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

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-4174

The Williams Companies, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**73-0569878** *(IRS Employer Identification No.)*
One Williams Center, Tulsa, Oklahoma *(Address of Principal Executive Offices)*	**74172** *(Zip Code)*

918-573-2000
(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
5.50% Junior Subordinated Convertible Debentures due 2033

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second quarter was approximately $17,802,985,945.

The number of shares outstanding of the registrant's common stock outstanding at February 22, 2012 was 592,181,611.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for the Registrant's 2011 Annual Meeting of Stockholders to be held on May 17, 2012, are incorporated into Part III, as specifically set forth in Part III.

THE WILLIAMS COMPANIES, INC.

FORM 10-K

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DEFINITIONS

We use the following oil and gas measurements in this report:

Barrel — means one barrel of petroleum products that equals 42 U.S. gallons.

Bcf — means one billion cubic feet.

Bcf/d — means one billion cubic feet per day.

British Thermal Unit (Btu) — means a unit of energy needed to raise the temperature of one pound of water by one degree Fahrenheit.

Dekatherms (Dth) — means a unit of energy equal to one million Btus.

Mbbls/d — means one thousand barrels per day.

Mdth/d — means one thousand dekatherms per day.

MMBtu — means one million Btus.

MMcf/d — means one million cubic feet per day.

MMdth — means one million dekatherms or approximately one trillion Btus.

MMdth/d: One million dekatherms per day.

TBtu — means one trillion Btus.

Other definitions:

FERC — means Federal Energy Regulatory Commission.

Fractionation — means the process by which a mixed stream of natural gas liquids is separated into its constituent products, such as ethane, propane, and butane.

LNG — means liquefied natural gas; natural gas which has been liquefied at cryogenic temperatures.

NGL — means natural gas liquids; natural gas liquids result from natural gas processing and crude oil refining and are used as petrochemical feedstocks, heating fuels, and gasoline additives, among other applications.

NGL margins — means NGL revenues less Btu replacement cost, plant fuel, transportation, and fractionation.

Throughput — means the volume of product transported or passing through a pipeline, plant, terminal, or other facility.

PART I

Item 1. ***Business***

In this report, Williams (which includes The Williams Companies, Inc. and, unless the context otherwise requires, all of our subsidiaries) is at times referred to in the first person as “we,” “us” or “our.” We also sometimes refer to Williams as the “Company.”

WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents electronically with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (Exchange Act). You may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain such reports from the SEC’s Internet website at www.sec.gov.

Our Internet website is www.williams.com. We make available free of charge through the Investor tab of our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Corporate Governance Guidelines, Code of Ethics for Senior Officers, Board committee charters and the Williams Code of Business Conduct are also available on our Internet website. We will also provide, free of charge, a copy of any of our corporate documents listed above upon written request to our Corporate Secretary, One Williams Center, Suite 4700, Tulsa, Oklahoma 74172.

GENERAL

We are an energy infrastructure company focused on connecting North America’s hydrocarbon resource plays to growing markets for natural gas, NGLs, and olefins. Our operations span from the deepwater Gulf of Mexico to the Canadian oil sands.

Our interstate gas pipeline and domestic midstream interests are largely held through its significant investment in Williams Partners L.P. (WPZ), one of the largest energy master limited partnerships. We own the general-partner interest and a 70 percent limited-partner interest in WPZ. We also own a Canadian midstream and domestic olefins production business, which processes oil sands off-gas and produces olefins for petrochemical feedstocks.

We were founded in 1908, originally incorporated under the laws of the state of Nevada in 1949 and reincorporated under the laws of the state of Delaware in 1987. Williams’ headquarters are located in Tulsa, Oklahoma, with other major offices in Salt Lake City, Houston, the Four Corners Area and Pennsylvania. Our telephone number is 918-573-2000.

SPIN-OFF OF WPX

On December 1, 2011, we announced that our Board of Directors approved a tax-free spinoff of 100 percent of our exploration and production business, WPX Energy, Inc. (WPX), to our shareholders. On December 31, 2011, we distributed one share of WPX common stock for every three shares of Williams common stock. As a result, with the exception of the December 31, 2011 balance sheet which no longer includes WPX, the consolidated financial statements reflect the results of operations and financial position of WPX as discontinued operations.

DIVIDEND GROWTH

We doubled our quarterly dividends from $0.125 per share in the fourth quarter of 2010 to $0.25 per share in the fourth quarter of 2011. Also, consistent with expected growing cash distributions from our interest in WPZ, we expect continued dividend increases on a quarterly basis. Our Board of Directors has approved a dividend of $0.25875 per share for the first quarter of 2012 and we expect total 2012 dividends to be $1.09 per share, which is approximately 41 percent higher than 2011.

RECENT EVENTS

In February 2012, Williams Partners completed the acquisition of 100 percent of the ownership interests in certain entities from Delphi Midstream Partners, LLC. These entities primarily own the Laser Gathering System, which is comprised of 33 miles of 16-inch natural gas pipeline and associated gathering facilities in the Marcellus Shale in Susquehanna County, Pennsylvania, as well as 10 miles of gathering lines in southern New York. This acquisition represents a strategic platform to enhance Williams Partners' expansion in the Marcellus Shale by providing its customers with both operational flow assurance and marketing flexibility. (See Results of Operations - Segments, Williams Partners.)

FINANCIAL INFORMATION ABOUT SEGMENTS

See "*Item 8 — Financial Statements and Supplementary Data — Notes to Consolidated Financial Statements — Note 18*" for information with respect to each segment's revenues, profits or losses and total assets.

BUSINESS SEGMENTS

Substantially all our operations are conducted through our subsidiaries. Our activities in 2011 were primarily operated through the following business segments:

- *Williams Partners* — comprised of our master limited partnership WPZ, which includes gas pipeline and domestic midstream businesses. The gas pipeline business includes interstate natural gas pipelines and pipeline joint venture investments, and the midstream business provides natural gas gathering, treating and processing services; NGL production, fractionation, storage, marketing and transportation; deepwater production handling and crude oil transportation services and is comprised of several wholly owned and partially owned subsidiaries and joint venture investments.
- *Midstream Canada & Olefins* — primarily our Canadian midstream and domestic olefins operations. Our Canadian operations include an oil sands off-gas processing plant located near Ft. McMurray, Alberta, and an NGL/olefin fractionation facility and butylenes/butane splitter (B/B splitter) facility, both of which are located at Redwater, Alberta, which is near Edmonton, Alberta. In the Gulf of Mexico region, we own a 5/6 interest in and are the operator of an NGL light-feed olefins cracker plant in Geismar, Louisiana. We also own ethane and propane pipelines systems in Louisiana that provide feedstock to the Geismar plant. Additionally, we own a refinery grade propylene splitter and associated pipeline. Our olefins business also operates an ethylene storage hub at Mont Belvieu using leased third-party underground storage wells.
- *Other* — primarily consists of corporate operations.

This report is organized to reflect this structure. Detailed discussion of each of our business segments follows.

Williams Partners

Gas Pipeline Business

Williams Partners owns and operates a combined total of approximately 13,700 miles of pipelines with a total annual throughput of approximately 3,000 TBtu of natural gas and peak-day delivery capacity of approximately 13 MMdth of natural gas. Our gas pipeline businesses consist primarily of Transcontinental Gas Pipe Line Company, LLC (Transco) and Northwest Pipeline GP (Northwest Pipeline). Our gas pipeline business also holds interests in joint venture interstate and intrastate natural gas pipeline systems including a 49 percent interest in Gulfstream Natural Gas System, L.L.C. (Gulfstream). Our gas pipeline businesses contributed revenues of approximately 21 percent, 24 percent and 30 percent of *total revenues* in 2011, 2010, and 2009, respectively.

Transco

Transco is an interstate natural gas transmission company that owns and operates a 9,800-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania, and New Jersey to the New York City metropolitan area. The system serves customers in Texas and 11 southeast and Atlantic seaboard states, including major metropolitan areas in Georgia, North Carolina, Washington, D.C., New York, New Jersey and Pennsylvania.

Pipeline system and customers

At December 31, 2011, Transco's system had a mainline delivery capacity of approximately 5.6 MMdth of natural gas per day from its production areas to its primary markets, including delivery capacity from the mainline to locations on its Mobile Bay Lateral. Using its Leidy Line along with market-area storage and transportation capacity, Transco can deliver an additional 4.0 MMdth of natural gas per day for a system-wide delivery capacity total of approximately 9.6 MMdth of natural gas per day. Transco's system includes 45 compressor stations, four underground storage fields, and an LNG storage facility. Compression facilities at sea level-rated capacity total approximately 1.5 million horsepower.

Transco's major natural gas transportation customers are public utilities and municipalities that provide service to residential, commercial, industrial and electric generation end users. Shippers on Transco's system include public utilities, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers and producers. Transco's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Transco's business. Additionally, Transco offers storage services and interruptible transportation services under short-term agreements.

Transco has natural gas storage capacity in four underground storage fields located on or near its pipeline system or market areas and operates two of these storage fields. Transco also has storage capacity in an LNG storage facility that it owns and operates. The total usable gas storage capacity available to Transco and its customers in such underground storage fields and LNG storage facility and through storage service contracts is approximately 200 Bcf of natural gas. At December 31, 2011, our customers had stored in our facilities approximately 164 Bcf of natural gas. In addition, wholly owned subsidiaries of Transco operate and hold a 35 percent ownership interest in Pine Needle LNG Company, LLC, an LNG storage facility with 4 Bcf of storage capacity. Storage capacity permits Transco's customers to inject gas into storage during the summer and off-peak periods for delivery during peak winter demand periods.

Transco expansion projects

The pipeline projects listed below were completed during 2011 or are future significant pipeline projects for which Transco has customer commitments.

Mobile Bay South II

The Mobile Bay South II Expansion Project involved the addition of compression at Transco's Station 85 in Choctaw County, Alabama, and modifications to existing facilities at Transco's Station 83 in Mobile County, Alabama, to allow Transco to provide additional firm transportation service southbound on the Mobile Bay line from Station 85 to various delivery points. The project was placed into service in May 2011 and provides incremental firm capacity of 380 Mdth/d.

85 North

The 85 North Expansion Project involved an expansion of Transco's existing natural gas transmission system from Station 85 in Choctaw County, Alabama, to various delivery points as far north as North Carolina. The first phase was placed into service in July 2010 and provides incremental firm capacity of 90 Mdth/d, and the second phase was placed into service in May 2011 and provides incremental firm capacity of 219 Mdth/d.

Mid-South

The Mid-South Expansion Project involves an expansion of Transco's mainline from Station 85 in Choctaw County, Alabama, to markets as far downstream as North Carolina. In August 2011, Transco received approval from the FERC. The capital cost of the project is estimated to be approximately $217 million. Transco plans to place the project into service in phases in September 2012 and June 2013, and it is expected to increase capacity by 225 Mdth/d.

Mid-Atlantic Connector

The Mid-Atlantic Connector Project involves an expansion of Transco's mainline from an existing interconnection in North Carolina to markets as far downstream as Maryland. In July 2011, Transco received approval from the FERC. The capital cost of the project is estimated to be approximately $55 million. Transco plans to place the project into service in November 2012, and it is expected to increase capacity by 142 Mdth/d.

Northeast Supply Link

In December 2011, Transco filed an application with the FERC to expand its existing natural gas transmission system from the Marcellus Shale production region on the Leidy Line to various delivery points in New York and New Jersey. The capital cost of the project is estimated to be approximately $341 million. Transco plans to place the project into service in November 2013, and it is expected to increase capacity by 250 Mdth/d.

Rockaway Delivery Lateral

The Rockaway Delivery Lateral Project involves the construction of a three-mile offshore lateral to a distribution system in New York. Transco anticipates filing an application with the FERC in 2012. The capital cost of the project is estimated to be approximately $182 million. Transco plans to place the project into service as early as April 2014, and its capacity is expected to be 647 Mdth/d.

Northeast Connector

The Northeast Connector Project involves expansion of Transco's existing natural gas transmission system from southeastern Pennsylvania to the proposed Rockaway Delivery Lateral. Transco anticipates filing an application with the FERC in 2012. The capital cost of the project is estimated to be approximately $39 million. Transco plans to place the project into service as early as April 2014, and its capacity is expected to be 100 Mdth/d.

Northwest Pipeline

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

<u>Pipeline system and customers</u>

At December 31, 2011, Northwest Pipeline's system, having long-term firm transportation agreements including peaking service of approximately 3.8 MMdth/d, was composed of approximately 3,900 miles of mainline and lateral transmission pipelines and 41 transmission compressor stations having a combined sea level-rated capacity of approximately 477,000 horsepower.

Northwest Pipeline transports and stores natural gas for a broad mix of customers, including local natural gas distribution companies, municipal utilities, direct industrial users, electric power generators and natural gas marketers and producers. Northwest Pipeline's firm transportation and storage contracts are generally long-term contracts with various expiration dates and account for the major portion of Northwest Pipeline's business. Additionally, Northwest Pipeline offers interruptible and short-term firm transportation service.

Northwest Pipeline owns a one-third interest in the Jackson Prairie underground storage facility in Washington and contracts with a third party for storage service in the Clay basin underground field in Utah. Northwest Pipeline also owns and operates an LNG storage facility in Washington. These storage facilities have an aggregate working gas storage capacity of 13 Bcf of natural gas, which is substantially utilized for third-party natural gas, and firm delivery capability of approximately 700 MMcf/d enable Northwest Pipeline to provide storage services to its customers and to balance daily receipts and deliveries.

Northwest Pipeline expansion project

North and South Seattle Lateral Delivery Expansions

Northwest Pipeline has executed agreements with a customer to expand the North and South Seattle laterals and provide additional lateral capacity of approximately 84 Mdth/d and 74 Mdth/d, respectively. The total estimated cost of the project is between $28 and $30 million. North Seattle is currently targeted for service in fall 2012 and South Seattle is currently targeted for service in fall 2013.

Gulfstream

Gulfstream is a natural gas pipeline system extending from the Mobile Bay area in Alabama to markets in Florida. Williams Partners owns, through a subsidiary, a 49 percent interest in Gulfstream while we own an additional 1 percent interest through a subsidiary in Other. Spectra Energy Corporation, through its subsidiary, and Spectra Energy Partners, LP, own the other 50 percent interest. Williams Partners shares operating responsibilities for Gulfstream with Spectra Energy Corporation.

Gulfstream Phase V

The Gulfstream Phase V expansion involved the addition of compression to provide 35 Mdth/d of incremental firm transportation capacity. The expansion was placed in service in April 2011.

Midstream Business

Williams Partners' midstream business, one of the nation's largest natural gas gatherers and processors, has primary service areas concentrated in major producing basins in Colorado, New Mexico, Wyoming, the Gulf of Mexico, and Pennsylvania. The primary businesses are: (1) natural gas gathering, treating, and processing; (2) NGL fractionation, storage and transportation; and (3) oil transportation. These fall within the middle of the process of taking raw natural gas and crude oil from the producing fields to the consumer.

Key variables for this business will continue to be:

- Retaining and attracting customers by continuing to provide reliable services;
- Revenue growth associated with additional infrastructure either completed or currently under construction;
- Disciplined growth in core service areas and new step-out areas;
- Prices impacting commodity-based activities.

The midstream business revenue contributed approximately 75 percent, 72 percent, and 65 percent of Williams Partners' revenues in 2011, 2010, and 2009, respectively.

Gathering, processing and treating

Williams Partners' gathering systems receive natural gas from producers' oil and natural gas wells and gather these volumes to gas processing, treating or redelivery facilities. Typically, natural gas, in its raw form, is not acceptable for transportation in major interstate natural gas pipelines or for commercial use as a fuel. Williams Partners' treating facilities remove water vapor, carbon dioxide, and other contaminants and collect condensate, but do not extract NGLs. Williams Partners' is generally paid a fee based on the volume of natural gas gathered and/or treated, generally measured in the BTU heating value.

In addition, natural gas contains various amounts of NGLs, which generally have a higher value when separated from the natural gas stream. Our processing plants extract the NGLs in addition to removing water vapor, carbon dioxide, and other contaminants. NGL products include:

- Ethane, primarily used in the petrochemical industry as a feedstock for ethylene production, one of the basic building blocks for plastics;
- Propane, used for heating, fuel and as a petrochemical feedstock in the production of ethylene and propylene, another building block for petrochemical-based products such as carpets, packing materials, and molded plastic parts;
- Normal butane, iso-butane and natural gasoline, primarily used by the refining industry as blending stocks for motor gasoline or as a petrochemical feedstock.

Our gas processing services generate revenues primarily from the following three types of contracts:

- Fee-based: We are paid a fee based on the volume of natural gas processed, generally measured in the BTU heating value. Our customers are entitled to the NGLs produced in connection with this type of processing agreement. For the year ended December 31, 2011, 59 percent of the NGL production volumes were under fee-based contracts.
- Keep-whole: Under keep-whole contracts, we (1) process natural gas produced by customers, (2) retain some or all of the extracted NGLs as compensation for our services, (3) replace the BTU content of the retained NGLs that were extracted during processing with natural gas purchases, also known as shrink replacement gas and (4) deliver an equivalent BTU content of natural gas for customers at the plant outlet. NGLs we retain in connection with this type of processing agreement are referred to as our equity NGL production. Under these agreements, we have commodity exposure to the difference between NGL prices and natural gas prices. For the year ended December 31, 2011, 38 percent of the NGL production volumes were under keep-whole contracts.
- Percent-of-Liquids: Under percent-of-liquids processing contracts, we (1) process natural gas produced by customers, (2) deliver to customers an agreed-upon percentage of the extracted NGLs, (3) retain a portion of the extracted NGLs as compensation for our services and (4) deliver natural gas to customers at the plant outlet. Under this type of contract, we are not required to replace the BTU content of the retained NGLs that were extracted during processing, and are therefore only exposed to NGL price movements. NGLs we retain in connection with this type of processing agreement are also referred to as our equity NGL production. For the year ended December 31, 2011, 3 percent of the NGL production volumes were under percent-of-liquids contracts.

