

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 1994

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

73-0569878

(State of Incorporation)

(IRS Employer Identification Number)

ONE WILLIAMS CENTER
TULSA, OKLAHOMA

74172

(Address of principal executive office) (Zip Code)

Registrant's telephone number: (918) 588-2000

NO CHANGE

Former name, former address and former fiscal year, if changed since last report.

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 the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class

Outstanding at October 31, 1994

Common Stock, \$1 par value 95,969,347 Shares

THE WILLIAMS COMPANIES, INC.
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THE WILLIAMS COMPANIES, INC.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	(Millions)			
	Three months ended September 30,		Nine months ended September 30,	
	1994	1993*	1994	1993*
Revenues:				
Interstate Natural Gas Pipelines:				
Northwest Pipeline	\$ 57.0	\$ 74.6	\$ 179.5	\$ 214.0
Williams Natural Gas	74.6	19.9	166.1	232.0
Williams Field Services Group	146.9	136.0	441.6	551.9
Liquids Pipeline/Energy Ventures:				
Williams Pipe Line	52.6	53.5	152.5	128.9
Williams Energy Ventures	46.9	10.4	99.5	67.9
WilTel Communications Systems	104.7	81.2	276.1	220.4
Other	5.4	2.8	12.6	8.0
Intercompany eliminations	(20.8)	(7.4)	(54.1)	(50.1)
	-----	-----	-----	-----
Total revenues	467.3	371.0	1,273.8	1,373.0
	-----	-----	-----	-----
Profit-center costs and expenses:				
Costs and operating expenses	335.4	267.1	857.9	995.1
Selling, general and administrative expenses	55.4	45.7	167.3	147.7
Other income--net	(2.2)	(2.7)	(5.3)	(8.6)
	-----	-----	-----	-----
Total profit-center costs and expenses	388.6	310.1	1,019.9	1,134.2
	-----	-----	-----	-----
Operating profit (loss):				
Interstate Natural Gas Pipelines:				
Northwest Pipeline	24.1	29.0	81.4	78.7
Williams Natural Gas	10.4	(7.4)	33.7	27.4
Williams Field Services Group	28.7	24.3	92.1	93.7
Liquids Pipeline/Energy Ventures:				
Williams Pipe Line	12.2	15.3	40.3	37.5
Williams Energy Ventures	(.8)	1.4	.2	7.7
WilTel Communications Systems	5.7	2.9	12.2	5.7
Other	(1.6)	(4.6)	(6.0)	(11.9)
	-----	-----	-----	-----
Total operating profit	78.7	60.9	253.9	238.8
	-----	-----	-----	-----
General corporate expenses	(6.0)	(6.7)	(21.0)	(22.5)
Interest accrued	(34.7)	(37.6)	(105.1)	(114.7)
Interest capitalized	1.1	1.6	4.4	8.3
Investing income	8.0	15.5	38.8	51.7
Gain on sales of assets (Note 3)	-	-	22.7	97.5
Other income--net	1.5	.2	2.3	.2
	-----	-----	-----	-----
Income from continuing operations before income taxes	48.6	33.9	196.0	259.3
Provision for income taxes (Note 4)	16.4	27.0	65.3	109.1
	-----	-----	-----	-----
Income from continuing operations	32.2	6.9	130.7	150.2

*Restated as described in Note 2.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
CONSOLIDATED STATEMENT OF INCOME (Concluded)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993*	1994	1993*
Income from continuing operations	\$ 32.2	\$ 6.9	\$ 130.7	\$ 150.2
Income from discontinued operations (Note 2)	23.4	11.1	51.7	29.5
Income before extraordinary loss	55.6	18.0	182.4	179.7
Extraordinary loss (Note 5)	-	-	(11.1)	-
Net income	55.6	18.0	171.3	179.7
Preferred stock dividends	2.2	2.2	6.6	9.5
Income applicable to common stock	<u>\$ 53.4</u>	<u>\$ 15.8</u>	<u>\$ 164.7</u>	<u>\$ 170.2</u>
Primary earnings per common and common-equivalent share:				
Income from continuing operations	\$.29	\$.04	\$ 1.19	\$ 1.43
Income from discontinued operations	.22	.11	.49	.30
Income before extraordinary loss	.51	.15	1.68	1.73
Extraordinary loss	-	-	(.11)	-
Net income	<u>\$.51</u>	<u>\$.15</u>	<u>\$ 1.57</u>	<u>\$ 1.73</u>
Average shares (thousands)	104,786	103,634	104,595	98,538
Fully diluted earnings per common and common-equivalent share:				
Income from continuing operations	\$.29	\$.04	\$ 1.19	\$ 1.39
Income from discontinued operations	.22	.11	.49	.29
Income before extraordinary loss	.51	.15	1.68	1.68
Extraordinary loss	-	-	(.11)	-
Net income	<u>\$.51</u>	<u>\$.15</u>	<u>\$ 1.57</u>	<u>\$ 1.68</u>
Average shares (thousands)	104,786	103,732	104,639	102,894
Cash dividends per common share	<u>\$.21</u>	<u>\$.19</u>	<u>\$.63</u>	<u>\$.57</u>

*Restated as described in Note 2.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
CONSOLIDATED BALANCE SHEET

	(Millions)	
	September 30, 1994	December 31, 1993
	----- (Unaudited)	-----
ASSETS		
- - - - -		
Current assets:		
Cash and cash equivalents	\$ 28.0	\$ 64.3
Receivables	393.8	360.1
Inventories	123.8	108.2
Recoverable contract-reformation and gas costs	36.4	24.4
Net assets of discontinued operations (Note 2)	595.7	-
Deferred income taxes	43.1	40.3
Other	49.9	29.2
	-----	-----
Total current assets	1,270.7	626.5
Investments (Note 3)	372.0	437.1
Property, plant and equipment, at cost	4,215.6	5,033.1
Less accumulated depreciation and depletion	(1,166.8)	(1,354.5)
	-----	-----
	3,048.8	3,678.6
Recoverable contract-reformation and gas costs	47.7	59.9
Other assets and deferred charges	168.1	218.3
	-----	-----
Total assets	\$ 4,907.3	\$ 5,020.4
	=====	=====

