SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 29, 2002

The Williams Companies, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-4174	73-0569878
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Williams Center, Tulsa, Oklahoma	74172
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Item 9. Regulation FD Disclosure.

The Williams Companies, Inc. wishes to disclose for Regulation FD purposes its press release dated July 29, 2002, filed herewith as Exhibit 99.1, a reconciliation of income (loss) from continuing operations to recurring earnings, as attached to Williams' press release dated July 29, 2002, filed herewith as Exhibit 99.2, and the Consolidated Statement of Operations and related footnotes, as attached to Williams' press release dated July 29, 2002, filed herewith as Exhibit 99.3.

Pursuant to the requirements of the Securities Exchange Act of 1934, Williams has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE WILLIAMS COMPANIES, INC.

Date: July 31, 2002

/s/ Suzanne H. Costin

Name: Suzanne H. Costin
Title: Corporate Secretary

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
99.1	Copy of Williams' press release dated July 29, 2002.
99.2	Reconciliation of income (loss) from continuing operations to recurring earnings, as attached to Williams' press release dated July 29, 2002.
99.3	Consolidated Statement of Operations and related footnotes, as attached to Williams' press release dated July 29, 2002.

Exhibit 99.1

[GRAPHIC OMITTED]

JULY 29, 2002

WILLIAMS REPORTS SECOND-QUARTER RESULTS IN LINE WITH PREVIOUS GUIDANCE

TULSA, OKLA. -- Williams (NYSE: WMB) today announced an unaudited net loss of $349.1 million, or 68 cents per share, compared with net income of $339.5 million, or 69 cents per share, for the same period last year. The 2001 results included 2 cents per share for discontinued operations. The 2002 results are consistent with earnings guidance provided on July 22.

On a recurring basis, Williams realized an unaudited second-quarter recurring loss of 34 cents per share vs. recurring earnings of 57 cents per share during the same period last year.

Williams also announced it has delayed the quarterly conference call, originally scheduled for 10 a.m. Eastern today, until later this week.

As a result of a recently announced restructuring plan executed by various parties, including Williams, the company during the second quarter recognized an additional $15 million writedown of receivables and claims from Williams Communications Group (WCGRU). Details were provided in a July 26 news release

Accompanying this release are a reconciliation of loss from continuing operations to recurring loss and an unaudited Consolidated Statement of Operations and related notes for the second quarter.

During the second quarter, Williams recorded an aggregate expense of approximately $30 million related to a previously disclosed early retirement program, for which the employee election to participate concluded on April 26, 2002. The respective amounts attributable to each business unit are included in the results discussed below based on their respective participation.

Prior period segment amounts have been restated as noted in the attached unaudited Consolidated Statement of Operations. Following is a summary of the second-quarter results of Williams' major business groups:

Energy Marketing & Trading, which provides energy commodities marketing and trading and price-risk management services, reported second-quarter 2002 segment loss of $497.5 million vs. a segment profit of $262.2 million for the same period last year.

The segment loss in 2002 primarily reflects a significant decline in the forward mark-to-market value of Energy Marketing & Trading's portfolio, resulting from this unit's limited ability to exercise hedging strategies as market liquidity deteriorated and spark spreads lowered, as well as increased credit and liquidity reserves reflective of the deterioration in the energy trading sector condition.

In addition, this unit recorded approximately $82 million of loss accruals associated with commitments for certain power projects that have been terminated. Also, a $57.5 million partial impairment of goodwill was recorded resulting from deteriorating market conditions during the second quarter.

Gas Pipeline, which provides natural gas transportation and storage services through systems that span the United States, reported second-quarter 2002 segment profit of $156.7 million vs. $181 million for the same period last year.

Equity earnings from the Gulfstream pipeline, the benefit of expansion projects placed into service since the second quarter of 2001, and new transportation rates effective Sept. 1, 2001, on the Transco system were more than offset by cost writeoffs and an early retirement expense accrual.

In the second quarter of this year, the company wrote off costs totaling approximately $20 million representing its cost and investment in the Western Frontier and Independence expansion projects due to Williams' second-quarter decision not to pursue these projects. This unit also incurred $11.2 million of additional expense associated with an early retirement program, discussed previously. These were partially offset by the benefit of a $27.4 million contractual construction completion fee received by an equity affiliate related to the second-quarter completion of the Gulfstream pipeline.