Our gathering and processing agreements have terms ranging from month-to-month to the life of the producing lease. Generally, our gathering and processing agreements are long-term agreements.

Demand for gas gathering and processing services is dependent on producers' drilling activities, which is impacted by the strength of the economy, natural gas prices, and the resulting demand for natural gas by manufacturing and industrial companies and consumers. Williams Partners' gas gathering and processing customers are generally natural gas producers who have proved and/or producing natural gas fields in the areas surrounding its infrastructure. During 2011, Williams Partners' facilities gathered and processed gas for approximately 210 gas gathering and processing customers. Williams Partners' top 5 gathering and processing customers accounted for approximately 50 percent of our gathering and processing revenue.

Demand for our equity NGLs is affected by economic conditions and the resulting demand from industries using these commodities to produce petrochemical-based products such as plastics, carpets, packing materials and blending stocks for motor gasoline and the demand from consumers using these commodities for heating and fuel. NGL products are currently the preferred feedstock for ethylene and propylene production, which has been shifting away from the more expensive crude-based feedstocks.

Geographically, the midstream natural gas assets are positioned to maximize commercial and operational synergies with our other assets. For example, most of the offshore gathering and processing assets attach and process or condition natural gas supplies delivered to the Transco pipeline. Our San Juan basin, southwest Wyoming and Piceance systems are capable of delivering residue gas volumes into Northwest Pipeline's interstate system in addition to third-party interstate systems. Our gathering system in Pennsylvania delivers residue gas volumes into Transco's pipeline in addition to third-party interstate systems.

Williams Partners owns and operates gas gathering, processing and treating assets within the states of Wyoming, Colorado, New Mexico, and Pennsylvania. We also own and operate gas gathering and processing assets and pipelines primarily within the onshore, offshore shelf, and deepwater areas in and around the Gulf Coast states of Texas, Louisiana, Mississippi, and Alabama.

The following table summarizes our significant operated natural gas gathering assets as of December 31, 2011:

	Natural Gas Gathering Assets				
	Location	**Pipeline Miles**	**Inlet Capacity (Bcf/d)**	**Ownership Interest**	**Supply Basins**
Onshore					
Rocky Mountain	Wyoming	3,587	1.1	100%	Wamsutter & SW Wyoming
Four Corners	Colorado & New Mexico	3,823	1.8	100%	San Juan
Piceance	Colorado	328	1.4	100%	Piceance
NE Pennsylvania	Pennsylvania	75	0.7	100%	Appalachian
Laurel Mountain (1)	Pennsylvania	1,386	0.2	51%	Appalachian
Gulf Coast					
Canyon Chief & Blind Faith	Deepwater Gulf of Mexico	139	0.4	100%	Eastern Gulf of Mexico
Seahawk	Deepwater Gulf of Mexico	115	0.4	100%	Western Gulf of Mexico
Perdido Norte	Deepwater Gulf of Mexico	105	0.3	100%	Western Gulf of Mexico
Offshore shelf & other	Gulf of Mexico	46	0.2	100%	Eastern Gulf of Mexico
Offshore shelf & other	Gulf of Mexico	245	0.9	100%	Western Gulf of Mexico
Discovery (1)	Gulf of Mexico	319	0.6	60%	Central Gulf of Mexico

(1) Statistics reflect 100 percent of the assets from the equity method investments that we operate, however our financial statements report equity method income from these investments based on our equity ownership percentage.

(2) In the first quarter of 2012, our Springville gathering pipeline was put into service, initially providing an optional takeaway for 0.3 Bcf/d of gas gathered on our system in northeast Pennsylvania. Also in the first quarter of 2012, 0.3 Bcf/d of capacity was added from the Laser gathering system acquisition.

In addition we own and operate several natural gas treating facilities in New Mexico, Colorado, Texas and Louisiana which bring natural gas to specifications allowable by major interstate pipelines. At our Milagro treating facility, we also use gas-driven turbines to produce approximately 60 mega-watts per day of electricity which we primarily sell into the local electrical grid.

The following table summarizes our significant operated natural gas processing facilities as of December 31, 2011:

	Natural Gas Processing Facilities				
	Location	**Inlet Capacity (Bcf/d)**	**NGL Production Capacity (Mbbls/d)**	**Ownership Interest**	**Supply Basins**
Onshore					
Opal	Opal, WY	1.5	67	100%	SW Wyoming
Echo Springs	Echo Springs, WY	0.7	58	100%	Wamsutter
Ignacio	Ignacio, CO	0.5	23	100%	San Juan
Kutz	Bloomfield, NM	0.2	12	100%	San Juan
Lybrook (2)	Lybrook, NM	0.1	6	100%	San Juan
Willow Creek	Rio Blanco County, CO	0.5	30	100%	Piceance
Parachute	Garfield County, CO	1.4	7	100%	Piceance
Gulf Coast					
Markham	Markham, TX	0.5	45	100%	Western Gulf of Mexico
Mobile Bay	Coden, AL	0.7	30	100%	Eastern Gulf of Mexico
Discovery (1)	Larose, LA	0.6	32	60%	Central Gulf of Mexico

(1) Statistics reflect 100 percent of the assets from the equity method investments that we operate, however our financial statements report equity method income from these investments based on our equity ownership percentage.

(2) Our Lybrook plant has been idled as of January 2012. Gas previously processed at Lybrook has been redirected to our Ignacio plant.

Crude oil transportation and production handling assets

In addition to our natural gas assets, we own and operate four deepwater crude oil pipelines and own production platforms serving the deepwater in the Gulf of Mexico. Our crude oil transportation revenues are typically volumetric-based fee arrangements. However, a portion of our marketing revenues are recognized from purchase and sale arrangements whereby the oil that we transport is purchased and sold as a function of the same index-based price. Our offshore floating production platforms provide centralized services to deepwater producers such as compression, separation, production handling, water removal and pipeline landings. Revenue sources have historically included a combination of fixed-fee, volumetric-based fee and cost reimbursement arrangements. Fixed fees associated with the resident production at our Devils Tower facility are recognized on a units-of-production basis.

The following table summarizes our significant crude oil transportation pipelines as of December 31, 2011:

	Crude Oil Pipelines			
	Pipeline Miles	**Handling Capacity (Mbbls/d)**	**Ownership Interest**	**Supply Basins**
Mountaineer & Blind Faith	155	150	100%	Eastern Gulf of Mexico
BANJO	57	90	100%	Western Gulf of Mexico
Alpine	96	85	100%	Western Gulf of Mexico
Perdido Norte	74	150	100%	Western Gulf of Mexico

The following table summarizes our production handling platforms as of December 31, 2011:

	Production Handling Platforms			
	Gas Inlet Capacity (MMcf/d)	Crude/NGL Handling Capacity (Mbbls/d)	Ownership Interest	Supply Basins
Devils Tower	210	60	100%	Eastern Gulf of Mexico
Canyon Station	500	16	100%	Eastern Gulf of Mexico
Discovery Grand Isle 115 (1)	150	10	60%	Central Gulf of Mexico

(1) Statistics reflect 100 percent of the assets from the equity method investments that we operate, however our financial statements report equity method income from these investments based on our equity ownership percentage.

NGL marketing services

In addition to our gathering and processing operations, we market NGL products to a wide range of users in the energy and petrochemical industries. The NGL marketing business transports and markets equity NGLs from the production at our processing plants, and also markets NGLs on behalf of third-party NGL producers, including some of our fee-based processing customers, and the NGL volumes owned by Discovery Producer Services LLC (Discovery). The NGL marketing business bears the risk of price changes in these NGL volumes while they are being transported to final sales delivery points. In order to meet sales contract obligations, we may purchase products in the spot market for resale. Other than a long-term agreement to sell our equity NGLs transported on Overland Pass Pipeline to ONEOK Hydrocarbon L.P., the majority of sales are based on supply contracts of one year or less in duration. Sales to ONEOK Hydrocarbon L.P., accounted for 17 percent, 15 percent, and 9 percent of our consolidated revenues in 2011, 2010, and 2009, respectively.

Other operations

We own interests in and/or operate NGL fractionation and storage assets. These assets include a 50 percent interest in an NGL fractionation facility near Conway, Kansas, with capacity of slightly more than 100 Mbbls/d and a 31.45 percent interest in another fractionation facility in Baton Rouge, Louisiana, with a capacity of 60 Mbbls/d. We also own approximately 20 million barrels of NGL storage capacity in central Kansas near Conway.

We own approximately 115 miles of pipelines in the Houston Shipping Channel area which transport a variety of products including ethane, propane and other products used in the petrochemical industry.

We also own a 14.6 percent equity interest in Aux Sable Liquid Products L.P. (Aux Sable) and its Channahon, Illinois, gas processing and NGL fractionation facility near Chicago. The facility is capable of processing up to 2.1 Bcf/d of natural gas from the Alliance Pipeline system and fractionating approximately 102 Mbbls/d of extracted liquids into NGL products. Additionally, in June 2011, Aux Sable acquired an 80 MMcf/d gas conditioning plant and a 12-inch, 83-mile gas pipeline infrastructure in North Dakota that provides additional NGLs to Channahon from the Bakken Shale in the Williston basin.

Operated Equity Investments

Discovery

We own a 60 percent equity interest in and operate the facilities of Discovery. Discovery’s assets include a 600 MMcf/d cryogenic natural gas processing plant near Larose, Louisiana, a 32 Mbbls/d NGL fractionator plant near Paradis, Louisiana, and an offshore natural gas gathering and transportation system in the Gulf of Mexico.

Laurel Mountain

We own a 51 percent interest in a joint venture, Laurel Mountain Midstream, LLC (Laurel Mountain), in the Marcellus Shale located in western Pennsylvania. Laurel Mountain's assets, which we operate, include a gathering system of nearly 1,400 miles of pipeline with a capacity of approximately 230 MMcf/d. Laurel Mountain has a long-term, dedicated, volumetric-based fee agreement, with some exposure to natural gas prices, to gather the anchor customer's production in the western Pennsylvania area of the Marcellus Shale. Construction is ongoing for numerous new pipeline segments and compressor stations, the largest of which is our Shamrock compressor station. The Shamrock compressor station currently has a capacity of 60 MMcf/d and is expandable to 350 MMcf/d.

Overland Pass Pipeline

We operate and own a 50 percent ownership interest in Overland Pass Pipeline Company LLC (OPPL). OPPL includes a 760-mile NGL pipeline from Opal, Wyoming, to the Mid-Continent NGL market center in Conway, Kansas, along with 150- and 125-mile extensions into the Piceance and Denver-Joules basins in Colorado, respectively. Our equity NGL volumes from our two Wyoming plants and our Willow Creek facility in Colorado are dedicated for transport on OPPL under a long-term transportation agreement. We plan to participate in the construction of a pipeline connection and capacity expansions expected to be complete in early 2013, to increase the pipeline's capacity to the maximum of 255 Mbbls/d, to accommodate new volumes coming from the Bakken Shale in the Williston basin.

Operating statistics

The following table summarizes our significant operating statistics for Midstream:

	2011	2010	2009
Volumes: (1)			
Gathering (Tbtu)	1,377	1,262	1,370
Plant inlet natural gas (Tbtu)	1,592	1,599	1,342
NGL production (Mbbls/d) (2)	189	178	164
NGL equity sales (Mbbls/d) (2)	77	80	80
Crude oil transportation (Mbbls/d) (2)	105	94	109

(1) Excludes volumes associated with partially owned assets such as our Discovery and Laurel Mountain investments that are not consolidated for financial reporting purposes.

(2) Annual average Mbbls/d.

Midstream Canada & Olefins

The Midstream Canada & Olefins segment consists of our Canadian midstream business and our domestic olefins business. The segment contributed revenues of approximately 17 percent, 16 percent and 14 percent of our consolidated revenues in 2011, 2010 and 2009, respectively.

Midstream Canada

Our Canadian operations include an oil sands off-gas processing plant located near Ft. McMurray, Alberta, and an NGL/olefin fractionation facility and butylene/butane splitter (B/B splitter) facility, both of which are located at Redwater, Alberta, which is near Edmonton, Alberta. We operate the Ft. McMurray area processing plant, while another party operates the Redwater facilities on our behalf. The B/B splitter was completed and placed into service in August 2010. Our Ft. McMurray area facilities extract liquids from the off-gas produced by a third-party oil sands bitumen upgrading process. Our arrangement with the third-party upgrader is a "keep-whole" type where we remove a mix of NGLs and olefins from the off-gas and return the equivalent heating value to the third-party upgrader in the form of natural gas. We extract, fractionate, treat, store, terminal and sell the propane, propylene, normal butane (butane), isobutane/butylene (butylene) and condensate recovered from this process. The commodity price exposure of this asset is the spread between the price for natural gas and the NGL and olefin products we produce. We continue to be the only NGL/olefins fractionator in western Canada and the only treater/processor of oil sands upgrader off-gas. Our extraction of liquids from upgrader off-gas streams allows the upgraders to burn cleaner natural gas streams and reduces their overall air emissions.

The Ft. McMurray extraction plant has processing capacity of 121 MMcf/d with the ability to recover in excess of 17 Mbbls/d of olefin and NGL products. Our Redwater fractionator has a liquids handling capacity of 18 Mbbls/d. The B/B splitter, which has a production capacity of 3.7 Mbbls/d of butylene and 3.7 Mbbls/d of butane, further fractionates the butylene/butane mix produced at our Redwater fractionators into separate butylene and butane products, which receive higher values and are in greater demand. We also purchase small volumes of olefin/NGLs mixes from third-party gas processors, fractionate the olefins and NGLs at our Redwater plant and sell the resulting products. Our products are sold within Canada and the United States.

Canadian expansion projects

Construction is well underway on a 261-mile, 12-inch diameter Canadian pipeline which will transport recovered NGLs and olefins from our processing plant in Ft. McMurray to our Redwater fractionation facility. The pipeline, which will have an initial capacity of 43 Mbbls/d that can be increased to an ultimate capacity of 125 Mbbls/d with additional pump stations, will have sufficient capacity to transport additional NGLs and olefins from our existing operations as well as other NGLs and olefins produced from oil sands off-gas. The project is being constructed using cash previously generated from Canadian and other international projects. We anticipate an in-service date in second quarter of 2012.

Construction began in the fourth quarter of 2011 on the ethane recovery project that will allow us to recover ethane/ethylene mix from our operations that process off-gas from the Alberta oil sands. We are modifying our oil sands off-gas extraction plant near Fort McMurray, Alberta, and constructing a de-ethanizer at our Redwater fractionation facility. Our de-ethanizer, which will have a production capacity of 17,000 bbls/d, will enable us to initially process approximately 10,000 bbls/d of ethane/ethylene mix. We have signed a long-term contract to provide the ethane/ethylene mix to a third-party customer. We expect the project to be constructed using cash previously generated from Canadian and other international projects and we expect to complete the expansions and begin producing ethane/ethylene mix in the first quarter of 2013.

Domestic olefins

In the Gulf of Mexico region, we own a 5/6 interest in and are the operator of an NGL light-feed olefins cracker in Geismar, Louisiana, with a total production capacity of 1.35 billion pounds of ethylene and 90 million pounds of propylene per year. Our feedstocks for the cracker are ethane and propane; as a result, these assets are primarily exposed to the price spread between ethane and propane, and ethylene and propylene, respectively. Ethane and propane are available for purchase from third parties and from affiliates. We own ethane and propane pipeline systems in Louisiana that provide feedstock transportation to the Geismar plant and other third-party crackers. Additionally, we own a refinery grade propylene splitter and associated pipeline with a production capacity of approximately 500 million pounds per year of propylene. At our propylene splitter, we purchase refinery grade propylene and fractionate it into polymer grade propylene and propane; as a result this asset is exposed to the price spread between those commodities. As a merchant producer of ethylene and propylene, our product sales are to customers for use in making plastics and other downstream petrochemical products destined for both domestic and export markets. Our olefins business also operates an ethylene storage hub at Mont Belvieu using leased third-party underground storage wells.

We own and operate 63 miles of pipeline in the Houston Ship Channel area which transport ammonia, tertiary butyl alcohol and other industrial gases for third parties. We also own a tunnel crossing pipeline under the Houston Ship Channel which contains multiple pipelines which are leased to third parties.

We also market olefin and NGL products to a wide range of users in the energy and petrochemical industries. In order to meet sales contract obligations, we may purchase products for resale.

Domestic olefins expansion project

We are currently in the detailed engineering and procurement phase of an expansion of our Geismar olefins production facility which will increase the facility's ethylene production capacity by 600 million pounds per year to a new annual capacity of 1.95 billion pounds. The additional capacity will be wholly owned by us. We expect to complete the expansion in the latter part of 2013.

Operating statistics

The following table summarizes our significant operating statistics for Midstream Canada & Olefins:

	2011	2010	2009
Volumes:			
Geismar ethylene sales (millions of pounds)	1,038	981	1,109
Canadian propylene sales (millions of pounds)	139	127	130
Canadian NGL sales (millions of gallons)	163	145	144

Additional Business Segment Information

Our ongoing business segments are accounted for as continuing operations in the accompanying financial statements and notes to financial statements included in Part II.

Operations related to certain assets in "Discontinued Operations" have been reclassified from their traditional business segment to "Discontinued Operations" in the accompanying financial statements and notes to financial statements included in Part II.

We perform certain management, legal, financial, tax, consultation, information technology, administrative and other services for our subsidiaries.

Our principal sources of cash are from dividends, distributions and advances from our subsidiaries, investments, payments by subsidiaries for services rendered, and, if needed, external financings, sales of master limited partnership units to the public, and net proceeds from asset sales. The amount of dividends available to us from subsidiaries largely depends upon each subsidiary's earnings and operating capital requirements. The terms of certain subsidiaries' borrowing arrangements may limit the transfer of funds to us under certain conditions.

We believe that we have adequate sources and availability of raw materials and commodities for existing and anticipated business needs. Our interstate pipeline systems are all regulated in various ways resulting in the financial return on the investments made in the systems being limited to standards permitted by the regulatory agencies. Each of the pipeline systems has ongoing capital requirements for efficiency and mandatory improvements, with expansion opportunities also necessitating periodic capital outlays.