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
CONSOLIDATED BALANCE SHEET

	(Millions)	
	September 30, 1994	December 31, 1993
	----- (Unaudited)	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Notes payable (Note 8)	\$ 134.5	\$ -
Accounts payable	208.5	298.4
Accrued liabilities	363.3	380.3
Long-term debt due within one year (Note 7)	33.0	54.0
	-----	-----
Total current liabilities	739.3	732.7
Long-term debt (Notes 5 and 7)	1,544.0	1,604.8
Deferred income taxes	649.6	625.2
Deferred income and other liabilities	226.6	333.7
Contingent liabilities and commitments (Note 9)		
Stockholders' equity:		
Preferred stock, \$1 par value, 30,000,000 shares authorized, 4,000,000 shares issued	100.0	100.0
Common stock, \$1 par value, 240,000,000 shares authorized, 104,346,814 shares issued in 1994 and 103,078,505 shares issued in 1993	104.3	103.1
Capital in excess of par value	989.4	959.1
Retained earnings	662.9	563.7
Unamortized deferred compensation	(2.6)	(1.9)
	-----	-----
	1,854.0	1,724.0
	-----	-----
Less treasury stock, 3,442,189 shares of common stock at cost (Note 8)	(106.2)	-
	-----	-----
Total stockholders' equity	1,747.8	1,724.0
	-----	-----
Total liabilities and stockholders' equity	\$4,907.3	\$5,020.4
	=====	=====

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	(Millions)	
	Nine months ended September 30,	
	1994	1993*
OPERATING ACTIVITIES:		
Net income	\$ 171.3	\$ 179.7
Adjustments to reconcile to cash provided from operations:		
Income from discontinued operations	(51.7)	(29.5)
Extraordinary loss	11.1	-
Depreciation and depletion	110.8	102.8
Provision for deferred income taxes	13.6	19.8
(Gain) loss on sales of property, plant and equipment	.9	(100.9)
Gain on sale of investment	(22.7)	-
Changes in receivables sold	-	(94.7)
Changes in receivables	(50.4)	154.6
Changes in inventories	(8.8)	5.1
Changes in other current assets	(31.7)	(24.6)
Changes in accounts payable	(13.2)	(89.0)
Changes in accrued liabilities	16.7	(73.1)
Other, including changes in non-current assets and liabilities	23.7	73.7
Net cash provided by continuing operations	169.6	123.9
Net cash provided by discontinued operations	162.6	121.5
Net cash provided by operating activities	332.2	245.4
FINANCING ACTIVITIES:		
Changes in notes payable	134.5	-
Proceeds from long-term debt	225.0	-
Payments of long-term debt:		
Continuing operations	(194.6)	(169.1)
Discontinued operations	(137.8)	-
Proceeds from issuance of common stock	25.0	54.3
Purchases of treasury stock (Note 8)	(106.2)	-
Dividends paid	(72.1)	(65.6)
Other--net	14.5	(2.1)
Net cash used by financing activities	(111.7)	(182.5)

*Restated as described in Note 2.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
 CONSOLIDATED STATEMENT OF CASH FLOWS (Concluded)
 (Unaudited)

	(Millions)	
	Nine months ended September 30,	
	1994	1993*
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures:		
Continuing operations	(199.6)	(302.1)
Discontinued operations	(93.5)	(62.6)
Proceeds from sales	1.0	294.1
Changes in accounts payable and accrued liabilities	3.6	(59.8)
Acquisition of businesses	(47.1)	-
Proceeds from sale of investments	80.6	8.8
Other--net	(1.8)	(4.3)
	(256.8)	(125.9)
Net cash used by investing activities		
Decrease in cash and cash equivalents	(36.3)	(63.0)
Cash and cash equivalents at beginning of period	64.3	212.3
	\$ 28.0	\$ 149.3
Cash and cash equivalents at end of period	=====	=====

*Restated as described in Note 2.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. General

The accompanying interim consolidated financial statements of The Williams Companies, Inc. (Williams) do not include all notes in annual financial statements and therefore should be read in conjunction with the financial statements and notes thereto in Williams' 1993 Annual Report Form 10-K. The accompanying unaudited financial statements have not been audited by independent auditors but include all adjustments which Williams considers necessary to present fairly its financial position at September 30, 1994 and results of operations for the three months and nine months ended September 30, 1994 and 1993, and cash flows for the nine months ended September 30, 1994 and 1993. WilTel's network services operations are presented as discontinued operations (see Note 2). The 1993 third quarter provision for income taxes includes the effect of a one-percent increase in the federal income tax rate (see Note 4).

Prior to the fourth quarter of 1993 when Federal Energy Regulatory Commission (FERC) Order 636 was adopted, operating profit of reported business units varied substantially by quarter. While Northwest Pipeline and Williams Natural Gas historically have experienced their greatest profitability in the first and fourth quarters, implementation of Order 636 is moderating seasonal fluctuations in operating profit (see Note 9).

Note 2. Discontinued operations

In the third quarter of 1994, Williams signed a definitive agreement to sell WilTel's network services operations to LDDS Communications, Inc. (LDDS) for \$2.5 billion in cash. The sale, subject to various federal and state agency approvals, is expected to close by year-end or early 1995 and is expected to yield an estimated after-tax gain of at least \$950 million. Under the terms of the agreement, Williams will retain WilTel Communications Systems, Inc., a national telecommunications equipment supplier and service company, and Vyvx, Inc., which operates a national video network specializing in broadcast television applications. The Consolidated Financial Statements have been prepared to present operating results of network services as discontinued operations, with prior period operating results and cash flows restated.

Summarized operating results of discontinued operations are as follows:

	(Millions)			
	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
Revenues	\$243.6	\$175.5	\$657.0	\$475.7
Operating profit	40.4	24.1	93.5	65.0
Provision for income taxes	15.6	8.9	34.5	21.0
Income from discontinued operations	23.4	11.1	51.7	29.5

The assets and liabilities that will be transferred to LDDS in the sale of the network services operations are presented in the Consolidated Balance Sheet on a net basis at September 30, 1994. The balance sheet at December 31, 1993 has not been restated.