During the second quarter of 2001, results were increased $42.5 million by a gain on the sale of Williams' interest in Northern Border Pipeline and the reversal of a regulatory reserve.

Energy Services, which provides a wide range of energy products and services, reported second-quarter 2002 segment profit of $131.8 million, compared with $263.9 million during the same period last year. The difference is in large part due to a $72.1 million gain on the sale of convenience stores that occurred during the second quarter of 2001.

Results of the major business segments within Energy Services are:

Exploration & Production, which includes natural gas exploration, development and production in basins within the Rocky Mountain, San Juan and Mid-continent areas, reported second-quarter 2002 segment profit of $95.4 million vs. $45.2 million for the same period last year.

The improvement primarily was due to increased natural gas production volumes, reflecting a strategy of low-risk development drilling with a focus on tight-sand and coal-seam areas, and the acquisition of Barrett Resources in the third quarter of last year. Production volumes sold increased nearly 200 percent during the second quarter of 2002 over the same period of 2001.

Midstream Gas & Liquids, which provides gathering, processing, natural gas liquids transportation, fractionation and storage services, and olefins production, reported second-quarter 2002 segment profit of $84.6 million compared with $64.5 million for the same period of last year.

The improvement results primarily from increased equity earnings, primarily from Discovery pipeline, the contribution of a Venezuelan gas compression facility that was placed into service in the third quarter of 2001, and the benefit of higher liquids margins and volumes.

Petroleum Services, which includes refining, retail petroleum and bio-energy, reported second-quarter 2002 segment loss of $20.7 million vs. $130.1 million segment profit for the same period a year ago. Williams has announced it is considering the sale of a significant portion of the assets in this segment.

In addition to the absence of last year's $72.1 million gain on the sale of convenience stores, the segment profit decline reflects lower results from refining and bio energy, generally reflecting lower margins and prices, respectively. Although the refining results are down from the same quarter of last year's exceptionally strong performance, these activities remain profitable. The current period also includes $27 million for asset impairments and loss accruals for certain travel centers, reflecting management's estimate of fair value to determine the charge.

The Williams Energy Partners segment reported second-quarter segment profit of $29.5 million vs. $33.7 million for the same period last year. The decline primarily was due to increased operating expenses and the impact of reduced ammonia shipments.

Also included in Energy Services' results is an International unit. It reported a segment loss of $57.0 million for the second quarter of 2002 vs. segment loss of $9.5 million for the same period last year. Included in the segment loss for the current period is a $44.1 million asset impairment of this segment's soda ash mining operations. This operation is being considered for sale and is engaged in a reserve price auction process. The impairment is the result of management's estimate of the fair value of the assets.

2002 Earnings Release Financial Highlights (PDF, 62 KB)

2002 Earnings Chart (PDF, 87 KB)

About Williams (NYSE: WMB)

Williams moves, manages and markets a variety of energy products, including natural gas, liquid hydrocarbons, petroleum and electricity. Based in Tulsa, Okla., Williams' operations span the energy value chain from wellhead to burner tip. Company information is available at williams.com.

Portions of this document may constitute "forward-looking statements" as defined by federal law. Although the company believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Any such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Reform Act of 1995. Additional information about issues that could lead to material changes in performance is contained in the company's annual reports filed with the Securities and Exchange Commission.

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EXHIBIT 99.2

WILLIAMS RECONCILIATION OF INCOME (LOSS) FROM CONTINUING OPERATIONS TO RECURRING EARNINGS

(UNAUDITED)