REGULATORY MATTERS

Williams Partners

Gas Pipeline Business. Williams Partners gas pipeline's interstate transmission and storage activities are subject to FERC regulation under the Natural Gas Act of 1938 (NGA) and under the Natural Gas Policy Act of 1978, and, as such, its rates and charges for the transportation of natural gas in interstate commerce, its accounting, and the extension, enlargement or abandonment of its jurisdictional facilities, among other things, are subject to regulation. Each gas pipeline company holds certificates of public convenience and necessity issued by the FERC authorizing ownership and operation of all pipelines, facilities and properties for which certificates are required under the NGA. Each gas pipeline company is also subject to the Natural Gas Pipeline Safety Act of 1968, as amended, and the Pipeline Safety Improvement Act of 2002, and the Pipeline Safety, Regulatory Certainty, and Jobs Creation Act of 2011, which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas transmission facilities. FERC Standards of Conduct govern how our interstate pipelines communicate and do business with gas marketing employees. Among other things, the Standards of Conduct require that interstate pipelines not operate their systems to preferentially benefit gas marketing functions.

Each of our interstate natural gas pipeline companies establishes its rates primarily through the FERC's ratemaking process. Key determinants in the ratemaking process are:

- Costs of providing service, including depreciation expense;
- Allowed rate of return, including the equity component of the capital structure and related income taxes;
- Contract and volume throughput assumptions.

The allowed rate of return is determined in each rate case. Rate design and the allocation of costs between the reservation and commodity rates also impact profitability. As a result of these proceedings, certain revenues previously collected may be subject to refund.

Pipeline Integrity Regulations

For Williams Partners' gas pipeline business, Transco and Northwest Pipeline have developed an Integrity Management Plan that we believe meets the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) final rule that was issued pursuant to the requirements of the Pipeline Safety Improvement Act of 2002. The rule requires gas pipeline operators to develop an integrity management program for transmission pipelines that could affect high consequence areas in the event of pipeline failure. The Integrity Management Program includes a baseline assessment plan along with periodic reassessments to be completed within required timeframes. In meeting the integrity regulations, Transco and Northwest Pipeline have identified high consequence areas and developed baseline assessment plans. Transco and Northwest Pipeline are on schedule to complete the required assessments within required timeframes. Currently, Transco and Northwest Pipeline estimate the cost to complete the required initial assessments through 2012 and associated remediation will be primarily capital in nature and range between $25 million and $40 million for Transco and between $30 million and $35 million for Northwest Pipeline. Ongoing periodic reassessments and initial assessments of any new high consequence areas will be completed within the timeframes required by the rule. Management considers the costs associated with compliance with the rule to be prudent costs incurred in the ordinary course of business and, therefore, recoverable through Transco's and Northwest Pipeline's rates.

Midstream Business. For Williams Partners' midstream business, onshore gathering is subject to regulation by states in which we operate and offshore gathering is subject to the Outer Continental Shelf Lands Act (OCSLA). Of the states where the midstream business gathers gas, currently only Texas actively regulates gathering activities. Texas regulates gathering primarily through complaint mechanisms under which the state commission may resolve disputes involving an individual gathering arrangement. Although offshore gathering facilities are not subject to the NGA, offshore transmission pipelines are subject to the NGA, and in recent years the FERC has taken a broad view of offshore transmission, finding many shallow-water pipelines to be jurisdictional transmission. Most offshore gathering facilities are subject to the OCSLA, which provides in part that outer continental shelf pipelines "must provide open and nondiscriminatory access to both owner and nonowner shippers."

The midstream business also owns interests in and operates two offshore transmission pipelines that are regulated by the FERC because they are deemed to transport gas in interstate commerce. Black Marlin Pipeline Company provides transportation service for offshore Texas production in the High Island area and redelivers that gas to intrastate pipeline interconnects near Texas City. Discovery provides transportation service for offshore Louisiana production from the South Timbalier, Grand Isle, Ewing Bank and Green Canyon (deepwater) areas to an onshore processing facility and downstream interconnect points with major interstate pipelines. FERC regulation requires all terms and conditions of service, including the rates charged, to be filed with and approved by the FERC before any changes can go into effect.

The midstream business owns a 50 percent interest in, and is the operator of OPPL, which is an interstate natural gas liquids pipeline regulated by the FERC pursuant to the Interstate Commerce Act. OPPL provides transportation service pursuant to tariffs filed with the FERC.

Midstream Canada & Olefins

Our Canadian assets are regulated by the Energy Resources Conservation Board (ERCB) and Alberta Environment. The regulatory system for the Alberta oil and gas industry incorporates a large measure of self-regulation, providing that licensed operators are held responsible for ensuring that their operations are conducted in accordance with all provincial regulatory requirements. For situations in which noncompliance with the applicable regulations is at issue, the ERCB and Alberta Environment have implemented an enforcement process with escalating consequences.

Our domestic olefins assets are regulated by the Louisiana Department of Environmental Quality (LQEQ), the Texas Railroad Commission, and various other state and federal entities regarding our liquids pipelines.

See Note 16 of our Notes to Consolidated Financial Statements for further details on our regulatory matters.

ENVIRONMENTAL MATTERS

Our operations are subject to federal environmental laws and regulations as well as the state, local and tribal laws and regulations adopted by the jurisdictions in which we operate. We could incur liability to governments or third parties for any unlawful discharge of pollutants into the air, soil, or water, as well as liability for cleanup costs. Materials could be released into the environment in several ways including, but not limited to:

- Leakage from gathering systems, underground gas storage caverns, pipelines, processing or treating facilities, transportation facilities and storage tanks;
- Damage to facilities resulting from accidents during normal operations;
- Damages to onshore and offshore equipment and facilities resulting from storm events or natural disasters;
- Blowouts, cratering and explosions.

In addition, we may be liable for environmental damage caused by former owners or operators of our properties.

We believe compliance with current environmental laws and regulations will not have a material adverse effect on our capital expenditures, earnings or current competitive position. However, environmental laws and regulations could affect our business in various ways from time to time, including incurring capital and maintenance expenditures, fines and penalties, and creating the need to seek relief from the FERC for rate increases to recover the costs of certain capital expenditures and operation and maintenance expenses.

For additional information regarding the potential impact of federal, state, tribal or local regulatory measures on our business and specific environmental issues, please refer to "Risk Factors – *We are subject to risks associated with climate change* and – *Our operations are subject to governmental laws and regulations relating to the protection of the environment, which may expose us to significant costs, liabilities and expenditures and could exceed current expectations,*" "Management's Discussion and Analysis of Financial Condition and Results of Operations – Environmental" and "Environmental Matters" in Note 16 of our Notes to Consolidated Financial Statements.

COMPETITION

Williams Partners

For Williams Partners' gas pipeline business, the natural gas industry has undergone significant change over the past two decades. A highly-liquid competitive commodity market in natural gas and increasingly competitive markets for natural gas services, including competitive secondary markets in pipeline capacity, have developed. More recently large reserves of shale gas have been discovered, in many cases much closer to major market centers. As a result, pipeline capacity is being used more efficiently and competition among pipeline suppliers to attach growing supply to market has increased.

Local distribution company (LDC) and electric industry restructuring by states have affected pipeline markets. Pipeline operators are increasingly challenged to accommodate the flexibility demanded by customers and allowed under tariffs, but the changes implemented at the state level have not required renegotiation of LDC contracts. The state plans have in some cases discouraged LDCs from signing long-term contracts for new capacity.

States have developed new plans that require utilities to encourage energy saving measures and diversify their energy supplies to include renewable sources. This has lowered the growth of residential gas demand. However, due to relatively low prices of natural gas, demand for electric power generation has increased.

These factors have increased the risk that customers will reduce their contractual commitments for pipeline capacity from traditional producing areas. Future utilization of pipeline capacity will depend on these factors and others impacting both U.S. and global demand for natural gas.

In Williams Partners' midstream business, we face regional competition with varying competitive factors in each basin. Our gathering and processing business competes with other midstream companies, interstate and intrastate pipelines, producers and independent gatherers and processors. We primarily compete with five to ten companies across all basins in which we provide services. Numerous factors impact any given customer's choice of a gathering or processing services provider, including rate, location, term, reliability, timeliness of services to be provided, pressure obligations and contract structure. We also compete in recruiting and retaining skilled employees.

Midstream Canada & Olefins

Ethylene and propylene markets, and therefore our olefins business, compete in a worldwide marketplace. Due to our NGL feedstock position at Geismar, we expect to benefit from the lower cost position in North America versus other crude-based feedstocks worldwide. The majority of North American olefins producers have significant downstream petrochemical manufacturing for plastics and other products. As such, they buy or sell ethylene and propylene as required. We operate as a merchant seller of olefins with no downstream manufacturing, and therefore can be either a supplier or a competitor at any given time to these other companies depending on their market balances. Generally, we are viewed primarily as a supplier to these companies and not as a direct competitor. We compete on the basis of service, price and availability of the products we produce.

Our Canadian midstream facilities continue to be the only NGL/olefins fractionator in western Canada and the only treater/processor of oil sands upgrader off-gas. Our extraction of liquids from the upgrader off-gas stream allows the upgraders to burn cleaner natural gas streams and reduce their overall air emissions. Our Canadian midstream business competes for the sale of its products with traditional Canadian midstream companies on the basis of operational expertise, price, service offerings and availability of the products we produce.

EMPLOYEES

At February 1, 2012, we had approximately 4,293 full-time employees.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See Note 18 of our Notes to Consolidated Financial Statements for amounts of revenues during the last three fiscal years from external customers attributable to the United States and all foreign countries. Also see Note 18 of our Notes to Consolidated Financial Statements for information relating to long-lived assets during the last three fiscal years, located in the United States and all foreign countries.

Item 1A. *Risk Factors*

FORWARD-LOOKING STATEMENTS AND CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain matters contained in this report include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as "anticipates," "believes," "seeks," "could," "may," "should," "continues," "estimates," "expects," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will" or other similar expressions. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Amounts and nature of future capital expenditures;
- Expansion and growth of our business and operations;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- Seasonality of certain business components;
- Natural gas, natural gas liquids and crude oil prices and demand.

Forward-looking statements are based on numerous assumptions, uncertainties and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

- Availability of supplies, market demand, volatility of prices, and the availability and cost of capital;
- Inflation, interest rates, fluctuation in foreign exchange, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on our customers and suppliers);
- The strength and financial resources of our competitors;
- Ability to acquire new businesses and assets and integrate those operations and assets into our existing businesses, as well as expand our facilities;
- Development of alternative energy sources;
- The impact of operational and development hazards;
- Costs of, changes in, or the results of laws, government regulations (including safety and climate change regulation and changes in natural gas production from exploration and production areas that we serve), environmental liabilities, litigation, and rate proceedings;

- Our costs and funding obligations for defined benefit pension plans and other postretirement benefit plans;
- Changes in maintenance and construction costs;
- Changes in the current geopolitical situation;
- Our exposure to the credit risk of our customers and counterparties;
- Risks related to strategy and financing, including restrictions stemming from our debt agreements, future changes in our credit ratings and the availability and cost of credit;
- Risks associated with future weather conditions;
- Acts of terrorism, including cybersecurity threats and related disruptions;
- Additional risks described in our filings with the Securities and Exchange Commission.

Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

In addition to causing our actual results to differ, the factors listed above and referred to below may cause our intentions to change from those statements of intention set forth in this report. Such changes in our intentions may also cause our results to differ. We may change our intentions, at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.

Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. These factors are described in the following section.

RISK FACTORS

You should carefully consider the following risk factors in addition to the other information in this report. Each of these factors could adversely affect our business, operating results, and financial condition, as well as adversely affect the value of an investment in our securities.

Risks Related to the Spin-Off

The separation of our exploration and production business may not achieve its intended results.

The separation of our exploration and production business, completed on December 31, 2011, may not achieve its intended results and could have an adverse effect on us due to a number of factors. For example, the separation has significantly reduced the scope and scale of our business, we may not be able to grow as expected and we may incur proportionately higher costs to operate.

If there is a determination that the spin-off of WPX stock to our stockholders is taxable for U.S. federal income tax purposes because the facts, representations, or undertakings underlying an IRS private letter ruling or a tax opinion are incorrect or for any other reason, then we and our stockholders could incur significant income tax liabilities.

In connection with our original separation plan that called for an initial public offering (IPO) of stock of WPX and a subsequent spin-off of our remaining shares of WPX to our stockholders, we obtained a private letter ruling from the Internal Revenue Service (IRS) and an opinion of our outside tax advisor, to the effect that the distribution by us of WPX shares to our stockholders, and any related restructuring transaction undertaken by us, would not result in recognition for U.S. federal income tax purposes, of income, gain, or loss to us or our stockholders under section 355 and section 368(a)(1)(D) of the Internal Revenue Code of 1986 (the Code), except for cash payments made to our stockholders in lieu of fractional shares of WPX common stock. In addition, we received an opinion from our outside tax advisor to the effect that the spin-off pursuant to our revised separation plan which was ultimately consummated on December 31, 2011, which did not involve an IPO of WPX shares, would not result in the recognition, for federal income tax purposes, of income, gain, or loss to us or our stockholders under section 355 and section 368(a)(1)(D) of the Code, except for cash payments made to our stockholders in lieu of fractional shares of WPX. The private letter ruling and opinion have relied on or will rely on certain facts, representations, and undertakings from us and WPX regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, representations, or undertakings are, or become, incorrect or are not otherwise satisfied, including as a result of certain significant changes in the stock ownership of us or WPX after the spin-off, or if the IRS disagrees with any such facts and representations upon audit, we and our stockholders may not be able to rely on the private letter ruling or the opinion of our tax advisor and could be subject to significant income tax liabilities.

The spin-off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements that we did not assume in our agreements with WPX.

The spin-off is subject to review under various state and federal fraudulent conveyance laws. A court could deem the spin-off or certain internal restructuring transactions undertaken by us in connection with the separation to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. A court could void the transactions or impose substantial liabilities upon us, which could adversely affect our financial condition and our results of operations. Whether a transaction is a fraudulent conveyance or transfer will vary depending upon the jurisdiction whose law is being applied. Under the separation and distribution agreement between us and WPX, from and after the spin-off, each of WPX and we are responsible for the debts, liabilities and other obligations related to the business or businesses which each owns and operates. Although we do not expect to be liable for any such obligations not expressly assumed by us pursuant to the separation and distribution agreement, it is possible that a court would disregard the allocation agreed to between the parties, and require that we assume responsibility for obligations allocated to WPX, particularly if WPX were to refuse or were unable to pay or perform the subject allocated obligations.

Risks Related to our Business

The long-term financial condition of our natural gas pipeline and midstream businesses is dependent on the continued availability of natural gas supplies in the supply basins that we access, demand for those supplies in our traditional markets, and the prices of and market demand for natural gas.

The development of the additional natural gas reserves that are essential for our gas pipeline and midstream businesses to thrive requires significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation and other facilities that permit natural gas to be produced and delivered to our pipeline systems. Low prices for natural gas, regulatory limitations, including environmental regulations, or the lack of available capital for these projects could adversely affect the development and production of additional reserves, as well as gathering, storage, pipeline transportation and import and export of natural gas supplies, adversely impacting our ability to fill the capacities of our gathering, transportation and processing facilities.

Production from existing wells and natural gas supply basins with access to our pipeline and gathering systems will also naturally decline over time. The amount of natural gas reserves underlying these wells may also be less than anticipated, and the rate at which production from these reserves declines may be greater than anticipated. Additionally, the competition for natural gas supplies to serve other markets could reduce the amount of natural gas supply for our customers. Accordingly, to maintain or increase the contracted capacity or the volume of natural gas transported on or gathered through our pipeline systems and cash flows associated with the gathering and transportation of natural gas, our customers must compete with others to obtain adequate supplies of natural gas. In addition, if natural gas prices in the supply basins connected to our pipeline systems are higher than prices in other natural gas producing regions, our ability to compete with other transporters may be negatively impacted on a short-term basis, as well as with respect to our long-term recontracting activities. If new supplies of natural gas are not obtained to replace the natural decline in volumes from existing supply areas, if natural gas supplies are diverted to serve other markets, if development in new supply basins where we do not have significant gathering or pipeline systems reduces demand for our services, or if environmental regulators restrict new natural gas drilling, the overall volume of natural gas transported, gathered and stored on our system would decline, which could have a material adverse effect on our business, financial condition and results of operations. In addition, new LNG import facilities built near our markets could result in less demand for our gathering and transportation facilities.

Significant prolonged changes in natural gas prices could affect supply and demand and cause a termination of our long-term transportation and storage contracts or a reduction in throughput on the gas pipeline systems.

Higher natural gas prices over the long term could result in a decline in the demand for natural gas and, therefore, in long-term transportation and storage contracts or throughput on our gas pipeline systems. Also, lower natural gas prices over the long term could result in a decline in the production of natural gas resulting in reduced contracts or throughput on the gas pipeline systems. As a result, significant prolonged changes in natural gas prices could have a material adverse effect on our gas pipeline business, financial condition, results of operations and cash flows.

Prices for NGLs, natural gas and other commodities, including oil, are volatile and this volatility could adversely affect our financial results, cash flows, access to capital and ability to maintain our existing businesses.

Our revenues, operating results, future rate of growth and the value of certain components of our businesses depend primarily upon the prices of NGLs, natural gas, oil, or other commodities, and the differences between prices of these commodities. Price volatility can impact both the amount we receive for our products and services and the volume of products and services we sell. Prices affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. Any of the foregoing can also have an adverse effect on our business, results of operations, financial condition and cash flows.