THE WILLIAMS COMPANIES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Note 3. Sales of assets

In the second quarter of 1994, Williams sold 3,461,500 limited partner common units in Northern Border Partners, L.P. Net proceeds from the sale were approximately \$80 million and the sale resulted in a pre-tax gain of \$22.7 million. As a result of the sale, Williams' original 12.25 percent interest in the Northern Border partnerships has been reduced to 3.2 percent.

In the first quarter of 1993, Williams sold its intrastate natural gas pipeline system and other related assets in Louisiana for approximately \$170 million in cash, resulting in a pre-tax gain of \$45.9 million. In addition, Williams sold a total of 6.1 million units in the Williams Coal Seam Gas Royalty Trust. The offering resulted in net proceeds of approximately \$113 million and a pre-tax gain of \$51.6 million, including \$2.1 million in the second quarter.

Note 4. Provision for income taxes

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

	(Millions)			
	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
Current:				
Federal	\$ 6.4	\$(3.7)	\$46.0	\$ 69.0
State	1.7	(1.2)	5.7	20.3
	-----	-----	-----	-----
	8.1	(4.9)	51.7	89.3
	-----	-----	-----	-----
Deferred:				
Federal	16.8	28.6	12.4	21.4
State	(8.5)	3.3	1.2	(1.6)
	-----	-----	-----	-----
	8.3	31.9	13.6	19.8
	-----	-----	-----	-----
Total provision	\$16.4	\$27.0	\$65.3	\$109.1
	=====	=====	=====	=====

The effective income tax rate in 1994 is less than the federal statutory rate due primarily to the effects of income tax credits from coal-seam gas production and a favorable prior-year state income tax adjustment, partially offset by state income taxes related to 1994.

The effective income tax rate in 1993 is greater than the federal statutory rate as the cumulative effect of a one-percent increase in the federal income tax rate and the effect of state income taxes are partially offset by the effects of income tax credits from coal-seam gas production. The 1993 provision for income taxes includes the effect of a one-percent increase in the federal income tax rate which was made retroactive to January 1, 1993. Third quarter net income was reduced by \$15 million, representing the \$20 million cumulative effect on deferred income taxes through June 30, 1993, net of \$5 million in related regulatory effects included in revenues.

Cash payments for income taxes for the nine months ended September 30, 1994 and 1993 are \$81 million (before refunds of \$6 million) and \$99 million, respectively.

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5. Extraordinary loss

The extraordinary loss results from early extinguishment of debt. Williams paid \$295 million to redeem higher interest rate debt for an \$11.1 million after-tax loss (net of \$7.1 million benefit for income taxes).

Note 6. Postemployment benefits

Effective January 1, 1994, Williams adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which requires the accrual of benefits provided to former or inactive employees after employment but before retirement. Adoption of the standard reduced first quarter 1994 net income by approximately \$2 million and is not reported as a change in accounting principle due to immateriality.

Note 7. Long-term debt

Long-term debt consists of the following amounts:

	Weighted average interest rate*	(Millions)	
		September 30, 1994	December 31, 1993
The Williams Companies, Inc.			
Revolving credit loans	5.2%	\$ 225.0	\$ -
Debentures, 8.875% - 10.25%, payable 2012, 2020 and 2021	9.5	400.0	400.0
Notes, 7.5% - 13%, payable through 2001	8.3	363.8	524.8
Capital lease obligations, 11.1%, payable through 2014	11.1	31.1	31.4
Northwest Pipeline			
Debentures, 9% - 10.65%, payable through 2022	9.6	293.0	304.3
Adjustable rate notes, payable through 2002	9.0	13.3	15.0
Williams Natural Gas			
Debentures, 10.25%, payable in 1997	10.3	120.0	120.0
Williams Field Services Group			
Other, payable through 1999	8.0	6.0	-
Williams Pipe Line			
Notes, 8.95% and 9.78%, payable through 2001	9.3	120.0	130.0
WilTel			
Notes at 9.61% and 9.81%	-	-	127.5
Other	8.0	4.8	5.8
		1,577.0	1,658.8
		(33.0)	(54.0)
Current portion of long-term debt		\$1,544.0	\$1,604.8
		=====	=====

* September 30, 1994

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Cash payments for interest (net of amounts capitalized) for the nine months ended September 30, 1994 and 1993 are \$118 million and \$124 million, respectively.

Note 8. Treasury stock

During the third quarter of 1994, the Williams board of directors authorized the open-market purchase of up to \$800 million of Williams' common stock over the next twelve months. At September 30, 1994, 3,442,189 shares had been purchased at a total cost of \$106.2 million. In connection with these purchases, Williams has borrowed, through one of its subsidiaries, \$92 million under a short-term \$400 million bank credit agreement.

Note 9. Contingent liabilities and commitments

Rate and Regulatory Matters and Related Litigation

In June 1990, a producer brought suit against Williams Natural Gas alleging antitrust and interference with contract claims regarding the transportation of gas and seeking actual, treble and punitive damages and injunctive relief. Williams Natural Gas has denied any liability. In April 1991, Williams Natural Gas was granted summary judgment on the antitrust claim and at the close of the plaintiff's case, a directed verdict was granted in favor of Williams Natural Gas on the remaining claims. The plaintiff filed an appeal on November 18, 1992.

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. As to Williams Pipe Line, revenues collected subject to refund were \$123 million at September 30, 1994; it is not expected that the amount of any refunds ordered would be significant. Accordingly, no portion of these revenues has been reserved for refund. As to the other pipelines, \$75 million of revenues has been reserved for potential refund as of September 30, 1994.

In 1992, the FERC issued Order 636, Order 636-A and Order 636-B. These orders, which have been challenged in various respects by various parties in proceedings pending in the U.S. Court of Appeals for the D.C. Circuit, require interstate gas pipeline companies to change the manner in which they provide services. Williams Natural Gas implemented its restructuring on October 1, 1993, and Northwest Pipeline implemented its restructuring on November 1, 1993. Certain aspects of each pipeline company's restructuring are under appeal.