(Dollars in millions, except for per-share amounts)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ (349.1)	$ 328.8	$ (225.9)	$ 695.7
PREFERRED STOCK DIVIDENDS	6.8	--	76.5	--
INCOME (LOSS) FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	$ (355.9)	$ 328.8	$ (302.4)	$ 695.7
INCOME (LOSS) FROM CONTINUING OPERATIONS - DILUTED EARNINGS PER SHARE	$ (0.68)	$ 0.67	$ (0.58)	$ 1.42
NONRECURRING ITEMS:				
Energy Marketing & Trading				
Loss accruals for commitments related to assets to have been used in power projects	81.8	--	81.8	--
Impairment of goodwill**	57.5	--	57.5	--
Reversal of Energy Capital Mezzanine Financing accrual	(7.0)	--	(7.0)	--
Write off of costs associated with termination of certain projects	8.9	--	8.9	--
Early retirement expensees	4.2	--	4.2	--
Severance accrual	3.0	--	3.0	--
Total EM&T nonrecurring items	148.4	--	148.4	--
Gas Pipeline				
Construction completion fee - received	(27.4)	--	(27.4)	--
Write offs of terminated gas pipeline projects	19.8	--	19.8	--
Early retirement expenses	11.2	--	11.2	--
Gain on sale of Northern Border LP interest	--	(27.5)	--	(27.5)
Total Gas Pipeline nonrecurring items	3.6	(27.5)	3.6	(27.5)
Exploration & Production				
Early retirement expenses	0.4	--	0.4	--
Gain on sale of E&P properties	--	--	(3.9)	--
Total Exploration & Production nonrecurring items	0.4	--	(3.5)	--
International				
Early retirement expenses	0.9	--	0.9	--
Impairment of soda ash mining facility	44.1	--	44.1	--
Total International nonrecurring items	45.0	--	45.0	--
Midstream Gas & Liquids				
Impairment of Kansas-Hugoton facilities as assets held for sale	4.8	--	4.8	--
Early retirement expenses	0.8	--	0.8	--
Impairment of south Texas assets as held for sale	--	10.9	--	10.9
Total Midstream Gas & Liquids nonrecurring items	5.6	10.9	5.6	10.9
Petroleum Services				
Early retirement expenses	1.2	--	1.2	--
Gain on sale of convenience stores	--	(72.1)	--	(72.1)
Accrued liability for royalty oil claim - 1995-99	--	7.5	--	7.5
Impairment of Touchstar business to fair value	--	--	--	11.2
Impairment and loss accruals for certain Travel Centers	27.0	--	27.0	--
Total Petroleum Services nonrecurring items	28.2	(64.6)	28.2	(53.4)
Convertible preferred stock dividends**	--	--	69.4	--
Estimated loss on realization of amounts from Williams Communications Group, Inc.	15.0	--	247.0	--
Transaction costs - Amortization of 1998 MAPCO merger-related costs	--	0.1	--	1.5
Gain on disposition of Prudential shares received from demutualization	(11.0)	--	(11.0)	--
Early retirement expenses	11.3	--	11.3	--
TOTAL NONRECURRING ITEMS	246.5	(81.1)	544.0	(68.5)
Tax effect for above items	68.0	(32.4)	151.5	(27.4)
RECURRING EARNINGS	$ (177.4)	$ 280.1	$ 90.1	$ 654.6
RECURRING DILUTED EARNINGS PER COMMON SHARE	$ (0.34)	$ 0.57	$ 0.17	$ 1.34

WEIGHTED-AVERAGE SHARES - DILUTED (THOUSANDS)	520,427	491,698	519,829	487,527

**NO TAX BENEFIT

EXHIBIT 99.3

[WILLIAMS LOGO]

FINANCIAL HIGHLIGHTS
(UNAUDITED)

(Millions, except per-share amounts)	Three months ended June 30, 2002	Three months ended June 30, 2001*	Six months ended June 30, 2002	Six months ended June 30, 2001*
Revenues	$ 2,155.6	$ 2,921.3	$ 4,636.4	$ 6,130.7
Income (loss) from continuing operations	$ (349.1)	$ 328.8	$ (225.9)	$ 695.7
Income (loss) from discontinued operations	$ --	$ 10.7	$ (15.5)	$ (157.0)
Net income (loss)	$ (349.1)	$ 339.5	$ (241.4)	$ 538.7
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.68)	$ .68	$ (.58)	$ 1.44
Income (loss) from discontinued operations	$ --	$ .02	$ (.03)	$ (.33)
Net income (loss)	$ (.68)	$ .70	$ (.61)	$ 1.11
Average shares (thousands)	520,427	487,211	519,829	483,173
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.68)	$ .67	$ (.58)	$ 1.42
Income (loss) from discontinued operations	$ --	$ .02	$ (.03)	$ (.32)
Net income (loss)	$ (.68)	$ .69	$ (.61)	$ 1.10
Average shares (thousands)	520,427	491,698	519,829	487,527
Shares outstanding at June 30 (thousands)			516,404	484,785

* Amounts have been restated as described in Note 1 of Notes to Consolidated Statement of Operations.