The markets for NGLs, natural gas, oil and other commodities are likely to continue to be volatile. Wide fluctuations in prices might result from relatively minor changes in the supply of and demand for these commodities, market uncertainty and other factors that are beyond our control, including:

- Worldwide and domestic supplies of and demand for natural gas, NGLs, oil, petroleum, and related commodities;
- Turmoil in the Middle East and other producing regions;
- The activities of the Organization of Petroleum Exporting Countries;
- Terrorist attacks on production or transportation assets;
- Weather conditions;
- The level of consumer demand;
- The price and availability of other types of fuels;
- The availability of pipeline capacity;
- Supply disruptions, including plant outages and transportation disruptions;
- The price and quantity of foreign imports of natural gas and oil;
- Domestic and foreign governmental regulations and taxes;
- Volatility in the natural gas and oil markets;
- The overall economic environment;
- The credit of participants in the markets where products are bought and sold;
- The adoption of regulations or legislation relating to climate change and changes in natural gas production from exploration and production areas that we serve.

We might not be able to successfully manage the risks associated with selling and marketing products in the wholesale energy markets.

Our portfolio of derivative and other energy contracts may consist of wholesale contracts to buy and sell commodities, including contracts for natural gas, NGLs and other commodities that are settled by the delivery of the commodity or cash throughout the United States. If the values of these contracts change in a direction or manner that we do not anticipate or cannot manage, it could negatively affect our results of operations. In the past, certain marketing and trading companies have experienced severe financial problems due to price volatility in the energy commodity markets. In certain instances this volatility has caused companies to be unable to deliver energy commodities that they had guaranteed under contract. If such a delivery failure were to occur in one of our contracts, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. In addition, in our businesses, we often extend credit to our counterparties. Despite performing credit analysis prior to extending credit, we are exposed to the risk that we might not be able to collect amounts owed to us. If the counterparty to such a transaction fails to perform and any collateral that secures our counterparty's obligation is inadequate, we will suffer a loss. Downturns in the economy or disruptions in the global credit markets could cause more of our counterparties to fail to perform than we expect.

Certain of our gas pipeline services are subject to long-term, fixed-price contracts that are not subject to adjustment, even if our cost to perform such services exceeds the revenues received from such contracts.

Our gas pipelines provide some services pursuant to long-term, fixed price contracts. It is possible that costs to perform services under such contracts will exceed the revenues they collect for their services. Although most of the services are priced at cost-based rates that are subject to adjustment in rate cases, under FERC policy, a regulated service provider and a customer may mutually agree to sign a contract for service at a "negotiated rate" that may be above or below the FERC regulated cost-based rate for that service. These "negotiated rate" contracts are not generally subject to adjustment for increased costs that could be produced by inflation or other factors relating to the specific facilities being used to perform the services.

We may not be able to maintain or replace expiring natural gas transportation and storage contracts at favorable rates or on a long-term basis.

Our primary exposure to market risk for our gas pipelines occurs at the time the terms of their existing transportation and storage contracts expire and are subject to termination. Upon expiration of the terms, we may not be able to extend contracts with existing customers to obtain replacement contracts at favorable rates or on a long-term basis.

The extension or replacement of existing contracts depends on a number of factors beyond our control, including:

- The level of existing and new competition to deliver natural gas to our markets;
- The growth in demand for natural gas in our markets;
- Whether the market will continue to support long-term firm contracts;
- Whether our business strategy continues to be successful;
- The level of competition for natural gas supplies in the production basins serving us;
- The effects of state regulation on customer contracting practices.

Any failure to extend or replace a significant portion of our existing contracts may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our risk management and measurement systems and hedging activities might not be effective and could increase the volatility of our results.

The systems we use to quantify commodity price risk associated with our businesses might not always be followed or might not always be effective. Further, such systems do not in themselves manage risk, particularly risks outside of our control, and adverse changes in energy commodity market prices, volatility, adverse correlation of commodity prices, the liquidity of markets, changes in interest rates and other risks discussed in this report might still adversely affect our earnings, cash flows and balance sheet under applicable accounting rules, even if risks have been identified.

In an effort to manage our financial exposure related to commodity price and market fluctuations, we have entered and may in the future enter into contracts to hedge certain risks associated with our assets and operations. In these hedging activities, we have used and may in the future use fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges. Nevertheless, no single hedging arrangement can adequately address all risks present in a given contract. For example, a forward contract that would be effective in hedging commodity price volatility risks would not hedge the contract's counterparty credit or performance risk. Therefore, unhedged risks will always continue to exist. While we attempt to manage counterparty credit risk within guidelines established by our credit policy, we may not be able to successfully manage all credit risk and as such, future cash flows and results of operations could be impacted by counterparty default.

Our use of hedging arrangements through which we attempt to reduce the economic risk of our participation in commodity markets could result in increased volatility of our reported results. Changes in the fair values (gains and losses) of derivatives that qualify as hedges under generally accepted accounting principles (GAAP), to the extent that such hedges are not fully effective in offsetting changes to the value of the hedged commodity, as well as changes in the fair value of derivatives that do not qualify or have not been designated as hedges under GAAP, must be recorded in our income. This creates the risk of volatility in earnings even if no economic impact to us has occurred during the applicable period.

The impact of changes in market prices for NGLs and natural gas on the average prices paid or received by us may be reduced based on the level of our hedging activities. These hedging arrangements may limit or enhance our margins if the market prices for NGLs or natural gas were to change substantially from the price established by the hedges. In addition, our hedging arrangements expose us to the risk of financial loss in certain circumstances, including instances in which:

- Volumes are less than expected;
- The hedging instrument is not perfectly effective in mitigating the risk being hedged;
- The counterparties to our hedging arrangements fail to honor their financial commitments.

The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business and increase the working capital requirements to conduct these activities.

In July 2010, federal legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) was enacted. The Act provides for new statutory and regulatory requirements for derivative transactions, including oil and gas hedging transactions. Among other things, the Act provides for the creation of position limits for certain derivatives transactions, as well as requiring certain transactions to be cleared on exchanges for which cash collateral will be required. The final impact of the Act on our hedging activities is uncertain at this time due to the requirement that the SEC and the Commodities Futures Trading Commission (CFTC) promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. These new rules and regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts or reduce the availability of derivatives. Although we believe the derivative contracts that we enter into should not be impacted by position limits and should be exempt from the requirement to clear transactions through a central exchange or to post collateral, the impact upon our businesses will depend on the outcome of the implementing regulations adopted by the CFTC.

Depending on the rules and definitions adopted by the CFTC or similar rules that may be adopted by other regulatory bodies, we might in the future be required to provide cash collateral for our commodities hedging transactions under circumstances in which we do not currently post cash collateral. Posting of such additional cash collateral could impact liquidity and reduce our cash available for capital expenditures. A requirement to post cash collateral could therefore reduce our ability to execute hedges to reduce commodity price uncertainty and thus protect cash flows. If we reduce our use of derivatives as a result of the Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable.

We depend on certain key customers for a significant portion of our revenues. The loss of any of these key customers or the loss of any contracted volumes could result in a decline in our business.

Our gas pipeline and midstream businesses rely on a limited number of customers for a significant portion of their revenues. Although some of these customers are subject to long-term contracts, extensions or replacements of these contracts may not be renegotiated on favorable terms, if at all. The loss of all, or even a portion of the revenues from natural gas, NGLs or contracted volumes, as applicable, supplied by these customers, as a result of competition, creditworthiness, inability to negotiate extensions or replacements of contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, and cash flows, unless we are able to acquire comparable volumes from other sources.

We are exposed to the credit risk of our customers and counterparties, and our credit risk management may not be adequate to protect against such risk.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by our customers and counterparties in the ordinary course of our business. Generally, our customers are rated investment grade, are otherwise considered creditworthy or are required to make prepayments or provide security to satisfy credit concerns. However, our credit procedures and policies may not be adequate to fully eliminate customer and counterparty credit risk. We cannot predict to what extent our business would be impacted by deteriorating conditions in the economy, including declines in our customers' and counterparties' creditworthiness. If we fail to adequately assess the creditworthiness of existing or future customers and counterparties, unanticipated deterioration in their creditworthiness and any resulting increase in nonpayment and/or nonperformance by them could cause us to write-down or write-off doubtful accounts. Such write-downs or write-offs could negatively affect our operating results in the periods in which they occur, and, if significant, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our industry is highly competitive, and increased competitive pressure could adversely affect our business and operating results.

We have numerous competitors in all aspects of our businesses, and additional competitors may enter our markets. Other companies with which we compete may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their facilities than we can. In addition, current or potential competitors may make strategic acquisitions or have greater financial resources than we do, which could affect our ability to make investments or acquisitions. Similarly, a highly-liquid competitive commodity market in natural gas and increasingly competitive markets for natural gas services, including competitive secondary markets in pipeline capacity, have developed. As a result, pipeline capacity is being used more efficiently, and peaking and storage services are increasingly effective substitutes for annual pipeline capacity. We may not be able to compete successfully against current and future competitors and any failure to do so could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our operations are subject to operational hazards and unforeseen interruptions for which they may not be adequately insured.

There are operational risks associated with gathering, transporting, storage, processing and treating of natural gas and the fractionation and storage of NGLs, including:

- Hurricanes, tornadoes, floods, fires, extreme weather conditions, and other natural disasters;
- Aging infrastructure and mechanical problems;
- Damages to pipelines and pipeline blockages or other pipeline interruptions;
- Uncontrolled releases of natural gas (including sour gas), NGLs, brine or industrial chemicals;
- Collapse or failure of storage caverns;
- Operator error;
- Damage caused by third-party activity, such as operation of construction equipment;
- Pollution and other environmental risks;
- Fires, explosions, craterings and blowouts;
- Risks related to truck and rail loading and unloading;
- Risks related to operating in a marine environment;
- Terrorist attacks or threatened attacks on our facilities or those of other energy companies.

Any of these risks could result in loss of human life, personal injuries, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses, and only at levels we believe to be appropriate. The location of certain segments of our facilities in or near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. In spite of our precautions, an event such as those described above could cause considerable harm to people or property, and could have a material adverse effect on our financial condition and results of operations, particularly if the event is not fully covered by insurance. Accidents or other operating risks could further result in loss of service available to our customers.

Our costs of testing, maintaining or repairing our facilities may exceed our expectations and the FERC or competition in our markets may not allow us to recover such costs in the rates we charge for our services.

We have experienced unexpected leaks or ruptures on one of our gas pipeline systems, including a rupture near Appomattox, Virginia in 2008 and a rupture near Sweet Water, Alabama in 2011. We could experience additional unexpected leaks or ruptures on our gas pipeline systems, or be required by regulatory authorities to test or undertake modifications to our systems that could result in a material adverse impact on our business, financial condition and results of operations if the costs of testing, maintaining or repairing our facilities exceed current expectations and the FERC or competition in our markets do not allow us to recover such costs in the rates we charge for our service. For example, in response to a recent third-party pipeline rupture, PHMSA issued an Advisory Bulletin which, among other things, advises pipeline operators that if they are relying on design, construction, inspection, testing, or other data to determine the pressures at which their pipelines should operate, the records of that data must be traceable, verifiable and complete. More recently, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 became law and under this statute PHMSA may issue additional regulations addressing such records. Locating such records and, in the absence of any such records, verifying maximum pressures through physical testing or modifying or replacing facilities to meet the demands of such pressures, could significantly increase our costs. Additionally, failure to locate such records or verify maximum pressures could result in reductions of allowable operating pressures, which would reduce available capacity on our pipelines.

We do not insure against all potential losses and could be seriously harmed by unexpected liabilities or by the inability of our insurers to satisfy our claims.

We are not fully insured against all risks inherent to our business, including environmental accidents. We do not maintain insurance in the type and amount to cover all possible risks of loss.

We currently maintain excess liability insurance with limits of $610 million per occurrence and in the annual aggregate with $2 million per occurrence deductible. This insurance covers us, our subsidiaries, and certain of our affiliates for legal and contractual liabilities arising out of bodily injury or property damage, including resulting loss of use to third parties. This excess liability insurance includes coverage for sudden and accidental pollution liability for full limits, with the first $135 million of insurance also providing gradual pollution liability coverage for natural gas and NGL operations.

Although we maintain property insurance on certain physical assets that we own, lease or are responsible to insure, the policy may not cover the full replacement cost of all damaged assets or the entire amount of business interruption loss we may experience. In addition, certain perils may be excluded from coverage or sub-limited. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. We may elect to self insure a portion of our risks. We do not insure our onshore underground pipelines for physical damage, except at certain locations such as river crossings and compressor stations. Offshore assets are covered for property damage when loss is due to a named windstorm event and coverage for loss caused by a named windstorm is significantly sub-limited and subject to a large deductible. All of our insurance is subject to deductibles. If a significant accident or event occurs for which we are not fully insured it could adversely affect our operations and financial condition.

In addition, to the insurance coverage described above, we are a member of Oil Insurance Limited (OIL), an energy industry mutual insurance company, which provides coverage for damage to our property. As an insured of OIL, we share in the losses among other OIL members even if our property is not damaged.

Furthermore, any insurance company that provides coverage to us may experience negative developments that could impair their ability to pay any of our claims. As a result, we could be exposed to greater losses than anticipated and may have to obtain replacement insurance, if available, at a greater cost.

The occurrence of any risks not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations and cash flows, and our ability to repay our debt.

Execution of our capital projects subjects us to construction risks, increases in labor costs and materials, and other risks that may adversely affect financial results.

The growth in our gas pipeline and midstream businesses may be dependent upon the construction of new natural gas gathering, transportation, compression, processing or treating pipelines and facilities or natural gas liquids fractionation or storage facilities, as well as the expansion of existing facilities. Construction or expansion of these facilities is subject to various regulatory, development and operational risks, including:

- The ability to obtain necessary approvals and permits by regulatory agencies on a timely basis and on acceptable terms;
- The availability of skilled labor, equipment, and materials to complete expansion projects;
- Potential changes in federal, state and local statutes and regulations, including environmental requirements, that prevent a project from proceeding or increase the anticipated cost of the project;
- Impediments on our ability to acquire rights-of-way or land rights on a timely basis and on acceptable terms;
- The ability to construct projects within estimated costs, including the risk of cost overruns resulting from inflation or increased costs of equipment, materials, labor, or other factors beyond our control, that may be material;
- The ability to access capital markets to fund construction projects.

Any of these risks could prevent a project from proceeding, delay its completion or increase its anticipated costs. As a result, new facilities may not achieve expected investment return, which could adversely affect our results of operations, financial position or cash flows.

Our costs and funding obligations for our defined benefit pension plans and costs for our other postretirement benefit plans are affected by factors beyond our control.

We have defined benefit pension plans covering substantially all of our U.S. employees and other post-retirement benefit plans covering certain eligible participants. The timing and amount of our funding requirements under the defined benefit pension plans depend upon a number of factors we control, including changes to pension plan benefits, as well as factors outside of our control, such as asset returns, interest rates and changes in pension laws. Changes to these and other factors that can significantly increase our funding requirements could have a significant adverse effect on our financial condition and results of operations.

One of our subsidiaries acts as the general partner of a publicly traded limited partnership, Williams Partners L.P. As such, this subsidiary's operations may involve a greater risk of liability than ordinary business operations.

One of our subsidiaries acts as the general partner of WPZ, a publicly traded limited partnership. This subsidiary may be deemed to have undertaken fiduciary obligations with respect to WPZ as the general partner and to the limited partners of WPZ. Activities determined to involve fiduciary obligations to other persons or entities typically involve a higher standard of conduct than ordinary business operations and therefore may involve a greater risk of liability, particularly when a conflict of interests is found to exist. Our control of the general partner of WPZ may increase the possibility of claims of breach of fiduciary duties, including claims brought due to conflicts of interest (including conflicts of interest that may arise between WPZ, on the one hand, and its general partner and that general partner's affiliates, including us, on the other hand). Any liability resulting from such claims could be material.

Potential changes in accounting standards might cause us to revise our financial results and disclosures in the future, which might change the way analysts measure our business or financial performance.

Regulators and legislators continue to take a renewed look at accounting practices, financial disclosures, and companies' relationships with their independent public accounting firms. It remains unclear what new laws or regulations will be adopted, and we cannot predict the ultimate impact that any such new laws or regulations could have. In addition, the Financial Accounting Standards Board, the SEC or FERC could enact new accounting standards or FERC could issue rules that might impact how we are required to record revenues, expenses, assets, liabilities and equity. Any significant change in accounting standards or disclosure requirements could have a material adverse effect on our business, results of operations, and financial condition.

Our investments and projects located outside of the United States expose us to risks related to the laws of other countries, and the taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. These risks might delay or reduce our realization of value from our international projects.

We currently own and might acquire and/or dispose of material energy-related investments and projects outside the United States. The economic, political and legal conditions and regulatory environment in the countries in which we have interests or in which we might pursue acquisition or investment opportunities present risks that are different from or greater than those in the United States. These risks include delays in construction and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law or tax policy, including with respect to the prices we realize for the commodities we produce and sell. The uncertainty of the legal environment in certain foreign countries in which we develop or acquire projects or make investments could make it more difficult to obtain nonrecourse project financing or other financing on suitable terms, could adversely affect the ability of certain customers to honor their obligations with respect to such projects or investments and could impair our ability to enforce our rights under agreements relating to such projects or investments.

Operations and investments in foreign countries also can present currency exchange rate and convertibility, inflation and repatriation risk. In certain situations under which we develop or acquire projects or make investments, economic and monetary conditions and other factors could affect our ability to convert to U.S. dollars our earnings denominated in foreign currencies. In addition, risk from fluctuations in currency exchange rates can arise when our foreign subsidiaries expend or borrow funds in one type of currency, but receive revenue in another. In such cases, an adverse change in exchange rates can reduce our ability to meet expenses, including debt service obligations. We may or may not put contracts in place designed to mitigate our foreign currency exchange risks. We have some exposures that are not hedged and which could result in losses or volatility in our results of operations.

Our operating results for certain components of our business might fluctuate on a seasonal and quarterly basis.

Revenues from certain components of our business can have seasonal characteristics. In many parts of the country, demand for natural gas and other fuels peaks during the winter. As a result, our overall operating results in the future might fluctuate substantially on a seasonal basis. Demand for natural gas and other fuels could vary significantly from our expectations depending on the nature and location of our facilities and pipeline systems and the terms of our natural gas transportation arrangements relative to demand created by unusual weather patterns.

We do not own all of the land on which our pipelines and facilities are located, which could disrupt our operations.

