZED NUMBER
OF SHARES OF COMMON STOCK

The Board of Directors of the Company has unanimously adopted a resolution proposing and declaring advisable an amendment to the Company's Restated Certificate of Incorporation, as amended, to increase the authorized number of shares of Common Stock, \$1 par value, from 240,000,000 shares to 480,000,000 shares. The number of authorized shares of Preferred Stock, \$1 par value, would remain unchanged. The proposed increase in the authorized Common Stock would be accomplished by amending the first paragraph of Article FOURTH of the Restated Certificate of Incorporation, as amended, to read as follows:

FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 510,000,000 shares, consisting of 480,000,000 shares of Common Stock, par value \$1.00 per share (the "Common Stock"), and 30,000,000 shares of Preferred Stock, par value \$1.00 per share (the "Preferred Stock").

In November 1996, the Board of Directors declared a three-for-two stock split, distributed on December 30, 1996, in the form of a stock dividend. In connection with the distribution, the Company issued 53,785,959 new shares of Common Stock, thereby reducing the number of authorized shares of Common Stock available for future issuance from 99,878,923 shares to 29,818,385 shares, including authorized but unissued shares reserved for issuance under the terms of convertible securities and under the terms of various stock-based employee benefit plans. If the proposed amendment is approved, the number of shares available for future issuance will be 269,818,385.

The Company has no present plans, understandings or agreements for the issuance or use of the proposed additional shares of Common Stock. However, the Board of Directors believes the proposed increase is important to provide needed financial flexibility to issue additional shares without the expense and delay associated with calling a special meeting of stockholders for such purpose. An expanded capital base will provide the Company with additional shares for possible equity financings, opportunities for expanding the Company's business through investments and acquisitions, stock splits or stock dividends, executive and employee stock plans and for other purposes.

Authorized but unissued shares of the Company's Common Stock may be issued at such times, for such purposes and for such consideration as the Board of Directors may determine to be appropriate. Such action can be taken without further authorization from the stockholders unless otherwise required by applicable laws or the rules of a stock exchange on which the Company's Common Stock may be listed. The New York Stock Exchange, on which the Company's Common Stock is currently listed, requires stockholder approval as a prerequisite to listing shares in certain instances, including acquisitions where the potential issuance of stock could result in an increase in the number of shares of common stock outstanding by 20 percent or more. The additional shares of Common Stock to be authorized will have the same status as presently authorized Common Stock and approval of the amendment as proposed will not have any immediate effect on the rights of existing stockholders. Common stockholders do not have preemptive purchase rights with respect to any newly issued shares. To the extent that the additional authorized shares are issued in the future, they would decrease the existing stockholders relative percentage ownership in the Company.

The proposed increase in authorized shares is not intended to impede a change in control of the Company, and the Company is not aware of any current efforts to acquire control of the Company. However, it is possible that the additional shares could be issued as a means of preventing or discouraging an unsolicited change in control of the Company. The issuance of additional shares could be used to dilute the ownership of anyone seeking to gain control of the Company or could be placed with an entity opposed to a change in control. Management has no present intention to propose any anti-takeover measures in future proxy solicitations.

The affirmative vote of the holders of a majority of the Company's outstanding shares of Common Stock is required to approve the proposed increase in the authorized shares. The Board of Directors recommends a vote "FOR" the proposed increase in the number of authorized shares of Common Stock.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

Upon the recommendation of the Audit Committee, the Board of Directors has appointed, subject to stockholder approval, the firm of Ernst & Young LLP, independent public accountants, as the independent auditor of the Company for calendar year 1997. The firm of Ernst & Young LLP and its predecessor has served the Company in this capacity for many years. Management recommends a vote "FOR" the ratification of Ernst & Young LLP as auditors for 1997.

A representative of Ernst & Young LLP will be present at the Annual Meeting of Stockholders and will be available to respond to appropriate questions. Although the audit firm has indicated that no statement will be made, an opportunity for a statement will be provided.

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers and persons who beneficially own more than 10 percent of the Company's stock to file certain reports with the SEC and the New York Stock Exchange concerning their beneficial ownership of the Company's equity securities. The SEC regulations also require that a copy of all such Section 16(a) forms filed must be furnished to the Company by the executive officers, directors and greater than 10 percent stockholders. Based on a review of the copies of such forms and amendments thereto received by the Company with respect to 1996, the Company is not aware of any late filings.

STOCKHOLDER PROPOSALS FOR 1998

In order for a stockholder proposal to be considered for inclusion in the Company's 1998 Proxy Statement, such proposal must be received by the Company no later than December 1, 1997. The proposal should be addressed to the Secretary, The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172. Upon receipt of any such proposal, the Company will determine whether or not to include such proposal in the Proxy Statement in accordance with applicable law. It is suggested that such proposals be sent by certified mail, return receipt requested.

GENERAL

The Company knows of no matters to be presented at the meeting other than those included in the Notice. Should any other matter requiring a vote of stockholders arise, including a question of adjourning the meeting, the persons named in the accompanying proxy will vote thereon according to their best judgment in what they consider the best interests of the Company. The enclosed proxy confers discretionary authority to take action with respect to any additional matters which may come before the meeting.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. Whether or not you plan to attend, please sign, date and return the enclosed proxy promptly. For your convenience, a return envelope is enclosed requiring no additional postage if mailed within the United States.

By Order of the Board of Directors

David M. Higbee
Secretary

Tulsa, Oklahoma
March 26, 1997