[WILLIAMS LOGO]

CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	(Millions, except per-share amounts)	Three months ended June 30, 2002	Three months ended June 30, 2001*	Six months ended June 30, 2002	Six months ended June 30, 2001*
REVENUES	Energy Marketing & Trading	$ (195.6)	$ 337.7	$ 145.3	$ 935.9
	Gas Pipeline	381.7	368.7	805.5	790.7
	Energy Services	2,003.6	2,225.1	3,743.7	4,469.4
	Other	16.4	21.0	32.3	39.5
	Intercompany eliminations	(50.5)	(31.2)	(90.4)	(104.8)
	Total revenues	2,155.6	2,921.3	4,636.4	6,130.7
SEGMENT COSTS AND EXPENSES	Costs and operating expenses	1,866.1	2,119.8	3,467.3	4,309.2
	Selling, general and administrative expenses	233.3	193.9	429.8	418.4
	Other (income) expense - net	223.0	(89.8)	221.1	(79.7)
	Total segment costs and expenses	2,322.4	2,223.9	4,118.2	4,647.9
	General corporate expenses	34.1	27.0	72.3	56.4
OPERATING INCOME (LOSS)	Energy Marketing & Trading	(414.5)	263.1	(141.5)	750.0
	Gas Pipeline	117.3	170.9	288.0	339.5
	Energy Services	129.8	258.9	368.6	384.0
	Other	.6	4.5	3.1	9.3
	General corporate expenses	(34.1)	(27.0)	(72.3)	(56.4)
	Total operating income (loss)	(200.9)	670.4	445.9	1,426.4
	Interest accrued	(278.0)	(161.1)	(495.4)	(341.1)
	Interest capitalized	6.7	11.1	12.4	20.8
	Interest rate swap loss	(83.2)	--	(73.0)	--
	Investing income (loss):				
	Estimated loss on realization of amounts due from Williams Communications Group, Inc.	(15.0)	--	(247.0)	--
	Other	54.8	35.0	70.9	69.0
	Preferred returns and minority interest in income of consolidated subsidiaries	(21.8)	(21.7)	(37.0)	(47.0)
	Other income - net	23.7	6.0	19.8	11.4
	Income (loss) from continuing operations before income taxes	(513.7)	539.7	(303.4)	1,139.5
	Provision (benefit) for income taxes	(164.6)	210.9	(77.5)	443.8
	Income (loss) from continuing operations	(349.1)	328.8	(225.9)	695.7
	Income (loss) from discontinued operations	--	10.7	(15.5)	(157.0)
	Net income (loss)	(349.1)	339.5	(241.4)	538.7
	Preferred stock dividends	(6.8)	--	(76.5)	--
	Income (loss) applicable to common stock	$ (355.9)	$ 339.5	$ (317.9)	$ 538.7
EARNINGS (LOSS) PER SHARE	Basic earnings (loss) per common share:				
	Income (loss) from continuing operations	$ (.68)	$ .68	$ (.58)	$ 1.44
	Income (loss) from discontinued operations	--	.02	(.03)	(.33)
	Net income (loss)	$ (.68)	$ .70	$ (.61)	$ 1.11
	Diluted earnings (loss) per common share:				
	Income (loss) from continuing operations	$ (.68)	$ .67	$ (.58)	$ 1.42
	Income (loss) from discontinued operations	--	.02	(.03)	(.32)
	Net income (loss)	$ (.68)	$ .69	$ (.61)	$ 1.10

* Certain amounts have been restated or reclassified as described in Note 1 of Notes to Consolidated Statement of Operations.

See accompanying notes.

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

1. BASIS OF PRESENTATION

Effective July 1, 2002, management of certain operations previously conducted by Energy Marketing & Trading, International and Petroleum Services was transferred to Midstream Gas & Liquids. These operations included natural gas liquids trading, activities in Venezuela and a petrochemical plant, respectively.