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Contract Reformations and Gas Purchase Deficiencies

Williams Natural Gas has undertaken the reformation of its respective gas supply contracts to settle gas purchase deficiencies, avoid future gas purchase deficiencies, reduce prices to market levels or make other appropriate modifications. As of September 30, 1994, Williams Natural Gas had total supplier take-or-pay, ratable take and minimum take claims totaling approximately \$227 million, including a producer's take-or-pay claim of \$203 million plus interest and ratable take claims exceeding \$23 million plus interest which Williams Natural Gas believes were resolved on October 3, 1994, as discussed below.

Williams Natural Gas and a producer have executed a number of definitive agreements to resolve outstanding issues between the two companies and restructure their relationship. Among other things, the agreements terminate Williams Natural Gas' largest gas purchase contract and resolve a number of disputes and litigation, including the above-described claim by the producer for the take-or-pay deficiencies and a gas pricing dispute. With respect to the latter dispute, Williams Natural Gas will pay the producer \$35 million in cash and is committed to pay an additional \$40 million under certain circumstances, all but a small portion of which payments Williams Natural Gas believes it will be permitted to recover from certain of its former sales customers. Portions of the settlement are subject to regulatory approvals, including the regulatory abandonment of a certain Williams Natural Gas gathering system on terms acceptable to Williams Natural Gas. Williams Natural Gas believes that recorded accruals are adequate, in light of its expectation that almost all of the cash payments can be recovered from its customers.

Williams Natural Gas also has commitments under gas supply contracts reflecting prices in excess of market-based prices. The estimated commitment amounts at December 31, 1993, attributable to these contracts were:

	1994	1995	1996	1997	1998	Post 1998
	----	----	----	----	----	----
(Millions)						
Commitments	\$6	\$9	\$12	\$15	\$15	\$45

Northwest Pipeline's only remaining significant gas purchase contract with a non-market responsive pricing provision has been assigned to certain customers.

Williams has an accounting policy of determining accruals taking into consideration both historical and future gas quantities and appropriate prices to determine an estimated total exposure. This exposure is discounted and risk-weighted to determine the appropriate accrual. The estimated portion recoverable from sales and transportation customers is deferred based on Williams' estimate of its expected recovery of the amounts allowed by FERC policy. As of September 30, 1994, Williams Natural Gas had a remaining accrual of \$49 million for take-or-pay settlements and reformation of the non-market responsive contracts. Although Williams believes these accruals are adequate, the actual amount paid for take-or-pay settlements and contract reformation will depend on the outcome of various court proceedings; the provisions and enforceability of each gas purchase contract; the success of settlement negotiations; and other factors.

Current FERC policy associated with Orders 436 and 500 requires interstate gas pipelines to absorb some of the cost of reforming gas supply contracts before allowing any recovery through direct bill or surcharges to transportation as well as sales commodity rates. Pursuant to FERC Order 500, Williams Natural Gas has filed to recover a portion of previously incurred take-or-pay and contract-reformation costs. As of September 30, 1994, this subsidiary had \$48 million included in recoverable contract-reformation and take-or-pay settlement costs, \$41 million of which had not yet been paid and filed for recovery with the FERC. Under Orders 636, 636-A and 636-B, costs incurred to comply with these rules are permitted to be recovered in full, although 10 percent of such costs must be allocated to interruptible transportation service.

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The FERC initially approved a method for Northwest Pipeline to direct bill its contract-reformation costs, but when challenged on appeal, sought a remand to reassess such method. Northwest Pipeline has received an order from the FERC that requires a different allocation of such costs which is now being challenged by certain customers. Northwest Pipeline expects to be permitted to recover these costs in excess of amounts previously charged to expense.

Pursuant to a stipulation and agreement approved by the FERC, Williams Natural Gas has made a cost-sharing direct recovery filing covering amounts that had been paid to producers and in part previously billed to Williams Natural Gas customers under Orders 436, 500 and 528. Williams Natural Gas will make further filings under the stipulation and agreement to recover future contract-reformation payments under those orders and Order 636.

Other Legal Matters

Williams Natural Gas has identified polychlorinated biphenyl (PCB) contamination in air compressor systems, disposal pits and related properties at certain compressor station sites and has been involved in negotiations with the U.S. Environmental Protection Agency (EPA) to develop additional screening, detailed sampling and cleanup programs. In addition, negotiations concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have commenced with certain environmental authorities. As of September 30, 1994, Williams Natural Gas had recorded a liability for approximately \$28 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to 10 years. 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. Williams Natural Gas deferred these costs pending recovery as incurred through future rates and other means.

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. It appears probable that such costs will exceed this amount. At September 30, 1994, Williams had approximately \$6 million

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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.

A lawsuit was filed on May 14, 1993, in a state court in Colorado in which certain claims have been made against various defendants, including Northwest Pipeline, contending that gas exploration and development activities in portions of the San Juan Basin have caused air, water and other contamination. The plaintiffs in the case sought certification of a plaintiff class. On June 28, 1994, the lawsuit was dismissed for failure to join an indispensable party over which the state court had no jurisdiction. This decision is being appealed by the plaintiffs. Subsequently on July 14, 1994, two plaintiffs filed an individual lawsuit against Northwest Pipeline and others in U.S. district court in Colorado, making essentially the same claims. Northwest Pipeline intends to vigorously defend this lawsuit.

On December 31, 1991, the Southern Ute Indian Tribe (the Tribe) filed a lawsuit against Williams Production Company, a wholly owned subsidiary of Williams, and other gas producers in the San Juan Basin area, alleging that certain coal strata were reserved by the United States for the benefit of the Tribe and that the extraction of coal-seam gas from the coal strata was wrongful. The Tribe seeks compensation for the value of the coal-seam gas. The Tribe also seeks an order transferring to the Tribe ownership of all of the defendants' equipment and facilities utilized in the extraction of the coal-seam gas. On September 13, 1994, the Court granted summary judgment in favor of the defendants; the Tribe has indicated it intends to appeal. Williams Production agreed to indemnify the Williams Coal Seam Gas Royalty Trust (Trust) against any losses that may arise in respect of certain properties subject to the lawsuit. In addition, if the Tribe is successful in showing that Williams Production has no rights in the coal-seam gas, Williams Production has agreed to pay to the Trust for distribution to then-current unitholders, an amount representing a return of a portion of the original purchase price paid for the units. While Williams believes that such a payment is not probable, it has reserved a portion of the proceeds from the sale of the units in the Trust.