We do not own all of the land on which our pipelines and facilities have been constructed. As such, we are subject to the possibility of increased costs to retain necessary land use. In those instances in which we do not own the land on which our facilities are located, we obtain the rights to construct and operate our pipelines and gathering systems on land owned by third parties and governmental agencies for a specific period of time. In addition, some of our facilities cross Native American lands pursuant to rights-of-way of limited term. We may not have the right of eminent domain over land owned by Native American tribes. Our loss of these rights, through our inability to renew right-of-way contracts or otherwise, could have a material adverse effect on our business, results of operations, and financial condition and cash flows.

Risks Related to Strategy and Financing

Our debt agreements impose restrictions on us that may limit our access to credit and adversely affect our ability to operate our business.

Certain of our debt agreements contain various covenants that restrict or limit, among other things, our ability and our material subsidiaries ability to grant certain liens to support indebtedness, our ability to merge or consolidate or sell all or substantially all of our assets, enter into certain affiliate transactions, make certain distributions during the continuation of an event of default, and the ability of our subsidiaries to incur additional debt. In addition, our debt agreements contain, and those we enter into in the future may contain, financial covenants and other limitations with which we will need to comply. These covenants could adversely affect our ability to finance our future operations or capital needs or engage in, expand or pursue our business activities and prevent us from engaging in certain transactions that might otherwise be considered beneficial to us. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our current assumptions about future economic conditions turn out to be incorrect or unexpected events occur, our ability to comply with these covenants may be significantly impaired.

Our failure to comply with the covenants in our debt agreements could result in events of default. Upon the occurrence of such an event of default, the lenders could elect to declare all amounts outstanding under a particular facility to be immediately due and payable and terminate all commitments, if any, to extend further credit. Certain payment defaults or an acceleration under one debt agreement could cause a cross-default or cross-acceleration of another debt agreement. Such a cross-default or cross-acceleration could have a wider impact on our liquidity than might otherwise arise from a default or acceleration of a single debt instrument. If an event of default occurs, or if other debt agreements cross-default, and the lenders under the affected debt agreements accelerate the maturity of any loans or other debt outstanding to us, we may not have sufficient liquidity to repay amounts outstanding under such debt agreements. For more information regarding our debt agreements, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Management’s Discussion and Analysis of Financial Condition and Liquidity.”

Our ability to repay, extend or refinance our existing debt obligations and to obtain future credit will depend primarily on our operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors, many of which are beyond our control. Our ability to refinance existing debt obligations or obtain future credit will also depend upon the current conditions in the credit markets and the availability of credit generally. If we are unable to meet our debt service obligations or obtain future credit on favorable terms, if at all, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

Our cash flow depends heavily on the earnings and distributions of WPZ

Our partnership interest in WPZ is one of our largest cash-generating assets. Therefore, our cash flow is heavily dependent upon the ability of WPZ to make distributions to its partners. A significant decline in WPZ's earnings and/or distributions would have a corresponding negative impact on us.

Difficult conditions in the global capital markets, the credit markets and the economy in general could negatively affect our business and results of operations.

Our businesses may be negatively impacted by adverse economic conditions or future disruptions in global financial markets. Included among these potential negative impacts are reduced energy demand and lower prices for our products and services, increased difficulty in collecting amounts owed to us by our customers and a reduction in our credit ratings (either due to tighter rating standards or the negative impacts described above), which could reduce our access to credit markets, raise the cost of such access or require us to provide additional collateral to our counterparties. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to implement our business plans or otherwise take advantage of business opportunities or respond to competitive pressures.

A downgrade of our credit ratings could impact our liquidity, access to capital and our costs of doing business, and independent third parties outside our control determine our credit ratings.

A downgrade of our credit ratings might increase our cost of borrowing and could require us to post collateral with third parties, negatively impacting our available liquidity. Our ability to access capital markets could also be limited by a downgrade of our credit ratings and other disruptions. Such disruptions could include:

- Economic downturns;
- Deteriorating capital market conditions;
- Declining market prices for natural gas, NGLs, oil and other commodities;
- Terrorist attacks or threatened attacks on our facilities or those of other energy companies;
- The overall health of the energy industry, including the bankruptcy or insolvency of other companies.

Credit rating agencies perform independent analysis when assigning credit ratings. The analysis includes a number of criteria including, but not limited to, business composition, market and operational risks, as well as various financial tests. Credit rating agencies continue to review the criteria for industry sectors and various debt ratings and may make changes to those criteria from time to time. Credit ratings are not recommendations to buy, sell or hold investments in the rated entity. Ratings are subject to revision or withdrawal at any time by the ratings agencies, and no assurance can be given that we will maintain our current credit ratings or that our senior unsecured debt rating will be raised to investment grade by all of the credit rating agencies.

Our acquisition attempts may not be successful or may result in completed acquisitions that do not perform as anticipated.

We have made and may continue to make acquisitions of businesses and properties. However, suitable acquisition candidates may not continue to be available on terms and conditions we find acceptable. The following are some of the risks associated with acquisitions, including any completed or future acquisitions:

- Some of the acquired businesses or properties may not produce revenues, earnings or cash flow at anticipated levels or could have environmental, permitting or other problems for which contractual protections prove inadequate;
- We may assume liabilities that were not disclosed to us or that exceed our estimates;
- We may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operationally, technical or financial problems;
- Acquisitions could disrupt our ongoing business, distract management, divert resources and make it difficult to maintain our current business standards, controls and procedures.

Risks Related to Regulations that Affect Our Industry

Our gas pipelines could be subject to penalties and fines if they fail to comply with laws governing our businesses.

Our gas pipeline's transportation and storage operations are regulated by numerous governmental agencies including the FERC, the EPA and PHMSA. Should our gas pipelines fail to comply with all applicable statutes, rules, regulations and orders, they could be subject to substantial penalties and fines. Under the Energy Policy Act of 2005, FERC has civil penalty authority under the NGA to impose penalties for current violations of up to $1,000,000 per day for each violation and under the recently enacted Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, PHMSA has civil penalty authority up to $200,000 per day (from the prior $100,000), with a maximum of $2 million for any related series of violations (from the prior $1 million). Any material penalties or fines under these or other statutes, rules, regulations or orders could have a material adverse impact on our gas pipeline business, financial condition, results of operations and cash flows.

The natural gas sales, transportation and storage operations of our gas pipelines are subject to regulation by the FERC, which could have an adverse impact on their ability to establish transportation and storage rates that would allow them to recover the full cost of operating their respective pipelines, including a reasonable rate of return.

The natural gas sales, transmission and storage operations of the gas pipelines are subject to federal, state and local regulatory authorities. Specifically, their interstate pipeline transportation and storage service is subject to regulation by the FERC. The federal regulation extends to such matters as:

- Transportation and sale for resale of natural gas in interstate commerce;
- Rates, operating terms, and conditions of service, including initiation and discontinuation of service;
- The types of services the gas pipelines may offer their customers;
- Certification and construction of new interstate pipelines and storage facilities;
- Acquisition, extension, disposition or abandonment of existing interstate pipelines and storage facilities;
- Accounts and records;
- Depreciation and amortization policies;
- Relationships with affiliated companies who are involved in marketing functions of the natural gas business;
- Market manipulation in connection with interstate sales, purchases or transportation of natural gas.

Under the NGA, FERC has authority to regulate providers of natural gas pipeline transportation and storage services in interstate commerce, and such providers may only charge rates that have been determined to be just and reasonable by FERC. In addition, FERC prohibits providers from unduly preferring or unreasonably discriminating against any person with respect to pipeline rates or terms and conditions of service.

Regulatory actions in these areas can affect our business in many ways, including decreasing tariff rates and revenues, decreasing volumes in our pipelines, increasing our costs and otherwise altering the profitability of our pipeline business.

Unlike other interstate pipelines that own facilities in the offshore Gulf of Mexico, Transco charges its transportation customers a separate fee to access its offshore facilities. The separate charge is referred to as an "IT feeder" charge. The "IT feeder" rate is charged only when gas is actually transported on the facilities and typically it is paid by producers or marketers. Because the "IT feeder" rate is typically paid by producers and marketers, it generally results in netback prices to producers that are slightly lower than the netbacks realized by producers transporting on other interstate pipelines. This rate design disparity can result in producers bypassing Transco's offshore facilities in favor of alternative transportation facilities.

The rates, terms and conditions for interstate gas pipeline services are set forth in FERC-approved tariffs. Any successful complaint or protest against the rates of the gas pipelines could have an adverse impact on their revenues associated with providing transportation services. In addition, there is a risk that rates set by FERC in future rate cases filed by the gas pipelines will be inadequate to recover increases in operating costs or to sustain an adequate return on capital investments. There is also the risk that higher rates would cause their customers to look for alternative ways to transport natural gas.

We are subject to risks associated with climate change.

There is a growing belief that emissions of greenhouse gases (GHGs) may be linked to climate change. Climate change and the costs that may be associated with its impacts and the regulation of GHGs have the potential to affect our business in many ways, including negatively impacting the costs we incur in providing our products and services, the demand for and consumption of our products and services (due to change in both costs and weather patterns), and the economic health of the regions in which we operate, all of which can create financial risks.

In addition, legislative and regulatory responses related to GHGs and climate change create the potential for financial risk. The U.S. Congress and certain states have for some time been considering various forms of legislation related to GHG emissions. There have also been international efforts seeking legally binding reductions in emissions of GHGs. In addition, increased public awareness and concern may result in more state, regional and/or federal requirements to reduce or mitigate GHG emissions.

Numerous states and other jurisdictions have announced or adopted programs to stabilize and reduce GHGs. In 2009, the U.S. Environmental Protection Agency (EPA) issued a final determination that six GHGs are a threat to public safety and welfare. In 2011, the EPA implemented permitting for new and/or modified large sources of GHG emissions through the existing Prevention of Signification Deterioration permitting program. Additional direct regulation of GHG emissions in our industry may be implemented under other Clean Air Act programs, including the New Source Performance Standards program.

The recent actions of the EPA and the passage of any federal or state climate change laws or regulations could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities, and (iii) administer and manage any GHG emissions program. If we are unable to recover or pass through a significant level of our costs related to complying with climate change regulatory requirements imposed on us, it could have a material adverse effect on our results of operations and financial condition. To the extent financial markets view climate change and GHG emissions as a financial risk, this could negatively impact our cost of and access to capital. Legislation or regulations that may be adopted to address climate change could also affect the markets for our products by making our products more or less desirable than competing sources of energy.

Our operations are subject to governmental laws and regulations relating to the protection of the environment, which may expose us to significant costs, liabilities and expenditures and could exceed current expectations.

Substantial costs, liabilities, delays and other significant issues related to environmental laws and regulations are inherent in the gathering, transportation, storage, processing and treating of natural gas and fractionation of NGLs, and as a result, we may be required to make substantial expenditures that could exceed current expectations. Our operations are subject to extensive federal, state, Native American, and local laws and regulations governing environmental protection, the discharge of materials into the environment and the security of chemical and industrial facilities. These laws include:

- Clean Air Act (CAA), and analogous state laws, which impose obligations related to air emissions;
- Clean Water Act (CWA), and analogous state laws, which regulate discharge of wastewaters and storm water from our facilities to state and federal waters, including wetlands;

- Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and analogous state laws, which regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or locations to which we have sent wastes for disposal;
- Resource Conservation and Recovery Act (RCRA), and analogous state laws, which impose requirements for the handling and discharge of solid and hazardous waste from our facilities.
- Endangered Species Act (ESA), and analogous state laws, which seek to ensure that activities do not jeopardize endangered or threatened animals, fish and plant species, nor destroy or modify the critical habitat of such species;
- Oil Pollution Act (OPA) of 1990, which requires oil storage facilities and vessels to submit plans to the federal government detailing how they will respond to large discharges, regulates petroleum storage tanks and related equipment, and imposes liability for spills by responsible parties.

Various governmental authorities, including the EPA, the U.S. Department of the Interior, the Bureau of Indian Affairs and analogous state agencies and tribal governments, have the power to enforce compliance with these laws and regulations and the permits issued under them, oftentimes requiring difficult and costly actions. Failure to comply with these laws, regulations, and permits may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial obligations, the imposition of stricter conditions on or revocation of permits, and the issuance of injunctions limiting or preventing some or all of our operations, delays in granting permits and cancellation of leases.

There is inherent risk of the incurrence of environmental costs and liabilities in our business, some of which may be material, due to our handling of the products as they are gathered, transported, processed, fractionated and stored, air emissions related to our operations, historical industry operations, and waste and waste disposal practices, and the prior use of flow meters containing mercury. Joint and several, strict liability may be incurred without regard to fault under certain environmental laws and regulations, including CERCLA, RCRA, and analogous state laws, for the remediation of contaminated areas and in connection with spills or releases of materials associated with natural gas, oil and wastes on, under, or from our properties and facilities. Private parties, including the owners of properties through which our pipeline and gathering systems pass and facilities where our wastes are taken for reclamation or disposal, may have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage arising from our operations. Some sites at which we operate are located near current or former third-party hydrocarbon storage and processing or oil and natural gas operations or facilities, and there is a risk that contamination has migrated from those sites to ours. In addition, increasingly strict laws, regulations and enforcement policies could materially increase our compliance costs and the cost of any remediation that may become necessary. Our insurance may not cover all environmental risks and costs or may not provide sufficient coverage if an environmental claim is made against us.

In March 2010, the EPA announced its National Enforcement Initiatives for 2011 to 2013, which includes the addition of “Energy Extraction Activities” to its enforcement priorities list. To address its concerns regarding the pollution risks raised by new techniques for oil and gas extraction and coal mining, the EPA is developing an initiative to ensure that energy extraction activities are complying with federal environmental requirements. We cannot predict what the results of this initiative would be, or whether federal, state, or local laws or regulations will be enacted in this area. If regulations were imposed related to oil and gas extraction, the volumes of natural gas that we transport could decline and our results of operations could be adversely affected.

Our business may be adversely affected by changed regulations and increased costs due to stricter pollution control requirements or liabilities resulting from noncompliance with required operating or other regulatory permits. Also, we might not be able to obtain or maintain from time to time all required environmental regulatory approvals for our operations. If there is a delay in obtaining any required environmental regulatory approvals, or if we fail to obtain and comply with them, the operation or construction of our facilities could be prevented or become subject to additional costs, resulting in potentially material adverse consequences to our business, financial condition, results of operations and cash flows.

We are generally responsible for all liabilities associated with the environmental condition of our facilities and assets, whether acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In connection with certain acquisitions and divestitures, we could acquire, or be required to provide indemnification against, environmental liabilities that could expose us to material losses, which may not be covered by insurance. In addition, the steps we could be required to take to bring certain facilities into compliance could be prohibitively expensive, and we might be required to shut down, divest or alter the operation of those facilities, which might cause us to incur losses.

Hydraulic fracturing is exempt from federal regulation pursuant to the federal Safe Drinking Water Act (except when the fracturing fluids or propping agents contain diesel fuels). However, public concerns have been raised related to its potential environmental impact. Additional federal, state and local laws and regulations to more closely regulate hydraulic fracturing have been considered or implemented. Legislation to further regulate hydraulic fracturing has been proposed in Congress. The U.S. Department of Interior has announced plans to formalize obligations for disclosure of chemicals associated with hydraulic fracturing on federal lands. The results of a pending EPA investigation by a committee of the House of Representatives and two recent reports by the U.S. Department of Energy’s Shale Gas Subcommittee could lead to further restrictions on hydraulic fracturing. The EPA has proposed regulations under the CAA regarding certain emissions from the hydraulic fracturing of oil and natural gas wells and announced its intention to propose regulations by 2014 under the CWA regarding wastewater discharges from hydraulic fracturing and other gas production. In addition, some state and local authorities have considered or imposed new laws and rules related to hydraulic fracturing, including additional permit requirements, operational restrictions, disclosure obligations and temporary or permanent bans on hydraulic fracturing in certain jurisdictions or in environmentally sensitive areas. We cannot predict whether any additional federal, state or local laws or regulations will be enacted in this area and if so, what their provisions would be. If additional levels of reporting, regulation or permitting moratoria were required or imposed related to hydraulic fracturing, the volumes of natural gas and other products that we transport, gather, process and treat could decline and our results of operations could be adversely affected.

We make assumptions and develop expectations about possible expenditures related to environmental conditions based on current laws and regulations and current interpretations of those laws and regulations. If the interpretation of laws or regulations, or the laws and regulations themselves, change, our assumptions and expectations may also change, and any new capital costs incurred to comply with such changes may not be recoverable under our regulatory rate structure or our customer contracts. In addition, new environmental laws and regulations might adversely affect our products and activities, including fractionation, storage and transportation, as well as waste management and air emissions. For instance, federal and state agencies could impose additional safety requirements, any of which could affect our profitability.

If third-party pipelines and other facilities interconnected to our pipelines and facilities become unavailable to transport natural gas and NGLs or to treat natural gas, our revenues could be adversely affected.

We depend upon third-party pipelines and other facilities that provide delivery options to and from our pipelines and facilities for the benefit of our customers. Because we do not own these third-party pipelines or facilities, their continuing operation is not within our control. If these pipelines or other facilities were to become temporarily or permanently unavailable for any reason, or if throughput were reduced because of testing, line repair, damage to the pipelines or facilities, reduced operating pressures, lack of capacity, increased credit requirements or rates charged by such pipelines or facilities or other causes, we and our customers would have reduced capacity to transport, store or deliver natural gas or NGL products to end use markets or to receive deliveries of mixed NGLs, thereby reducing our revenues. Any temporary or permanent interruption at any key pipeline interconnect or in operations on third-party pipelines or facilities that would cause a material reduction in volumes transported on our pipelines or our gathering systems or processed, fractionated, treated or stored at our facilities could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Legal and regulatory proceedings and investigations relating to the energy industry have adversely affected our business and may continue to do so. The operations of our businesses might also be adversely affected by changes in government regulations or in their interpretations or implementation, or the introduction of new laws or regulations applicable to our businesses or customers.