On April 11, 2002, Williams Energy Partners acquired Williams Pipe Line, an operation within Petroleum Services. Accordingly, Williams Pipe Line's results of operations have been transferred from the Petroleum Services segment to the Williams Energy Partners segment.

On March 27, 2002, Williams completed the sale of one of its Gas Pipeline's segments, Kern River Gas Transmission (Kern River) to MidAmerican Energy Holdings Company (MEHC). Accordingly, the results of operations for Kern River have been reflected in the Consolidated Statement of Operations as discontinued operations. Unless indicated otherwise, the information in the Notes to Consolidated Statement of Operations relates to the continuing operations of Williams (see Note 5).

Prior period segment amounts have been restated to reflect the above mentioned changes.

Certain other amounts in the Consolidated Statement of Operations for 2001 have been reclassified to conform to the current classifications.

2. SEGMENT REVENUES AND PROFIT (LOSS)

Segment revenues and profit (loss) for the three and six months ended June 30, 2002 and 2001, are as follows:

	Three months ended June 30,			
	Revenues		Segment Profit (Loss)	
(millions)	2002	2001*	2002	2001*
Energy Marketing & Trading	$ (278.6)	$ 337.7	$ (497.5)	$ 262.2
Gas Pipeline	381.7	368.7	156.7	181.0
Energy Services:				
Exploration & Production	230.8	107.2	95.4	45.2
International	9.1	8.4	(57.0)	(9.5)
Midstream Gas & Liquids	505.7	545.5	84.6	64.5
Petroleum Services	1,154.0	1,461.7	(20.7)	130.1
Williams Energy Partners	104.0	102.3	29.5	33.7
Merger-related costs and non-compete amortization	--	--	--	(.1)
Total Energy Services	2,003.6	2,225.1	131.8	263.9
Other	16.4	21.0	--	4.1
Intercompany eliminations	32.5	(31.2)	--	--
Total segments	$2,155.6	$2,921.3	$ (209.0)	$ 711.2

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

	Six months ended June 30,			
	Revenues		Segment Profit (Loss)	
(millions)	2002	2001*	2002	2001*
Energy Marketing & Trading	$ 76.4	$ 935.9	$ (214.4)	$ 751.7
Gas Pipeline	805.5	790.7	346.9	357.7
Energy Services:				
Exploration & Production	458.5	249.6	201.7	100.4
International	18.0	12.7	(77.5)	(30.6)
Midstream Gas & Liquids	975.3	1,211.5	172.5	104.1
Petroleum Services	2,095.8	2,795.7	9.7	147.1
Williams Energy Partners	196.1	199.9	56.4	56.5
Merger-related costs and				

non-compete amortization	--	--	--	(1.5)
Total Energy Services	3,743.7	4,469.4	362.8	376.0
Other	32.3	39.5	2.3	8.9
Intercompany eliminations	(21.5)	(104.8)	--	--
Total segments	$4,636.4	$6,130.7	$ 497.6	$1,494.3

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

SECOND QUARTER 2002

[WILLIAMS LOGO]

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

2. SEGMENT REVENUES AND PROFIT (LOSS) (continued)

The following tables reflect the reconciliation of revenues and operating income (loss) as reported in the Consolidated Statement of Operations to segment revenues and segment profit (loss).

(millions)	THREE MONTHS ENDED JUNE 30, 2002 REVENUES	INTERCOMPANY INTEREST RATE SWAPS	SEGMENT REVENUES	Three months ended June 30, 2001* Revenues	Intercompany Interest Rate Swaps	Segment Revenues
Energy Marketing & Trading	$ (195.6)	$ (83.0)	$ (278.6)	$ 337.7	$ --	$ 337.7
Gas Pipeline	381.7	--	381.7	368.7	--	368.7
Energy Services	2,003.6	--	2,003.6	2,225.1	--	2,225.1
Other	16.4	--	16.4	21.0	--	21.0
Intercompany eliminations	(50.5)	83.0	32.5	(31.2)	--	(31.2)
Total segments	$ 2,155.6	$ --	$2,155.6	$ 2,921.3	$ --	$2,921.3