Relative to a proposal for the acquisition of WilTel submitted to Williams by LDDS Communications, Inc. (LDDS), contained in a letter dated May 3, 1994, and attached as an exhibit to a report on Form 8-K filed by LDDS on that day, two class action lawsuits were filed on May 9, 1994, in the Chancery Court of Delaware alleging that Williams' directors breached their fiduciary duty to the plaintiff and the members of the putative class by summarily rejecting the LDDS proposal and by issuing false and misleading statements. On September 26, 1994, both suits were dismissed without prejudice. (See Note 2 for information regarding the sale of WilTel's network services operations.)

On October 6, 1994, the Antitrust Division of the Department of Justice issued a civil investigation demand to Williams Natural Gas concerning its provision of transportation services in Kansas and Missouri. Williams Natural Gas is preparing a response, but believes that it has not violated the antitrust laws in the conduct of its business.

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

THE WILLIAMS COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Summary

Williams does not believe that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage or other indemnification arrangements, will have a materially adverse financial effect upon Williams in the future.

Other matters

WilTel is selling, with limited recourse, certain receivables related to the network services operations. The aggregate limit under the facility is \$80 million and \$80 million of such receivables had been sold at September 30, 1994.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Third Quarter 1994 vs. Third Quarter 1993

Northwest Pipeline's revenues decreased 24 percent due primarily to the absence of natural gas sales following the fourth quarter 1993 implementation of Federal Energy Regulatory Commission's (FERC) Order 636. In addition revenues declined because of the 1993 regulatory accounting effect of an increase in federal income tax rates. Total mainline throughput increased 6 percent. Costs and operating expenses decreased 35 percent due primarily to the absence of natural gas purchase volumes. Operating profit decreased 17 percent due primarily to increased accruals related to rate issues, and the 1993 regulatory accounting effect of an increase in federal income tax rates (the impact of which was offset by additional deferred income tax expense). Since Northwest Pipeline began preparing for FERC Order 636 long before it was formally implemented on November 1, 1993, the order had little impact on the quarter-to-quarter operating profit variance.

Williams Natural Gas' revenues and costs and operating expenses increased significantly in the third quarter of 1994, as compared to the third quarter of 1993. The increase resulted primarily from the direct billing of purchased gas adjustment amounts of \$30 million. Operating profit of \$10.4 million for the third quarter of 1994 compares to an operating loss of \$7.4 million for the third quarter of 1993. 1993 included a \$2.5 million reversal of excess contract-reformation costs that had been previously accrued in addition to the regulatory accounting effect of an increase in the federal income tax rate. Operating profit increased primarily as a result of the implementation of FERC Order 636 on October 1, 1993 and new rates required by the Order. FERC Order 636 utilizes a straight-fixed-variable rate design which is applied to each customer's annual firm contract demand for transportation. This provides relatively consistent earnings from quarter-to-quarter versus the historical one-part rate which was applied to seasonal volume patterns and produced high levels of earnings in the first and fourth quarters. See Note 9 for disclosures regarding the favorable resolution of litigation involving Williams Natural Gas.

Williams Field Services Group's revenues increased 8 percent due primarily to increased natural gas sales volumes from company owned production, higher natural gas marketing sales volumes and increased gathering and processing volumes of 11 percent, partially offset by lower average gathering and processing rates and natural gas sales prices. Costs and operating expenses increased due primarily to higher operating and maintenance and depreciation expenses at expanded gathering facilities and higher gas marketing purchase volumes, partially offset by lower per-unit gas marketing supply costs and reduced gas costs associated with the liquids extraction process. Operating profit increased 18 percent due to higher gathering and processing volumes, increased liquids margins, improved company owned gas production activities, and higher other revenues from certain gas processing sharing arrangements partially offset by lower average gathering and processing rates and increased operating and depreciation expenses from expanded facilities.

Williams Pipe Line's shipments increased 13 percent due primarily to new volumes resulting from the December 1993 acquisition of a pipeline system in southern Oklahoma. Revenues decreased 2 percent as revenues generated by the additional volumes were offset by lower gas liquids and fractionator revenues. The average

length of haul and transportation rate decreased primarily as a result of shorter hauls and lower average rates associated with new volumes on the southern Oklahoma system. Operating profit decreased 20 percent due primarily to lower transportation rates and higher operating and general and administrative expenses, partially offset by higher shipments. Results in the third quarter of 1993 were improved as a result of delayed routine maintenance expenditures during a period of major flooding in the midwest.

Williams Energy Ventures' revenues increased \$36.5 million (350 percent) due to newly established petroleum services activities slightly offset by lower refined product trading activities. An operating loss of \$.8 million for the third quarter of 1994 compares to an operating profit of \$1.4 million in 1993 reflecting the costs of developing numerous other long-term energy industry investment opportunities in addition to lower results from the price-risk management services. Price-risk management services continued to be profitable but were lower in the third quarter of 1994 than the same period last year because of location pricing differentials in refined product trading activities.

WillTel Communications Systems' revenues increased 29 percent due in large part to the March 31 acquisition of BellSouth's customer revenues and equipment sales and service operations in 29 states as evidenced by a 41 percent increase in number of ports. Costs and operating expenses and selling, general and administrative expenses increased 29 percent and 19 percent, respectively, due to the increase in volumes of equipment sales and services. Operating profit increased 95 percent due to the higher volumes and a decrease in selling, general and administrative expenses as a percent of revenue.

Interest accrued decreased 8 percent reflecting a lower average interest rate due primarily to the redemption during the second quarter 1994 of higher interest rate debt. Investing income decreased due primarily to lower Kern River Gas Transmission Company equity earnings and lower investment levels, in addition to the sale of a portion of Williams' interest in Northern Border Partners, L.P.. Kern River's equity earnings include an unfavorable adjustment to rate refund accruals related to Kern River's current rate case. The effective income tax rate in 1994 is less than the federal statutory rate due primarily to the effects of income tax credits from coal-seam gas production, partially offset by state income taxes. The effective income tax rate in 1993 exceeds the federal statutory rate as the cumulative effect of a one-percent increase in the federal income tax rate (see Note 4 for additional information) and the effect of state income taxes are partially offset by the effects of income tax credits from coal-seam gas production.