Public and regulatory scrutiny of the energy industry has resulted in increased regulations being either proposed or implemented. Adverse effects may continue as a result of the uncertainty of ongoing inquiries, investigations and court proceedings, or additional inquiries and proceedings by federal or state regulatory agencies or private plaintiffs. In addition, we cannot predict the outcome of any of these inquiries or whether these inquiries will lead to additional legal proceedings against us, civil or criminal fines or penalties, or other regulatory action, including legislation or increased permitting requirements. Current legal proceedings or other matters against us, including environmental matters, suits, regulatory appeals, challenges to our permits by citizen groups and similar matters, might result in adverse decisions against us. The result of such adverse decisions, either individually or in the aggregate, could be material and may not be covered fully or at all by insurance. Such scrutiny has also resulted in various inquiries, investigations and court proceedings in which we are a named defendant. Both the shippers on our pipelines and regulators have rights to challenge the rates we charge under certain circumstances. Any successful challenge could materially affect our results of operations.

In addition, existing regulations might be revised or reinterpreted, new laws, regulations and permitting requirements might be adopted or become applicable to us, our facilities our customers, our vendors or our service providers, and future changes in laws and regulations could have a material adverse effect on our financial condition, results of operations and cash flows. For example, various legislative and regulatory reforms associated with pipeline safety and integrity have been proposed recently, including the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 enacted on January 3, 2012. This law will result in the promulgation of new regulations to be administered by the PHMSA affecting the operations of our gas pipelines including, but not limited to, requirements relating to pipeline inspection, installation of additional valves and other equipment and records verification. These reforms and any future changes in related laws and regulations could significantly increase our costs.

The 2010 drilling moratorium in the Gulf of Mexico and potentially more stringent regulations and permitting requirements on drilling in the Gulf of Mexico could adversely affect our operating results, financial condition and cash flows.

The drilling moratorium in the Gulf of Mexico (in force from May to October 2010) impacted our production handling, gathering and transportation operations through production delays which reduced volumes of natural gas and oil delivered to our platform, pipeline and gathering facilities in 2010. In addition, the Bureau of Ocean Energy Management, Regulation and Enforcement continues to develop more stringent drilling and permitting requirements for producers in the Gulf of Mexico which could cause delays in production or new drilling. A significant decline or delay in production volumes in the Gulf of Mexico could adversely affect our operating results, financial condition and cash flows through reduced production handling activities, gathering and transportation volumes, processing activities or other midstream services.

Risks Related to Employees, Outsourcing of Noncore Support Activities, and Technology

Institutional knowledge residing with current employees nearing retirement eligibility or with employees going to WPX as part of the separation of our exploration and production business might not be adequately preserved.

In certain areas of our business, institutional knowledge resides with employees who have many years of service. As these employees reach retirement age, or with the loss of employees as part of the separation of our exploration and production business, we may not be able to replace them with employees of comparable knowledge and experience. In addition, we may not be able to retain or recruit other qualified individuals, and our efforts at knowledge transfer could be inadequate. If knowledge transfer, recruiting and retention efforts are inadequate, access to significant amounts of internal historical knowledge and expertise could become unavailable to us.

Failure of our service providers or disruptions to our outsourcing relationships might negatively impact our ability to conduct our business.

Some studies indicate a high failure rate of outsourcing relationships. A deterioration in the timeliness or quality of the services performed by the outsourcing providers or a failure of all or part of these relationships could lead to loss of institutional knowledge and interruption of services necessary for us to be able to conduct our business. The expiration of such agreements or the transition of services between providers could lead to similar losses of institutional knowledge or disruptions.

Certain of our accounting and information technology services are currently provided by an outsourcing provider from service centers outside of the United States. The economic and political conditions in certain countries from which our outsourcing providers may provide services to us present similar risks of business operations located outside of the United States, including risks of interruption of business, war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law or tax policy, that are greater than in the United States.

Risks Related to Weather, other Natural Phenomena and Business Disruption

Our assets and operations can be adversely affected by weather and other natural phenomena.

Our assets and operations, including those located offshore, can be adversely affected by hurricanes, floods, earthquakes, landslides, tornadoes and other natural phenomena and weather conditions, including extreme temperatures, making it more difficult for us to realize the historic rates of return associated with these assets and operations. Insurance may be inadequate, and in some instances, we have been unable to obtain insurance on commercially reasonable terms, or insurance has not been available at all. A significant disruption in operations or a significant liability for which we were not fully insured could have a material adverse effect on our business, results of operations and financial condition.

Our customers' energy needs vary with weather conditions. To the extent weather conditions are affected by climate change or demand is impacted by regulations associated with climate change, customers' energy use could increase or decrease depending on the duration and magnitude of the changes, leading either to increased investment or decreased revenues.

Acts of terrorism could have a material adverse effect on our financial condition, results of operations and cash flows.

Our assets and the assets of our customers and others may be targets of terrorist activities that could disrupt our business or cause significant harm to our operations, such as full or partial disruption to our ability to produce, process, transport or distribute natural gas, NGLs or other commodities. Acts of terrorism as well as events occurring in response to or in connection with acts of terrorism could cause environmental repercussions that could result in a significant decrease in revenues or significant reconstruction or remediation costs.

Our business could be negatively impacted by security threats, including cybersecurity threats, and related disruptions.

We rely on our information technology infrastructure to process, transmit and store electronic information, including information we use to safely operate our assets. While we believe that we maintain appropriate information security policies and protocols, we face cybersecurity and other security threats to our information technology infrastructure, which could include threats to our operational and safety systems that operate our pipeline, plants and assets. We could face unlawful attempts to gain access to our information technology infrastructure, including coordinated attacks from hackers, whether state-sponsored groups, “hacktivists,” or private individuals. The age, operating systems or condition of our current information technology infrastructure and software assets and our ability to maintain and upgrade such assets could affect our ability to resist cybersecurity threats. We could also face attempts to gain access to information related to our assets through attempts to obtain unauthorized access by targeting acts of deception against individuals with legitimate access, physical location or information otherwise known as “social engineering.”

Our information technology infrastructure is critical to the efficient operation of our business and essential to our ability to perform day-to-day operations. Breaches in our information technology infrastructure or physical facilities, or other disruptions, could result in damage to our assets, safety incidents, damage to the environment, potential liability or the loss of contracts, and have a material adverse effect on our operations, financial position and results of operations.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

Please read “Business” for a description of the location and general character of our principal physical properties. We generally own facilities, although a substantial portion of our pipeline and gathering facilities is constructed and maintained pursuant to rights-of-way, easements, permits, licenses or consents on and across properties owned by others.

Item 3. *Legal Proceedings*

Environmental

Certain reportable legal proceedings involving governmental authorities under federal, state and local laws regulating the discharge of materials into the environment are described below. While it is not possible for us to predict the final outcome of the proceedings which are still pending, we do not anticipate a material effect on our consolidated financial position if we receive an unfavorable outcome in any one or more of such proceedings.

In September 2007, the EPA requested, and Transco later provided, information regarding natural gas compressor stations in the states of Mississippi and Alabama as part of the EPA’s investigation of Transco’s compliance with the Clean Air Act. On March 28, 2008, the EPA issued notices of violation alleging violations of Clean Air Act requirements at these compressor stations. Transco met with the EPA in May 2008 and submitted a response denying the allegations in June 2008. In May 2011, Transco provided additional information to the EPA pertaining to these compressor stations in response to a request they had made in February 2011. In August 2010, the EPA requested, and Transco provided, similar information for a compressor station in Maryland.

In February 2012, the New Mexico Environmental Department and Williams Four Corner LLC settled alleged violations of the New Mexico Air Quality Act at five separate facilities that we own or operate for $164,000.

In September 2011, the Colorado Department of Public Health and Environment proposed a penalty of $301,000 for alleged violations of the Colorado Clean Water Act related to excavation work being done for our Crawford Trail Pipeline. Under a settlement reached with the agency in November 2011, we agreed to pay $44,300 and undertake certain supplemental environmental projects valued at $230,700.

Other

The additional information called for by this item is provided in Note 16 of the Notes to Consolidated Financial Statements included under Part II, Item 8. Financial Statements of this report, which information is incorporated by reference into this item.

Item 4. *Mine Safety Disclosures*

Not applicable.

Executive Officers of the Registrant

The name, age, period of service, and title of each of our executive officers as of February 24, 2012, are listed below.

Alan S. Armstrong

Director, Chief Executive Officer, and President

Age: 49

Position held since January 2011.
From February 2002 until January 2011 he was Senior Vice President-Midstream and acted as President of our midstream business. From 1999 to February 2002, Mr. Armstrong was Vice President, Gathering and Processing for our midstream business. From 1998 to 1999 he was Vice President, Commercial Development for Midstream. Mr. Armstrong serves as Chairman of the Board and Chief Executive Officer of Williams Partners GP LLC, the general partner of WPZ, where he was Senior Vice President-Midstream from February 2010, and Chief Operating Officer and a director from February 2005.

Randall L. Barnard

Senior Vice President, Gas Pipeline

Age: 53

Position held since February 2011.
Mr. Barnard acts as President of our gas pipeline business. Mr. Barnard served as Vice President of Natural Gas Market Development from July 2010 to February 2011. From April 2002 to July 2010, Mr. Barnard was Senior Vice President of Operations and Technical Service for our gas pipeline business. From September 2000 to April 2002, he served as President of Williams International, Vice President and General Manager, and a director and from 2001 to 2002 Chief Executive Officer of Apco Oil and Gas International Inc., formerly Apco Argentina. From June 1997 to September 2000, Mr. Barnard was General Manager of Williams International in Venezuela. Mr. Barnard is a director and Senior Vice President, Gas Pipeline, of Williams Partners GP LLC, the general partner of WPZ, a Director of the Board of the Gas Technology Institute and Vice Chair of the Common Ground Alliance.

Donald R. Chappel

Senior Vice President and Chief Financial Officer

Age: 60

Position held since April 2003.
Prior to joining us, Mr. Chappel held various financial, administrative and operational leadership positions. Mr. Chappel also serves as Chief Financial Officer and a director of Williams Partners GP LLC, the general partner of WPZ. He was Chief Financial Officer from August 2007 and a director from January 2008 of Williams Pipeline GP LLC, the general partner of Williams Pipeline Partners L.P., until its merger with WPZ in August 2010. Mr. Chappel is a director of SUPERVALU, Inc. (a grocery and pharmacy company) and is chairman of its finance committee.

Robyn L. Ewing	Senior Vice President and Chief Administrative Officer Age: 56 Position held since April 2008. From May 2004 to April 2008 Ms. Ewing was Vice President of Human Resources. Prior to joining Williams, Ms. Ewing worked at MAPCO, which merged with Williams in April 1998. She began her career with Cities Service Company in 1976.
Rory L. Miller	Senior Vice President, Midstream Age: 51 Position held since January 2011. Mr. Miller acts as President of our midstream businesses. He was a Vice President of our midstream businesses from May 2004 to December 2011. Mr. Miller also serves as a director and Senior Vice President, Midstream of Williams Partners GP LLC, the general partner of WPZ.
Craig L. Rainey	Senior Vice President and General Counsel Age: 59 Position held since January 2012. From February 2001 to December 2011, Mr. Rainey served as an Assistant General Counsel of Williams, primarily supporting our midstream business and former exploration and production business. He joined Williams in 1999 as a senior counsel.
Ted T. Timmermans	Vice President, Controller, and Chief Accounting Officer Age: 55 Position held since July 2005. Mr. Timmermans served as Assistant Controller of Williams from April 1998 to July 2005. Mr. Timmermans is also Vice President, Controller & Chief Accounting Officer of Williams Partners GP LLC, the general partner of WPZ and served as Chief Accounting Officer of Williams Pipeline Partners GP LLC, the general partner of WMZ from January 2008 until its merger with WPZ in August 2010.
Phillip D. Wright	Senior Vice President, Corporate Development Age: 56 Position held since February 2011. Mr. Wright served as Senior Vice President, Gas Pipeline and acted as President of our gas pipeline business from January 2005 to February 2011. From October 2002 to January 2005, he served as Chief Restructuring Officer. From September 2001 to October 2002, Mr. Wright served as President and Chief Executive Officer of our subsidiary, Williams Energy Services, LLC. From 1996 until September 2001, he was Senior Vice President, Enterprise Development and Planning for our energy services group. Mr. Wright served as a director and Chief Operating Officer of Williams Pipeline GP LLC, the general partner of WMZ until its merger with WPZ in August 2010 and was a director and Senior Vice President, Gas

Pipeline, of Williams Partners GP LLC, the general partner of WPZ from January 2010 to February 2011. Mr. Wright was appointed to the board of directors of Aegion Corporation (a provider of technologies and services for the rehabilitation of pipeline systems) in November 2011.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

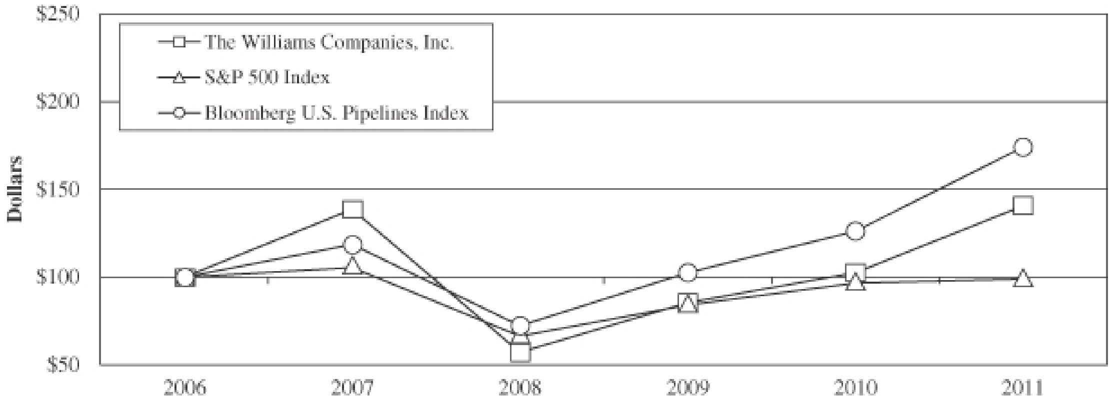
Our common stock is listed on the New York Stock Exchange under the symbol "WMB." At the close of business on February 22, 2012, we had approximately 9,351 holders of record of our common stock. The high and low sales price ranges (New York Stock Exchange composite transactions) and dividends declared by quarter for each of the past two years are as follows:

	2011			2010		
Quarter	**High**	**Low**	**Dividend**	**High**	**Low**	**Dividend**
1st	$ 31.77	$ 24.26	$ 0.125	$ 23.76	$ 19.51	$ 0.11
2nd	$ 33.47	$ 27.92	$ 0.20	$ 24.66	$ 18.16	$ 0.125
3rd	$ 33.16	$ 23.46	$ 0.20	$ 21.00	$ 17.53	$ 0.125
4th	$ 33.11	$ 21.90	$ 0.25	$ 24.89	$ 18.88	$ 0.125

Some of our subsidiaries' borrowing arrangements may limit the transfer of funds to us. These terms have not impeded, nor are they expected to impede, our ability to pay dividends.

Performance Graph

Set forth below is a line graph comparing our cumulative total stockholder return on our common stock (assuming reinvestment of dividends) with the cumulative total return of the S&P 500 Stock Index and the Bloomberg U.S. Pipeline Index for the period of five fiscal years commencing January 1, 2007. The Bloomberg U.S. Pipeline Index is composed of El Paso, Enbridge, Kinder Morgan, Spectra Energy, TransCanada Corp., and Williams. The graph below assumes an investment of $100 at the beginning of the period.



	2006	2007	2008	2009	2010	2011
The Williams Companies, Inc.	100.0	138.7	57.1	85.5	102.6	140.7
S&P 500 Index	100.0	105.5	66.5	84.1	96.7	98.8
Bloomberg U.S. Pipelines Index	100.0	118.5	72.4	102.6	126.2	174.1

The information presented in this Item has not been recast to reflect the WPX spin-off completed on December 31, 2011.

Item 6. ***Selected Financial Data***

The following financial data at December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, should be read in conjunction with the other financial information included in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Part II, Item 8, *Financial Statements and Supplementary Data* of this Form 10-K. All other financial data has been prepared from our accounting records. Certain amounts have been recast as a result of the December 31, 2011 spin-off of WPX. (See Note 1 of Notes to Consolidated Financial Statements.)

	2011	2010	2009	2008	2007
	(Millions, except per-share amounts)				
Revenues	$ 7,930	$ 6,638	$ 5,278	$ 6,904	$ 6,639
Income (loss) from continuing operations (1)	1,078	271	346	682	677
Amounts attributable to The Williams Companies, Inc.:					
Income (loss) from continuing operations	803	104	206	528	606
Diluted earnings (loss) per common share:					
Income (loss) from continuing operations	1.34	0.17	0.35	0.90	1.00
Total assets at December 31 (2)	16,502	24,972	25,280	26,006	25,061
Short-term notes payable and long-term debt due within one year at December 31	353	508	17	18	108
Long-term debt at December 31	8,369	8,600	8,259	7,683	7,579
Stockholders' equity at December 31 (2)	1,793	7,288	8,447	8,440	6,375
Cash dividends declared per common share	0.775	0.485	0.44	0.43	0.39

(1) Income from continuing operations for 2011 includes $271 million of pre-tax early debt retirement costs and 2010 includes $648 million of pre-tax costs associated with our strategic restructuring transaction in the first quarter of 2010. See Note 4 of Notes to Consolidated Financial Statements for further discussion of asset sales, impairments, and other accruals in 2011, 2010, and 2009.

(2) Total assets and stockholders' equity for 2011 decreased due to the special dividend to spin off our former exploration and production business. See Note 2 of Notes to Consolidated Financial Statements for further information regarding the spin-off and the dividend.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

General

We are primarily an energy infrastructure company focused on connecting North America's significant hydrocarbon resource plays to growing markets for natural gas, natural gas liquids, and olefins. Our operations are located principally in the United States, but span from the deepwater Gulf of Mexico to the Canadian oil sands, and are organized into the Williams Partners and Midstream Canada & Olefins reporting segments. All remaining business activities are included in Other. (See Note 1 of Notes to Consolidated Financial Statements for further discussion of these segments.) The Williams Partners segment consists of our consolidated master limited partnership, Williams Partners L.P. (WPZ), of which we currently own approximately 72 percent, including the general partner interest.