(millions)	THREE MONTHS ENDED JUNE 30, 2002 OPERATING INCOME (LOSS)	EQUITY EARNINGS (LOSSES)	INTERCOMPANY INTEREST RATE SWAPS	SEGMENT PROFIT (LOSS)	Three months ended June 30, 2001* Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)
Energy Marketing & Trading	$ (414.5)	$ --	$ (83.0)	$(497.5)	$ 263.1	$ (.9)	$ --	$ 262.2
Gas Pipeline	117.3	39.4	--	156.7	170.9	10.1	--	181.0
Energy Services	129.8	2.0	--	131.8	258.9	5.0	--	263.9
Other	.6	(.6)	--	--	4.5	(.4)	--	4.1
Total segments	(166.8)	$ 40.8	$ (83.0)	$(209.0)	697.4	$ 13.8	$ --	$ 711.2
General corporate expenses	(34.1)				(27.0)			
Total operating income (loss)	$ (200.9)				$ 670.4			

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

(millions)	SIX MONTHS ENDED JUNE 30, 2002 REVENUES	INTERCOMPANY INTEREST RATE SWAPS	SEGMENT REVENUES	Six months ended June 30, 2001* Revenues	Intercompany Interest Rate Swaps	Segment Revenues
Energy Marketing & Trading	$ 145.3	$ (68.9)	$ 76.4	$ 935.9	$ --	$ 935.9
Gas Pipeline	805.5	--	805.5	790.7	--	790.7
Energy Services	3,743.7	--	3,743.7	4,469.4	--	4,469.4
Other	32.3	--	32.3	39.5	--	39.5
Intercompany eliminations	(90.4)	68.9	(21.5)	(104.8)	--	(104.8)
Total segments	$ 4,636.4	$ --	$4,636.4	$ 6,130.7	$ --	$6,130.7

(millions)	SIX MONTHS ENDED JUNE 30, 2002 OPERATING INCOME (LOSS)	EQUITY EARNINGS (LOSSES)	INTERCOMPANY INTEREST RATE SWAPS	SEGMENT PROFIT (LOSS)	Six months ended June 30, 2001* Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)
Energy Marketing & Trading	$ (141.5)	$ (4.0)	$ (68.9)	$(214.4)	$ 750.0	$ 1.7	$ --	$ 751.7
Gas Pipeline	288.0	58.9	--	346.9	339.5	18.2	--	357.7

Energy Services	368.6	(5.8)	--	362.8	384.0	(8.0)	--	376.0
Other	3.1	(.8)	--	2.3	9.3	(.4)	--	8.9
Total segments	518.2	$ 48.3	$ (68.9)	$ 497.6	1,482.8	$ 11.5	$ --	$1,494.3
General corporate expenses	(72.3)				(56.4)			
Total operating income (loss)	$ (445.9)				$ 1,426.4			

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

SECOND QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

2. SEGMENT REVENUES AND PROFIT (LOSS) (continued)

Segment profit (loss) includes equity earnings (losses) and certain income (loss) from investments which are reported in investing income (loss) in the Consolidated Statement of Operations. Equity earnings (losses) are from investments accounted for under the equity method. Income (loss) from investments results from the management of investments in certain equity instruments. For the three and six months ended June 30, 2002 and 2001, there was no income (loss) from investments which met the definition for inclusion in segment profit (loss).

In first-quarter 2002, Williams began managing its interest rate risk on an enterprise basis. The more significant of these risks relate to its debt instruments and its energy risk management and trading portfolio. To facilitate the management of the risk, entities within Williams may enter into intercompany derivative instruments (usually swaps) with the corporate parent. On a consolidated basis, the level, term and nature of derivative instruments entered into with external parties are determined. Energy Marketing & Trading has entered into intercompany interest rate swaps with the corporate parent, the effect of which is included in Energy Marketing & Trading's segment revenues and segment profit (loss) as shown in the reconciliation above. The results of interest rate swaps with external counter parties are shown as interest rate swap loss in the Consolidated Statement of Operations below operating income (loss).

3. ASSET SALES, IMPAIRMENTS AND OTHER ACCRUALS

As previously disclosed, Williams offered an enhanced-benefit early retirement option to certain employee groups. The deadline for electing the early retirement option was April 26, 2002. The three and six months ended June 30, 2002, reflects $30 million of expense associated with the early retirement, of which $24 million is recorded in selling, general and administrative expenses and the remaining in general corporate expenses.