In the third quarter of 1994, Williams signed a definitive agreement to sell WillTel's network services operations to LDDS Communications, Inc.. The sale is expected to close by year-end or early 1995. The network services operations have been presented in the Consolidated Financial Statements as discontinued operations, with prior period operating results restated (see Note 2 for additional information). WillTel network services' revenues increased 39 percent due to increases in switched services and private line of \$58 million and \$11 million, respectively. Switched services revenues increased reflecting an 87 percent increase in switched minutes. Private line services interexchange revenues increased primarily as a result of a 25 percent increase in billable circuits. Costs and operating expenses and selling, general and administrative expenses increased primarily as a result of increased volumes. Operating profit increased 67 percent due primarily to the higher demand for switched services and private line circuits. These increases more than offset a major carrier's long expected removal of traffic from WillTel's system to the carrier's expanded

network. The effective income tax rate for both 1994 and 1993 is greater than the federal statutory rate due to the effect of state income taxes.

Nine Months Ended September 30, 1994 vs. Nine Months Ended September 30, 1993

Northwest Pipeline's revenues decreased 16 percent as expanded firm transportation service was more than offset by the absence of natural gas sales following the fourth quarter 1993 implementation of FERC Order 636. Total mainline throughput increased 7 percent. Firm transportation service increased due to a mainline expansion, supported by 15-year firm transportation contracts, being placed into service on April 1, 1993. Northwest Pipeline also placed new, increased transportation rates into effect on April 1, 1993 (subject to refund), that reflected the new mainline expansion and straight-fixed-variable rate design that moderates seasonal swings in operating revenues. Costs and operating expenses decreased 35 percent due primarily to the absence of natural gas purchase volumes, slightly offset by increased depreciation related to the mainline expansion. Operating profit increased 3 percent due primarily to expanded firm transportation service. Partially offsetting were the absence of natural gas sales volumes in 1994, increased accruals related to rate issues, the 1993 regulatory accounting effect of an increase in federal income tax rates and increased depreciation.

Williams Natural Gas' revenues and costs and operating expenses decreased 28 percent and 41 percent, respectively, primarily as a result of implementation of FERC Order 636, partially offset by the direct billing of purchased gas adjustment amounts of \$30 million and increased amortization of recoverable contract reformation costs. Operating profit increased 23 percent, primarily as a result of the implementation of FERC Order 636 on October 1, 1993 and new rates required by the Order. FERC Order 636 utilizes a straight-fixed-variable rate design which is applied to each customer's annual firm contract demand for transportation. This provides relatively consistent earnings from quarter-to-quarter versus the historical one-part rate which was applied to seasonal volume patterns and produced high levels of earnings in the first and fourth quarters. 1993 included a \$2.5 million reversal of excess contract-reformation costs that had been previously accrued in addition to the regulatory accounting effect of an increase in the federal income tax rate. See Note 9 for disclosures regarding the favorable resolution of litigation involving Williams Natural Gas.

Williams Field Services Group's revenues decreased 20 percent due primarily to 30 percent lower natural gas sales volumes as a result of the March 1993 sale of Williams' intrastate natural gas pipeline system and related marketing operations in Louisiana. Ethane sales volumes, average natural gas sales prices and average gathering and processing rates also decreased, somewhat offset by increased gathering and processing volumes of 13 percent and 17 percent, respectively. Costs and operating expenses decreased due primarily to lower natural gas purchase volumes, lower gas purchase costs associated with the liquids extraction process and the effects of a favorable adjustment of an accrual related to operating taxes, partially offset by higher operating and maintenance expenses at expanded gathering facilities. Operating profit decreased 2 percent due primarily to lower liquids per-unit margins, lower average gathering and processing rates and higher operations and maintenance expenses associated with expanded facilities, largely offset by higher gathering and processing volumes and a favorable operating taxes adjustment. Depressed gas liquids margins that prevented this company from being more profitable in the first half of 1994 have improved.

Williams Pipe Line's shipments increased 12 percent due primarily to new volumes

resulting from the December 1993 acquisition of a pipeline system in southern Oklahoma. Revenues increased 18 percent due primarily to higher shipments and increased liquids and fractionator revenues. The slightly lower average transportation rate resulted primarily from lower rates on shorter haul movements on the newly acquired system, partially offset by an overall increase in tariff rates effective June 1993. Operating profit increased 7 percent due primarily to increased shipments, increased gas liquids and fractionator operations and a favorable insurance settlement, largely offset by higher operating and maintenance expenses.

Williams Energy Ventures' revenues increased \$31.6 million (46 percent) due primarily to newly established petroleum services activities, partially offset by the effect of reporting refined product trading activities on a "net margin" basis, effective July 1, 1993. Operating profit decreased \$7.5 million reflecting the costs of developing numerous other long-term energy industry investment opportunities in addition to lower results from price-risk management services, partially offset by improved petroleum services activities. Price-risk management services continued to be profitable but were lower in 1994 than 1993 because of location pricing differentials in refined product trading activities.

WillTel Communications Systems' revenues increased 25 percent due in large part to the BellSouth acquisition. Costs and operating expenses and selling, general and administrative expenses increased 26 percent and 12 percent, respectively, due to the increase in volume of equipment sales and services. Operating profit increased 114 percent due to the higher volumes and a decrease in selling, general and administrative expenses as a percent of revenue.