Unless indicated otherwise, the following discussion and analysis of critical accounting estimates, results of operations, and financial condition and liquidity relates to our current continuing operations and should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this document.

Spin-off of WPX

On December 1, 2011, we announced that our Board of Directors approved a tax-free spinoff of 100 percent of our exploration and production business, WPX Energy, Inc. (WPX), to our shareholders. On December 31, 2011, we distributed one share of WPX common stock for every three shares of Williams common stock. As a result, with the exception of the December 31, 2011 balance sheet which no longer includes WPX, the consolidated financial statements reflect the results of operations and financial position of WPX as discontinued operations.

Dividend Growth

We doubled our quarterly dividends from $0.125 per share in the fourth quarter of 2010 to $0.25 per share in the fourth quarter of 2011. Also, consistent with expected growing cash distributions from our interest in WPZ, we expect continued dividend increases on a quarterly basis. Our Board of Directors has approved a dividend of $0.25875 per share for the first quarter of 2012 and we expect total 2012 dividends to be $1.09 per share, which is approximately 41 percent higher than 2011.

Overview

Crude oil and NGL prices increased in 2011, while natural gas prices have remained relatively low. We have benefited from this environment as our 2011 income (loss) from continuing operations attributable to The Williams Companies, Inc. increased by $699 million compared to 2010. This increase is primarily reflective of a $460 million improvement in operating profit and $335 million of lower charges associated with early debt retirements in 2011 as compared to 2010. See additional discussion in Results of Operations.

Abundant and low-cost natural gas reserves in the United States continue to drive strong demand for midstream and pipeline infrastructure. We believe we have successfully positioned our energy infrastructure businesses for significant future growth, as highlighted by the following accomplishments during 2011 through the present:

- In March 2011, Midstream Canada & Olefins announced a long-term agreement under which it will produce up to 17,000 barrels per day of ethane/ethylene mix for a chemical company in Alberta, Canada. We plan to expand two primary facilities located in Alberta to support the new agreement. (See Results of Operations – Segments, Midstream Canada & Olefins.)
- In October 2011, Williams Partners executed an agreement with two significant producers to provide certain production handling services in the eastern deepwater Gulf of Mexico. We will design, construct and install a floating production system (Gulfstar FPS™) that will have the capacity to handle 60 thousand barrels per day (Mbbls/d) of oil, up to 200 million cubic feet per day (MMcf/d) of natural gas, and the capability to provide seawater injection services. We expect Gulfstar FPS™ to be placed into service in 2014 and to be capable of serving as a central host facility for other deepwater prospects in the area. (See Results of Operations – Segments, Williams Partners.)
- During 2011, Williams Partners placed into service expansions of a natural gas transmission system, compression facilities, and line facilities that provide an aggregate additional 599 Mdth/d of incremental firm capacity. We also filed an application with the FERC to increase capacity by 250 Mdth/d by expanding our natural gas transmission system from the Marcellus Shale production region on the Leidy Line to various delivery points in New York and New Jersey. (See Results of Operations – Segments, Williams Partners.)
- In January 2012, Williams Partners placed into service our Springville pipeline that will allow us to initially deliver approximately 300 MMcf/d into the Transco pipeline and full use of approximately 650 MMcf/d of capacity from various compression and dehydration expansion projects to our gathering business in Pennsylvania's Marcellus Shale. (See Results of Operations – Segments, Williams Partners.)
- Discovery, an equity method investee in which we own 60 percent and operate, announced in January 2012 that it signed long-term agreements with anchor customers for natural gas gathering and processing services for production from the central deepwater Gulf of Mexico. To provide these services Discovery plans to construct a new deepwater pipeline which will have the capacity to flow approximately 400 MMcf/d and will accommodate the tie-in of other deepwater prospects. (See Results of Operations – Segments, Williams Partners.)

- In February 2012, Williams Partners completed the acquisition of 100 percent of the ownership interests in certain entities from Delphi Midstream Partners, LLC. These entities primarily own the Laser Gathering System, which is comprised of 33 miles of 16-inch natural gas pipeline and associated gathering facilities in the Marcellus Shale in Susquehanna County, Pennsylvania, as well as 10 miles of gathering lines in southern New York. This acquisition represents a strategic platform to enhance Williams Partners' expansion in the Marcellus Shale by providing our customers with both operational flow assurance and marketing flexibility. (See Results of Operations - Segments, Williams Partners.)
- In February 2012, we announced a new interstate gas pipeline joint venture with Cabot Oil & Gas Corporation. The new 120-mile Constitution Pipeline will connect Williams Partners' gathering system in Susquehanna County, Pennsylvania, to the Iroquois Gas Transmission and Tennessee Gas Pipeline systems. We will own 75 percent of Constitution Pipeline. This project, along with the newly acquired Laser Gathering System and our Springville pipeline are key steps in Williams Partners' strategy to create the Susquehanna Supply Hub, a major natural gas supply hub in northeastern Pennsylvania.

Outlook for 2012

We believe we are well positioned to execute on our 2012 business plan and to further realize our growth opportunities. Economic and commodity price indicators for 2012 and beyond reflect continued improvement in the economic environment. However, these measures can be volatile and it is reasonably possible that the economy could worsen and/or commodity prices could decline, negatively impacting our future operating results.

Our business plan for 2012 includes planned capital and investment expenditures of at least $3.4 billion, of which we expect to fund primarily through cash on hand, cash flow from operations, and debt and equity issuances by WPZ. Our structure is designed to drive lower capital costs, enhance reliable access to capital markets, and create a greater ability to pursue development projects and acquisitions. We expect to realize our growth opportunities through these continued investments in our businesses in a way that meets customer needs and enhances our competitive position by:

- Continuing to invest in and grow our gathering, processing, and interstate natural gas pipeline systems;
- Retaining the flexibility to adjust somewhat our planned levels of capital and investment expenditures in response to changes in economic conditions or business opportunities.

Potential risks and/or obstacles that could impact the execution of our plan include:

- Availability of capital;
- General economic, financial markets, or industry downturn;
- Lower than anticipated energy commodity margins;
- Lower than expected levels of cash flow from operations;
- Counterparty credit and performance risk;
- Decreased volumes from third parties served by our midstream businesses;
- Changes in the political and regulatory environments;
- Physical damages to facilities, especially damage to offshore facilities by named windstorms.

We continue to address these risks through disciplined investment strategies, commodity hedging strategies, and maintaining at least $1 billion in consolidated liquidity from cash and cash equivalents and unused revolving credit facilities.

Accounting Pronouncements Issued But Not Yet Adopted

Accounting pronouncements that have been issued but not yet adopted may have an effect on our Consolidated Financial Statements in the future.

See *Accounting Standards Issued But Not Yet Adopted* in Note 1 of Notes to Consolidated Financial Statements for further information on recently issued accounting standards.

Critical Accounting Estimate

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. We have reviewed the selection, application, and disclosure of these critical accounting estimates with our Audit Committee. We believe that the nature of these estimates and assumptions is material due to the subjectivity and judgment necessary, or the susceptibility of such matters to change, and the impact of these on our financial condition or results of operations.

Pension and Postretirement Obligations

We have employee benefit plans that include pension and other postretirement benefits. Net periodic benefit expense and obligations for these plans are impacted by various estimates and assumptions. These estimates and assumptions include the expected long-term rates of return on plan assets, discount rates, expected rate of compensation increase, health care cost trend rates, and employee demographics, including retirement age and mortality. These assumptions are reviewed annually and adjustments are made as needed. The assumptions utilized to compute expense and the benefit obligations are shown in Note 7 of Notes to Consolidated Financial Statements.

The following table presents the estimated increase (decrease) in net periodic benefit expense and obligations resulting from a one-percentage-point change in the specific assumption.

	Benefit Expense		Benefit Obligation	
	One-Percentage-Point Increase	One-Percentage-Point Decrease	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(Millions)			
Pension benefits:				
Discount rate	$ (8)	$ 9	$ (141)	$ 168
Expected long-term rate of return on plan assets	(10)	10	—	—
Rate of compensation increase	2	(1)	10	(8)
Other postretirement benefits:				
Discount rate	(4)	5	(43)	53
Expected long-term rate of return on plan assets	(2)	2	—	—
Assumed health care cost trend rate	6	(5)	47	(39)

Our expected long-term rates of return on plan assets, as determined at the beginning of each fiscal year, are based on the average rate of return expected on the funds invested in the plans. We determine our long-term expected rates of return on plan assets using our expectations of capital market results, which includes an analysis of historical results as well as forward-looking projections. These capital market expectations are based on a long-term period of at least ten years and consider our investment strategy and mix of assets, which is weighted toward domestic and international equity securities. We develop our expectations using input from several external sources, including consultation with our third-party independent investment consultant. The forward-looking capital market projections are developed using a consensus of economists' expectations for inflation, GDP growth, and dividend yield along with expected changes in risk premiums. The capital market return projections for specific asset classes in the investment portfolio are then applied to the relative weightings of the asset classes in the investment portfolio. The resulting rates are an estimate of future results and, thus, likely to be different than actual results.

In 2011, the fixed income exposure in the investment portfolios benefited while equities, particularly U.S. small capitalization stocks and international stocks, negatively impacted portfolio returns. While the 2011 investment performance did not meet our expected rates of return, the expected rates of return on plan assets are long-term in nature and are not significantly impacted by short-term market performance. Changes to our asset allocation would also impact these expected rates of return. The 2011 actual return on plan assets for our pension plans was breakeven for the year. The ten-year average rate of return on pension plan assets through December 2011 was approximately 4.1 percent.

The discount rates are used to measure the benefit obligations of our pension and other postretirement benefit plans. The objective of the discount rates is to determine the amount, if invested at the December 31 measurement date in a portfolio of high-quality debt securities, that will provide the necessary cash flows when benefit payments are due. Increases in the discount rates decrease the obligation and, generally, decrease the related expense. The discount rates for our pension and other postretirement benefit plans are determined separately based on an approach specific to our plans and their respective expected benefit cash flows as described in Note 7 of Notes to Consolidated Financial Statements. Our discount rate assumptions are impacted by changes in general economic and market conditions that affect interest rates on long-term, high-quality debt securities as well as by the duration of our plans' liabilities.

The expected rate of compensation increase represents average long-term salary increases. An increase in this rate causes the pension obligation and expense to increase.

The assumed health care cost trend rates are based on national trend rates adjusted for our actual historical cost rates and plan design. An increase in this rate causes the other postretirement benefit obligation and expense to increase.

Results of Operations

Consolidated Overview

The following table and discussion is a summary of our consolidated results of operations for the three years ended December 31, 2011. The results of operations by segment are discussed in further detail following this consolidated overview discussion.

	Years Ended December 31,						
	2011	$ Change from 2010*	% Change from 2010*	2010	$ Change from 2009*	% Change from 2009*	2009
				(Millions)			
Revenues	$7,930	+1,292	+19%	$ 6,638	+1,360	+26%	$5,278
Costs and expenses:							
Costs and operating expenses	5,550	-838	-18%	4,712	-1,000	-27%	3,712
Selling, general and administrative expenses	325	-12	-4%	313	+17	+5%	330
Other (income) expense – net	1	-16	NM	(15)	-19	-56%	(34)
General corporate expenses	187	+34	+15%	221	-57	-35%	164
Total costs and expenses	6,063			5,231			4,172
Operating income (loss)	1,867			1,407			1,106
Interest accrued – net	(573)	+19	+3%	(592)	+3	+1%	(595)
Investing income – net	168	-20	-11%	188	+150	NM	38
Early debt retirement costs	(271)	+335	+55%	(606)	-605	NM	(1)
Other income (expense) – net	11	+23	NM	(12)	-14	NM	2
Income (loss) from continuing operations before income taxes	1,202			385			550
Provision (benefit) for income taxes	124	-10	-9%	114	+90	+44%	204
Income (loss) from continuing operations	1,078			271			346
Income (loss) from discontinued operations	(417)	+776	+65%	(1,193)	-1,208	NM	15
Net income (loss)	661			(922)			361
Less: Net income attributable to noncontrolling interests	285	-110	-63%	175	-99	-130%	76
Net income (loss) attributable to The Williams Companies, Inc.	$ 376			$(1,097)			$ 285

* + = Favorable change; - = Unfavorable change; NM = A percentage calculation is not meaningful due to a change in signs, a zero-value denominator, or a percentage change greater than 200.

2011 vs. 2010

The increase in *revenues* is primarily due to higher marketing and NGL production revenues at Williams Partners as a result of higher average energy commodity prices, partially offset by a decrease in equity NGL production volumes. Additionally, fee revenues increased at Williams Partners primarily due to higher gathering, processing, and transportation fees. Midstream Canada & Olefins ethylene and Canadian NGL production revenues increased primarily resulting from higher average energy commodity prices and higher volumes.

The increase in *costs and operating expenses* is primarily due to increased costs associated with marketing purchases and operating costs at Williams Partners, partially offset by a decrease in NGL production costs. The higher marketing purchases are due to higher average energy commodity prices. Additionally, ethylene and NGL feedstock costs increased at Midstream Canada & Olefins reflecting higher average per-unit feedstock costs and higher volumes.

The unfavorable change in *other (income) expense – net* within *operating income* primarily reflects:

- $15 million of lower involuntary conversion gains in 2011 as compared to 2010 at Williams Partners due to insurance recoveries that are in excess of the carrying value of the assets;
- The absence of a $12 million gain in 2010 on the sale of certain assets at Williams Partners;
- The absence of a $6 million favorable customer settlement in 2010 at Midstream Canada & Olefins;
- $4 million lower sales of base gas from Hester Storage field in 2011 compared to 2010 at Williams Partners.

These unfavorable changes are partially offset by:

- $19 million of income related to the Gulf Liquids litigation contingency accrual reduction in 2011 at Midstream Canada & Olefins (see Note 16 of Notes to Consolidated Financial Statements);
- $10 million related to the reversal of project feasibility costs from expense to capital in 2011 at Williams Partners (see Note 4 of Notes to Consolidated Financial Statements).

The decrease in *general corporate expenses* is primarily due to the absence of $45 million of transaction costs incurred in 2010 associated with our strategic restructuring transaction.

The favorable change in *operating income (loss)* generally reflects an improved energy commodity price environment in 2011 compared to 2010, increased fee revenues, and the absence of costs associated with the strategic restructuring in 2010, partially offset by higher operating costs and an unfavorable change in *other (income) expense – net* as previously discussed.

The unfavorable change in *investing income – net* is primarily due to $32 million of decreased gains recognized in 2011 related to the 2010 sale of our interest in Accroven SRL. (See Note 3 of Notes to Consolidated Financial Statements.) This decrease is partially offset by an increase of $12 million in equity earnings, primarily at Williams Partners related to an increased ownership interest in Overland Pass Pipeline Company LLC.

Early debt retirement costs in 2011 reflect costs related to corporate debt retirements in December 2011, including $254 million in related premiums. (See Note 11 of Notes to Consolidated Financial Statements.) *Early debt retirement costs* in 2010 reflect costs related to corporate debt retirements associated with our first quarter 2010 strategic restructuring transaction, including premiums of $574 million.

Other (income) expense – net below *operating income (loss)* changed favorably primarily due to a $11 million decrease in environmental accruals in 2011 as compared to 2010.

Provision (benefit) for income taxes changed unfavorably primarily due to higher pre-tax income, partially offset by federal settlements in 2011 and an adjustment to reverse taxes on undistributed earnings of certain foreign operations that are now considered permanently reinvested. See Note 5 of Notes to Consolidated Financial Statements for a reconciliation of the effective tax rates compared to the federal statutory rate for both years.

Income (loss) from discontinued operations reflects the results of operations of our former exploration and production business as discontinued operations. See Note 2 of Notes to Consolidated Financial Statements.

The unfavorable change in *net income attributable to noncontrolling interests* reflects higher operating results at WPZ and increased noncontrolling interest ownership of WPZ as a result of WPZ equity issuances in 2010. These changes are partially offset by our greater ownership interest related to WPZ's merger with Williams Pipeline Partners L.P., which was completed in 2010.

2010 vs. 2009

The increase in *revenues* is primarily due to higher marketing and NGL production revenues resulting from higher average energy commodity prices at Williams Partners. NGL and olefin production revenues at Midstream Canada & Olefins also increased due to higher average per-unit prices.

The increase in *costs and operating expenses* is primarily due to increased marketing purchases and NGL production costs at Williams Partners, reflecting higher average energy commodity prices. Additionally, NGL and olefin production costs at Midstream Canada & Olefins increased due to higher average per-unit feedstock costs.

Other (income) expense – net within *operating income (loss)* in 2009 includes a $40 million gain on the sale of our Cameron Meadows NGL processing plant at Williams Partners.

General corporate expenses in 2010 includes $45 million of transaction costs associated with our strategic restructuring transaction as discussed above.

The favorable change in *operating income (loss)* is primarily due to an improved energy commodity price environment in 2010 compared to 2009. The favorable change is partially offset by $45 million of transaction costs in 2010 associated with our strategic restructuring transaction and an unfavorable change in *other (income) expense – net*.

The increase in *investing income – net* is primarily due to the absence of a $75 million impairment charge in 2009 and a $43 million gain in 2010 on the sale of our 50 percent interest in Accroven at Other, and a $28 million increase in equity earnings at Williams Partners.

Early debt retirement costs in 2010 reflect costs related to corporate debt retirements associated with our first quarter strategic restructuring transaction, including premiums of $574 million.

Other (income) expense – net below *operating income (loss)* in 2010 includes an $8 million environmental expense accrual associated with former refinery operations.

Provision (benefit) for income taxes changed favorably primarily due to lower pre-tax income. See Note 5 of Notes to Consolidated Financial Statements for a reconciliation of the effective tax rates compared to the federal statutory rate for both years.