Significant gains or losses from asset sales, impairments and other accruals included in other (income) expense - net within segment costs and expenses are as follows:

	Three months ended June 30,		Six months ended June 30,	
(millions)	2002	2001	2002	2001
ENERGY MARKETING & TRADING				
Net loss accruals and write-offs	$ 83.7	$ --	$ 83.7	$ --
Impairment of goodwill	57.5	--	57.5	
GAS PIPELINE				
Gain on sale of limited partner units of Northern Border Partners, L.P.	--	(27.5)	--	(27.5)
Write-off of cancelled project	7.5	--	7.5	--
ENERGY SERVICES:				
INTERNATIONAL				
Impairment of soda ash mining facility	44.1	--	44.1	--
MIDSTREAM GAS & LIQUIDS				
Impairment of south Texas assets	--	10.9	--	10.9
PETROLEUM SERVICES				
Gain on sale of certain convenience stores	--	(72.1)	--	(72.1)
Impairment of end-to-end mobile computing systems business	--	--	--	11.2
Impairment and other loss accruals for travel centers	27.0	--	27.0	--

In a Form 8-K filed on May 28, 2002, Williams announced a plan that is designed to further improve the company's financial position and more narrowly focus its business strategy within its major business units. Part of this plan includes the generation of $1.5 billion to $3 billion of proceeds from the sale of assets or businesses. Williams is evaluating the assets and businesses that fit within its new, more narrowly focused business strategy. Management has determined that certain assets and/or businesses are more-likely-than-not to be disposed before the end of their previously estimated useful lives. These assets and/or businesses were evaluated for recoverability on a held for use basis pursuant to Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Any impairment loss recognized in second-quarter 2002 was based upon management's estimate of fair value.

SECOND QUARTER 2002

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

Additionally, as Williams has more narrowly focused its business strategy and reduced planned capital spending, certain projects will not be further developed. As a result, Williams has written-off capitalized costs and accrued for estimated costs associated with termination of these projects. With the exception of the $12.3 million which is included in equity earnings (losses) (see Note 4), these amounts are reflected in other (income) expense - net as detailed in the preceding table.

Energy Marketing & Trading's partial impairment of goodwill under SFAS No. 142, "Goodwill and Other Intangible Assets," results from deteriorating market conditions surrounding the Energy Marketing & Trading unit. Energy Marketing & Trading's net loss accruals and write-offs include accruals for commitments for certain assets that were previously planned to be used in power projects.

4. INVESTING INCOME (LOSS)

Estimated loss on realization of amounts due from Williams Communications Group, Inc.

In second-quarter 2002, Williams recorded in continuing operations an additional pre-tax charge of $15 million related to Williams Communications Group, Inc. (WCG), including an assessment of the recoverability of certain receivables and claims from WCG. For the six months ended June 30, 2002, Williams has recorded in continuing operations pre-tax charges of $247 million related to the recoverability of these receivables and claims. These receivables and claims result from Williams performing on $2.15 billion of guarantees and payment obligations, amounts due from WCG related to a deferred payment for services and a minimum lease payment receivable from WCG related to WCG's headquarters building and other assets. At June 30, 2002, Williams estimates that approximately $2.2 billion of the $2.5 billion of receivables from WCG are not recoverable.

On April 22, 2002, WCG filed for bankruptcy protection under Chapter 11 of the U. S. Bankruptcy Code. On July 26, 2002, WCG executed a Settlement Agreement. The Settlement Agreement between Williams, WCG, the Official Committee of Unsecured Creditors and Leucadia National Corporation included agreements where Williams will sell $2.26 billion of its claims against WCG to Leucadia for $180 million and sell the headquarters building to WCG for $145 million comprised of $45 million in cash and a $100 million note. The transactions contemplated by the Settlement Agreement are subject to approval of the bankruptcy court and would close after such approval and after satisfaction of all conditions therein.

At June 30, 2002, estimated recoveries of Williams' receivables and claims from WCG were based on the agreements included in the Settlement Agreement. Actual recoveries may ultimately differ from currently estimated recoveries as the agreements could be voided or amended as issues or challenges may be raised in the bankruptcy proceedings prior to finalization of the Plan. If the agreements were voided or amended, Williams' actual recoveries could differ from currently estimated recoveries as numerous factors will affect any recovery, including the form of consideration that Williams may receive from WCG's restructuring under bankruptcy, WCG's future performance, the length of time WCG remains in bankruptcy, customer reaction to WCG's bankruptcy filing, challenges to Williams claims which may be raised in the bankruptcy proceedings, negotiations among WCG's secured creditors, its unsecured creditors and Williams, and the resolution of any related claims, issues or challenges that may be raised in the bankruptcy proceedings.