Interest accrued decreased 8 percent due primarily to lower borrowing levels and a lower average interest rate reflecting the redemption during the second quarter 1994 of higher interest rate debt. Interest capitalized decreased due primarily to the completion of Northwest Pipeline's mainline expansion which was placed in service April 1, 1993. Investing income decreased due primarily to lower investment levels, lower equity earnings for Apco Argentina Inc. and a decline in Texasgulf Inc. dividends, in addition to the sale of a portion of Williams' interest in Northern Border Partners, L.P.. The 1994 gain on sales of assets results from the sale of 3,461,500 limited partner common units in Northern Border Partners, L.P. The 1993 gain on sales of assets results from the sale of 6.1 million units in the Williams Coal Seam Gas Royalty Trust and the sale of the intrastate natural gas pipeline system and other related assets in Louisiana (see Note 3 for additional information). Other income--net in 1994 includes a credit for \$4.8 million from the reversal of previously accrued liabilities associated with certain Royalty Trust contingencies which expired. Also included is approximately \$4 million of expense related to Statement of Financial Accounting Standards (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits," which relates to postemployment benefits being paid to employees of companies previously sold. Other income--net in 1993 includes \$6 million of expense accruals for certain costs associated with businesses previously sold, offset with \$6 million of equity AFUDC related to the Northwest Pipeline mainline expansion. The effective income tax rate in 1994 is less than the federal statutory rate due primarily to the effects of income tax credits from coal-seam gas production and a favorable prior year state income tax adjustment, partially offset by state income taxes related to 1994. The effective income tax rate in 1993 is greater than the federal statutory rate as the cumulative effect of a one-percent increase in the federal income tax rate (see Note 4 for additional information) and the effect of state income taxes are partially offset by the effects of income tax credits from coal-seam gas production.

In the third quarter of 1994, Williams signed a definitive agreement to sell WilTel's network services operations to LDDS Communications, Inc.. The sale is expected to close by year-end or early 1995. The network services operations have been presented in the Consolidated Financial Statements as discontinued operations, with prior period operating results restated (see Note 2 for additional information). WilTel network services' revenues increased 38 percent due to increases in switched services and private line of \$157 million and \$32 million, respectively. Switched services revenues increased reflecting a 99 percent increase in switched minutes. Private line services interexchange revenues increased primarily as a result of a 25 percent increase in billable circuits. Costs and operating expenses and selling, general and administrative expenses increased primarily as a result of increased volumes. Operating profit increased 44 percent due primarily to the higher demand for switched services and private line circuits. These increases more than offset a major carrier's long expected removal of traffic from WilTel's system to the carrier's expanded network. The effective income tax rate for both 1994 and 1993 is greater than the federal statutory rate due to the effect of state income taxes.

The extraordinary loss results from the early extinguishment of debt (see Note 5 for additional information).

Financial Condition and Liquidity

Liquidity

Williams considers its liquidity to come from two sources: internal liquidity, consisting of available cash investments, and external liquidity, consisting of borrowing capacity from available bank-credit facilities, which can be utilized without limitation under existing loan covenants. At September 30, 1994, Williams had access to \$375 million of liquidity representing the unborrowed portion of its \$600 million bank-credit facility. This compares with liquidity of \$639 million at December 31, 1993, and \$705 million at September 30, 1993, including \$33 million from Northwest Pipeline.

The increase in receivables is due primarily to the direct billing to customers of certain costs by Williams Natural Gas, in addition to increased activities of Williams Energy Ventures partially offset by the reclassification of amounts related to discontinued operations. The decline in property, plant and equipment, accounts payable, accrued liabilities, and deferred income and other liabilities reflects the reclassification of the assets and liabilities of discontinued operations to "Net assets of discontinued operations" on the Consolidated Balance Sheet (see Note 2 for additional information).

Financing Activities

The consolidated long-term debt to long-term debt-plus-equity ratio decreased to 46.9 percent at September 30, 1994, from 48.2 percent at December 31, 1993.

During the third quarter of 1994, Williams began the open-market purchase of its common stock. In excess of \$100 million in purchases were completed by September 30, 1994 with up to \$800 million of purchases authorized by the board of directors. In connection with these purchases at September 30, 1994, Williams had borrowed, through one of its subsidiaries, \$92 million under a short-term \$400 million bank credit agreement. Through November 9, 1994, 10,121,489 shares have been purchased at a cost of approximately \$304 million. In addition, during the fourth quarter, Williams began the open-market purchase of its preferred stock with 83,700 shares purchased at a cost of approximately \$2.1 million through November 9, 1994.

During the second quarter of 1994, Williams paid \$295 million to redeem higher interest rate debt (see Note 5 for additional information). These redemptions were financed through the use of excess cash, proceeds from the sale of the Northern Border Partners, L.P. common units, and borrowings.

Other

In an April 1994 public offering, Williams sold 3,461,500 limited partner common units in Northern Border Partners, L.P. Net proceeds of the offering were approximately \$80 million (see Note 3 for additional information).

In the third quarter of 1994, Williams signed a definitive agreement to sell WillTel's network services operations to LDDS Communications, Inc. for \$2.5 billion in cash. The sale, subject to various federal and state agency approvals, is expected to close by year-end or early 1995 (see Note 2 for additional information). Cash proceeds from the transaction net of related costs and income taxes are estimated to be in excess of \$1.6 billion, with an after-tax gain estimated to be at least \$950 million.

See Note 6 for the effect of adopting SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1994.

Item 5. Other Information

Subsequent to September 30, 1994, Williams entered into agreements with participants in the Williams Telecommunications Group, Inc. Long-Term Equity Incentive Plan (the "Plan"), with respect to payments due participants as a result of termination of the Plan. Under the terms of the agreements, Williams is obligated to pay Plan participants approximately \$5 million (\$4.6 million in 1994) in cash and distribute to participants approximately 2.6 million shares of Common Stock of Williams over various periods up to three years. Participants may elect additional deferrals. The initial stock distribution to participants of approximately 400,000 shares of stock will occur in 1994. The estimated after-tax gain of approximately \$950 million from the sale of WilTel's network services operations (see Note 2 of the Notes to Consolidated Financial Statements in this filing) includes a provision for the payments and distributions under the agreements.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits listed below are filed as part of this report:

Exhibit 2--The Stock Purchase Agreement relating to Williams' sale of WilTel's network services operations to LDDS Communications, Inc. (filed as part of Form 8-K filed August 26, 1994). This exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

Exhibit 11--Computation of Earnings Per Common and Common-equivalent Share

Exhibit 12--Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements

Exhibit 27--Financial Data Schedule

(b) During the third quarter of 1994, the Company filed a Form 8-K dated August 26, 1994, reporting a significant event under Item 5 of the Form and including the exhibits required by Item 7 of the Form.

SIGNATURE

Pursuant to the requirements 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)

Gary R. Belitz

Gary R. Belitz
Controller
(Duly Authorized Officer and Chief
Accounting Officer)

November 14, 1994

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----	SEQUENTIALLY NUMBERED PAGE -----
2	--The Stock Purchase Agreement relating to Williams' sale of WilTel's network services operations to LDDS Communications, Inc. (filed as part of Form 8-K filed August 26, 1994). This exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.	
11	--Computation of Earnings Per Common and Common-equivalent Share	
12	--Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements	
27	--Financial Data Schedule	

THE WILLIAMS COMPANIES, INC.
 COMPUTATION OF EARNINGS PER COMMON AND COMMON-EQUIVALENT SHARE
 Three months ended September 30, 1994 and 1993

	(Thousands, except per-share amounts)	
	1994*	1993**
	-----	-----
Primary earnings:		
Income from continuing operations	\$ 32,200	\$ 6,900
Preferred stock dividends:		
\$2.21 cumulative preferred stock	2,200	2,200
	-----	-----
Income from continuing operations, net of preferred stock dividends	30,000	4,700
Income from discontinued operations	23,400	11,100
	-----	-----
Income applicable to common stock	\$ 53,400	\$ 15,800
	=====	=====
Primary shares:		
Average number of common shares outstanding during the period	103,697	102,388
Common-equivalent shares attributable to options and deferred stock	1,089	1,246
	-----	-----
Total common and common-equivalent shares	104,786	103,634
	=====	=====
Primary earnings per common and common-equivalent share:		
Income from continuing operations	\$.29	\$.04
Income from discontinued operations	.22	.11
	-----	-----
Net income	\$.51	\$.15
	=====	=====
Fully diluted earnings:		
Income from continuing operations		\$ 6,900
Preferred stock dividends:		
\$2.21 cumulative preferred stock		2,200

Income from continuing operations, net of preferred stock dividends		4,700
Income from discontinued operations		11,100

Income applicable to common stock		\$ 15,800
		=====
Fully diluted shares:		
Average number of common shares outstanding during the period		102,388
Common-equivalent shares attributable to options and deferred stock		1,344

Total common and common-equivalent shares		103,732
		=====
Fully diluted earnings per common and common-equivalent share:		
Income from continuing operations		\$.04
Income from discontinued operations		.11

Net income		\$.15
		=====

*Primary and fully diluted earnings per share are the same in 1994.

**Restated as described in Note 2 of Notes to Consolidated Financial Statements.

THE WILLIAMS COMPANIES, INC.
 COMPUTATION OF EARNINGS PER COMMON AND COMMON-EQUIVALENT SHARE
 Nine months ended September 30, 1994 and 1993

	(Thousands, except per-share amounts)	
	1994	1993*
Primary earnings:		
Income from continuing operations	\$130,700	\$150,200
Preferred stock dividends:		
\$2.21 cumulative preferred stock	6,600	6,600
\$3.875 cumulative convertible exchangeable preferred stock	-	2,900
	-----	-----
Income from continuing operations, net of preferred stock dividends	124,100	140,700
Income from discontinued operations	51,700	29,500
	-----	-----
Income before extraordinary loss, net of preferred stock dividends	175,800	170,200
Extraordinary loss	(11,100)	-
	-----	-----
Income applicable to common stock	\$164,700	\$170,200
	=====	=====
Primary shares:		
Average number of common shares outstanding during the period	103,639	97,346
Common-equivalent shares attributable to options and deferred stock	956	1,192
	-----	-----
Total common and common-equivalent shares	104,595	98,538
	=====	=====
Primary earnings per common and common-equivalent share:		
Income from continuing operations	\$ 1.19	\$ 1.43
Income from discontinued operations	.49	.30
	-----	-----
Income before extraordinary loss	1.68	1.73
Extraordinary loss	(.11)	-
	-----	-----
Net income	\$ 1.57	\$ 1.73
	=====	=====
Fully diluted earnings:		
Income from continuing operations	\$130,700	\$150,200
Preferred stock dividends:		
\$2.21 cumulative preferred stock	6,600	6,600
	-----	-----
Income from continuing operations, net of preferred stock dividends	124,100	143,600
Income from discontinued operations	51,700	29,500
	-----	-----
Income before extraordinary loss, net of preferred stock dividends	175,800	173,100
Extraordinary loss	(11,100)	-
	-----	-----
Income applicable to common stock	\$164,700	\$173,100
	=====	=====
Fully diluted shares:		
Average number of common shares outstanding during the period	103,639	97,346
Common-equivalent shares attributable to options and deferred stock	1,000	1,380
Shares attributable to conversion, assumed at January 1, 1993 to the conversion dates, of convertible exchangeable preferred stock	-	4,168
	-----	-----
Total common and common-equivalent shares	104,639	102,894
	=====	=====
Fully diluted earnings per common and common-equivalent share:		
Income from continuing operations	\$ 1.19	\$ 1.39
Income from discontinued operations	.49	.29
	-----	-----
Income before extraordinary loss	1.68	1.68
Extraordinary loss	(.11)	-
	-----	-----
Net income	\$ 1.57	\$ 1.68
	=====	=====

*Restated as described in Note 2 of Notes to Consolidated Financial Statements.

THE WILLIAMS COMPANIES, INC. AND SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
 AND PREFERRED STOCK DIVIDEND REQUIREMENTS
 (Dollars in millions)

	Nine Months Ended September 30, 1994* -----
Earnings:	
Income from continuing operations before income taxes	\$196.0
Add:	
Interest expense - net	100.7
Rental expense representative of interest factor	6.5
Interest accrued - 50 percent owned company	23.7
Other	1.7

Total earnings as adjusted plus fixed charges	\$328.6 =====
Fixed charges and preferred stock dividend requirements:	
Interest expense - net	\$100.7
Capitalized interest	4.4
Rental expense representative of interest factor	6.5
Pretax effect of dividends on preferred stock of the Company	9.9
Interest accrued - 50 percent owned company	23.7

Combined fixed charges and preferred stock dividend requirements	\$145.2 =====
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	2.26 =====

*Amounts presented relate to continuing operations.

9-MOS
DEC-31-1994
JAN-01-1994
SEP-30-1994
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1.57