Other

Other investing income for the three and six months ended June 30, 2002 and 2001, is as follows:

	Three months ended June 30,		Six months ended June 30,	
(millions)	2002	2001	2002	2001
Equity earnings (losses)*	$ 40.8	$ 13.8	$ 48.3	$ 11.5
Interest income and other	14.0	21.2	22.6	57.5
Total	$ 54.8	$ 35.0	$ 70.9	$ 69.0

*Item also included in segment profit.

Equity earnings (losses) for the three and six months ended June 30, 2002, includes $27.4 million, reflecting a contractual construction completion fee received by an equity affiliate of Williams whose operations are accounted for under the equity method of accounting. This equity investment served as the general contractor for Gulfstream Pipeline, also an equity affiliate of Williams. This fee is associated with the early completion during second-quarter of the construction of a pipeline and was capitalized by Gulfstream Pipeline as property, plant and equipment. Gulfstream Pipeline is subject to Federal Energy Regulatory Commission (FERC) regulations and the fee is included in its rate base.

Also included in equity earnings (losses) for the three and six months ended June 30, 2002, is a $12.3 million write-down of a Gas Pipeline's investment in a pipeline project which has been canceled.

NOTES TO CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)
(UNAUDITED)

5. DISCONTINUED OPERATIONS

Kern River

On March 27, 2002, Williams completed the sale of its Kern River pipeline for $450 million in cash and the assumption by the purchaser of $510 million in debt. As part of the agreement, $32.5 million of the purchase price was contingent upon Kern River receiving a certificate from the FERC to construct and operate a future expansion. This certificate was received and the contingent payment will be recognized as income from discontinued operations in third-quarter 2002. In accordance with SFAS No. 144, the results of operations for Kern River have been reflected in the Consolidated Statement of Operations as discontinued operations.

Williams Communications Group, Inc.

On March 30, 2001, Williams' board of directors approved a tax-free spinoff of WCG to Williams' shareholders.Williams distributed 398.5 million shares, or approximately 95 percent of the WCG common stock held by Williams on April 23, 2001. In accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," the results of operations for WCG have been reflected in the Consolidated Statement of Operations as discontinued operations.

Summarized results of discontinued operations for the three and six months ended June 30, 2002 and 2001, are as follows:

	Three months ended June 30,		Six months ended June 30,	
(millions)	2002	2001	2002	2001
Kern River:				
Income from operations before income taxes	$ --	$ 16.8	$ 13.5	$ 34.9
Loss on sale of Kern River	--	--	(38.1)	--
(Provision) benefit for income taxes	--	(6.1)	9.1	(12.8)
Income (loss) from Kern River	--	10.7	(15.5)	22.1
WCG:				
Loss from operations before income taxes	--	--	--	(271.3)
Benefit for income taxes	--	--	--	92.2
Loss from WCG	--	--	--	(179.1)
Total income (loss) from discontinued operations	$ --	$ 10.7	$(15.5)	$(157.0)

6. PREFERRED DIVIDENDS

Concurrent with the sale of Kern River to MEHC, Williams issued approximately 1.5 million shares of 9 -7/8 percent cumulative convertible preferred stock to MEHC for $275 million. The terms of the preferred stock allow the holder to convert, at any time, one share of preferred stock into 10 shares of Williams' common stock at $18.75 per share. Preferred shares have a liquidation preference equal to the stated value of $187.50 per share plus any dividends accumulated and unpaid. Dividends on the preferred stock are payable quarterly.

Preferred dividends for the six months ended June 30, 2002, include $69.4 million associated with the accounting for a convertible security with a beneficial conversion feature. This is accounted for as a noncash dividend (reduction to retained earnings) and results from the conversion price being less than the market price of Williams common stock on the issuance date of the preferred stock. The reduction in retained earnings was offset by an increase in capital in excess of par value.