See Note 2 of Notes to Consolidated Financial Statements for a discussion of the items in *income (loss) from discontinued operations*.

Net income attributable to noncontrolling interests increased reflecting higher results at WPZ due to an improved energy commodity price environment in 2010 compared to 2009, as well as the impact of the first-quarter 2009 impairments and related charges associated with our discontinued Venezuela operations.

Results of Operations — Segments

Williams Partners

Our Williams Partners segment includes WPZ, our consolidated master limited partnership, which includes two interstate natural gas pipelines, as well as investments in natural gas pipeline-related companies, which serve regions from the San Juan basin in northwestern New Mexico and southwestern Colorado to Oregon and Washington and from the Gulf of Mexico to the northeastern United States. WPZ also includes natural gas gathering, processing, and treating facilities and oil gathering and transportation facilities located primarily in the Rocky Mountain and Gulf Coast regions of the United States. As of December 31, 2011, we own approximately 75 percent of the interests in WPZ, including the interests of the general partner, which is wholly owned by us, and incentive distribution rights.

Williams Partners’ ongoing strategy is to safely and reliably operate large-scale, interstate natural gas transmission and midstream infrastructures where our assets can be fully utilized and drive low per-unit costs. We focus on consistently attracting new business by providing highly reliable service to our customers and utilizing our low cost-of-capital to invest in growing markets, including the deepwater Gulf of Mexico, the Marcellus Shale, the western United States, and areas of increasing natural gas demand.

Williams Partners’ interstate transmission and related storage activities are subject to regulation by the FERC and as such, our rates and charges for the transportation of natural gas in interstate commerce, and the extension, expansion or abandonment of jurisdictional facilities and accounting, among other things, are subject to regulation. The rates are established through the FERC’s ratemaking process. Changes in commodity prices and volumes transported have little near-term impact on revenues because the majority of cost of service is recovered through firm capacity reservation charges in transportation rates.

Overview of 2011

Significant events during 2011 include the following:

Laser Northeast Gathering System Acquisition

In February 2012, we acquired the Laser Northeast Gathering System and other midstream businesses from Delphi Midstream Partners, LLC for $325 million in cash, net of cash acquired in the transaction and subject to certain closing adjustments, and approximately 7.5 million of WPZ’s common units. The Laser Gathering System is comprised of 33 miles of 16-inch natural gas pipeline and associated gathering facilities in Susquehanna County, Pennsylvania, as well as 10 miles of gathering pipeline in southern New York. The acquisition is supported by existing long-term gathering agreements that provide acreage dedications and volume commitments. As production in the Marcellus increases, the Laser system is expected to reach a capacity of 1.3 Bcf/d.

Marcellus Shale Gathering Asset Transition and Expansion

Our Springville pipeline was placed into service in January 2012, allowing us to deliver approximately 300 MMcf/d into the Transco pipeline. This new take-away capacity allows full use of approximately 650 MMcf/d of capacity from various compression and dehydration expansion projects to our gathering business in northeastern Pennsylvania’s Marcellus Shale which we acquired at the end of 2010. In conjunction with a long-term agreement with a significant producer, we are operating the 33-mile, 24-inch diameter natural gas gathering pipeline, connecting a portion of our gathering assets into the Transco pipeline. Expansions to the Springville compression facilities in 2012 are expected to increase the capacity to approximately 625 MMcf/d.

Construction of a new noncontiguous gathering system is complete and was placed into service in October 2011. This system currently has the capacity to deliver approximately 50 MMcf/d into a third-party interstate pipeline via the newly acquired Laser gathering system.

In early 2011, we assumed the operational activities for these gathering systems in northeastern Pennsylvania’s Marcellus Shale which we acquired at the end of 2010. The acquired business included 75 miles of gathering pipelines and two compressor stations. We expect to expand this gathering system to a planned capacity of 1.7 Bcf/d by 2015.

Keathley Canyon Connector™

Our equity investee, Discovery, plans to construct, own, and operate a new 215-mile 20-inch deepwater lateral pipeline for production from the Keathley Canyon Connector™, Walker Ridge, and Green Canyon areas in the central deepwater Gulf of Mexico. Discovery has signed long-term agreements with anchor customers for natural gas gathering and processing services for production from those fields. The Keathley Canyon Connector™ lateral will originate from a third-party floating production facility in the southeast portion of the Keathley Canyon Connector™ area and will connect to Discovery’s existing 30-inch offshore gas transmission system. The lateral pipeline is estimated to have the capacity to flow more than 400 MMcf/d and will accommodate the tie-in of other deepwater prospects. Construction is expected to begin in 2013, with a mid-2014 in-service date.

Gulfstar FPS™ Deepwater Project

In October 2011, we executed agreements with two significant producers to provide production handling services for the Tubular Bells discovery located in the eastern deepwater Gulf of Mexico. The operator of the Tubular Bells field will utilize our proprietary floating-production system, Gulfstar FPS™. We expect Gulfstar FPS™ to be capable of serving as a central host facility for other deepwater prospects in the area. We will design, construct, and install our Gulfstar FPS™ with a capacity of 60 Mbbls/d of oil, up to 200 MMcf/d of natural gas, and the capability to provide seawater injection services. The facility is a spar-based floating production system that utilizes a standard design approach that will allow customers to reduce their cycle time from discovery to first production. Construction is underway and the project is expected to be in service in 2014.

Eagle Ford Shale

We have completed construction on a pipeline segment and related modifications necessary to reverse the flow of an existing Transco pipeline segment in southwest Texas, which began to gather south Texas gas to our Markham gas processing facility in the second quarter of 2011. In addition, we connected a third-party pipeline to our Markham plant during the third quarter that is delivering Eagle Ford Shale gas to the plant. We have executed both fee-based and keep whole processing agreements which we expect will increase utilization of our Markham facility to the full gas processing capacity. Markham is subject to limited NGL take-away capacity until third-party pipeline connections are completed in early 2013.

Perdido Norte

During the fourth quarter of 2010, both oil and gas production began to flow on a sustained basis through our Perdido Norte expansion, located in the western deepwater of the Gulf of Mexico. The project included a 200 MMcf/d expansion of our Markham gas processing facility and a total of 179 miles of deepwater oil and gas lines that expand the scale of our existing infrastructure. While 2011 production volumes were significantly lower than originally expected, they have increased each quarter of 2011 as producers have resolved several technical issues. With these improvements and with the addition of a new well, we anticipate volumes in 2012 to be higher than in 2011.

Gulfstream

In May 2011, an entity reported within Other contributed a 24.5 percent interest in Gulfstream to WPZ in exchange for aggregate consideration of $297 million of cash, 632,584 limited partner units, and an increase in the capital account of WPZ’s general partner to maintain the 2 percent general partner interest. Williams Partners now holds a 49 percent interest in Gulfstream. Prior period segment disclosures have not been adjusted for this transaction as the impact, which was less than 2.5 percent of Williams Partners’ segment profit for all periods affected, was not material.

Overland Pass Pipeline

We became the operator of OPPL effective April 1, 2011. We own a 50 percent interest in OPPL which includes a 760-mile NGL pipeline from Opal, Wyoming, to the Mid-Continent NGL market center in Conway, Kansas, along with 150- and 125-mile extensions into the Piceance and Denver-Julesburg basins in Colorado, respectively. Our equity NGL volumes from our two Wyoming plants and our Willow Creek plant in Colorado are dedicated for transport on OPPL under a long-term shipping agreement. We plan to participate in the construction of a pipeline connection and capacity expansions, expected to be complete in early 2013, to increase the pipeline’s capacity to the maximum of 255 Mbbls/d, to accommodate new volumes coming from the Bakken Shale in the Williston basin.

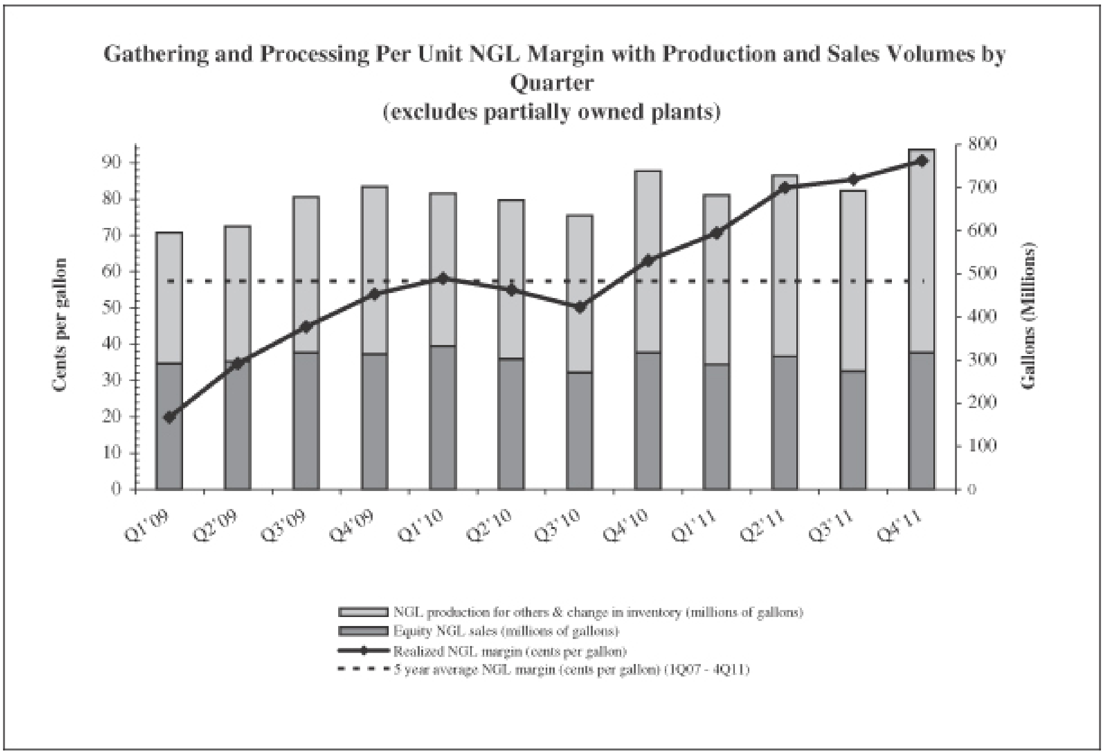
Laurel Mountain

The initial phases of the Shamrock compressor station are in service, providing 60 MMcf/d of additional capacity, with further expansions planned in 2012. This compressor station is expandable to 350 MMcf/d and will likely be the largest central delivery point out of the Laurel Mountain system. Our equity investee continues to progress on further additions to the gathering infrastructure.

Volatile commodity prices

Average per-unit NGL margins in 2011 were significantly higher than in 2010, benefiting from a strong demand for NGLs resulting in higher NGL prices and slightly lower natural gas prices driven by abundant natural gas supplies.

NGL margins are defined as NGL revenues less any applicable BTU replacement cost, plant fuel, and third-party transportation and fractionation. Per-unit NGL margins are calculated based on sales of our own equity volumes at the processing plants. Our equity volumes include NGLs where we own the rights to the value from NGLs recovered at our plants under both “keep-whole” processing agreements, where we have the obligation to replace the lost heating value with natural gas, and “percent-of-liquids” agreements whereby we receive a portion of the extracted liquids with no obligation to replace the lost heating value.



85 North project

In September 2009, we received approval from the FERC to construct an expansion of our existing natural gas transmission system from Alabama to various delivery points as far north as North Carolina. Phase I was placed into service in July 2010 and it provides 90 thousand dekatherms per day (Mdth/d) of incremental firm capacity. Phase II was placed into service in May 2011 and it provides 219 Mdth/d of incremental firm capacity.

Mobile Bay South II project

In July 2010, we received approval from the FERC to construct additional compression facilities and modifications to existing Mobile Bay line facilities in Alabama allowing transportation service to various southbound delivery points. The project was placed into service in May 2011 and provides incremental firm capacity of 380 Mdth/d.

Outlook for 2012

The following factors could impact our business in 2012.

Commodity price changes

- We expect our average per-unit NGL margins in 2012 to be comparable to 2011 and higher than our rolling five-year average per-unit NGL margins. NGL price changes have historically tracked somewhat with changes in the price of crude oil, although NGL, crude and natural gas prices are highly volatile, difficult to predict, and are often not highly correlated. NGL margins are highly dependent upon continued demand within the global economy. However, NGL products are currently the preferred feedstock for ethylene and propylene production, which has been shifting away from the more expensive crude-based feedstocks. Bolstered by abundant long-term domestic natural gas supplies, we expect to benefit from these dynamics in the broader global petrochemical markets.
- As part of our efforts to manage commodity price risks on an enterprise basis, we continue to evaluate our commodity hedging strategies. To reduce the exposure to changes in market prices in 2012, we have entered into NGL swap agreements to fix the prices of approximately 5 percent of our anticipated NGL sales volumes and an approximate corresponding portion of anticipated shrink gas requirements for 2012. The combined impact of these energy commodity derivatives will provide a margin on the hedged volumes of $106 million. The following table presents our energy commodity hedging instruments as of February 15, 2012.

	Period	Volumes Hedged	Weighted Average Hedge Price
			(per gallon)
Designated as hedging instruments:			
NGL sales - isobutane (million gallons)	Feb - Dec 2012	12.8	$ 1.89
NGL sales - normal butane (million gallons)	Feb - Dec 2012	19.3	$ 1.79
NGL sales - natural gasoline (million gallons)	Feb - Dec 2012	29.0	$ 2.27
			(per MMbtu)
Natural gas purchases (Tbtu)	Feb - Dec 2012	6.5	$ 2.76

Gathering, processing, and NGL sales volumes

- The growth of natural gas supplies supporting our gathering and processing volumes are impacted by producer drilling activities, which are influenced by natural gas prices.
- In Williams Partners' onshore midstream businesses, we anticipate significant growth in our gas gathering volumes as our infrastructure grows to support drilling activities in northeast Pennsylvania. We anticipate slight increases in gas gathering volumes in the Piceance basin and no change or slight declines in basins in the Rocky Mountain and Four Corners areas due to reduced drilling activity. We anticipate equity NGL volumes in 2012 to be comparable to 2011, as we expect little change in the volume of gas processed in the western onshore businesses. Sustained low gas prices could discourage producer drilling activities in our onshore areas and unfavorably impact the supply of natural gas available to gather and process in the long term.

- In Williams Partners' gulf coast businesses, we expect higher gas gathering, processing, and crude transportation volumes as production flowing through our Perdido Norte pipelines becomes consistent and other in-process drilling is completed. Increases in permitting, subsequent to the 2010 drilling moratorium, give us reason to expect gradual increased drilling activities in the Gulf of Mexico. In the Gulf Coast, our customers' drilling activities are primarily focused on crude oil economics, rather than natural gas. We have not experienced, and do not anticipate an overall significant decline in volumes due to reduced drilling activities.
- The operator of the third-party fractionator serving our NGL production transported on Overland Pass Pipeline has notified us of an expected 20- to 25-day outage in the second quarter of 2012 to accommodate their expansion efforts. The outage could result in a reduction to our equity volumes of up to approximately 20 million to 25 million gallons, along with price impacts; however we are evaluating methods to mitigate the impact.
- We anticipate higher general and administrative, operating, and depreciation expense supporting our growing operations in northeast Pennsylvania, Piceance basin, and western Gulf of Mexico.

Expansion Projects

We have planned growth capital and investment expenditures of $2,305 million to $2,535 million in 2012. We plan to pursue expansion and growth opportunities in the Marcellus Shale region, Gulf of Mexico, and Piceance basin. Our ongoing major expansion projects include:

<u>Marcellus Shale & Gulf of Mexico</u>

As previously discussed, our ongoing major expansions to our gathering infrastructure in the Marcellus Shale region in northeastern Pennsylvania, including the acquisition of the Laser gathering system and related planned additions, expansions within our Laurel Mountain equity investment, also in the Marcellus Shale region, as well as our Gulfstar FPS™ floating production system and Discovery's Keathley Canyon Connector™ pipeline, both located in the Gulf of Mexico.

<u>Parachute</u>

In conjunction with a new basin-wide agreement for all gathering and processing services provided by us to a customer in the Piceance basin, we plan to construct a 350 MMcf/d cryogenic gas processing plant. The Parachute TXP I plant is expected to be in service in 2014.

<u>Mid-South</u>

In August 2011, we received approval from the FERC to upgrade compressor facilities and expand our existing natural gas transmission system from Alabama to markets as far north as North Carolina. The cost of the project is estimated to be $217 million. The project is expected to be phased into service in September 2012 and June 2013, with an expected increase in capacity of 225 Mdth/d.

<u>Mid-Atlantic Connector</u>

In July 2011, we received approval from the FERC to expand our existing natural gas transmission system from North Carolina to markets as far downstream as Maryland. The cost of the project is estimated to be $55 million and is expected to increase capacity by 142 Mdth/d. We plan to place the project into service in November 2012.

<u>Northeast Supply Link</u>

In December 2011, we filed an application with the FERC to expand our existing natural gas transmission system from the Marcellus Shale production region on the Leidy Line to various delivery points in New York and New Jersey. The cost of the project is estimated to be $341 million and is expected to increase capacity by 250 Mdth/d. We plan to place the project into service in November 2013.

Eminence Storage Field Leak

On December 28, 2010, we detected a leak in one of the seven underground natural gas storage caverns at our Eminence Storage Field in Mississippi. Due to the leak and related damage to the well at an adjacent cavern, both caverns are out of service. In addition, two other caverns at the field, which were constructed at or about the same time as those caverns, have experienced operating problems, and we have determined that they should also be retired. The event has not affected the performance of our obligations under our service agreements with our customers.

In September 2011, we filed an application with the FERC seeking authorization to abandon these four caverns. We estimate the total abandonment costs, which will be capital in nature, will be approximately $76 million which is expected to be spent through the first half of 2013. Through December 31, 2011, we have incurred approximately $38 million in abandonment costs. This estimate is subject to change as work progresses and additional information becomes known. Management considers these costs to be prudent costs incurred in the abandonment of these caverns and expects to recover these costs, net of insurance proceeds, in future rate filings. To the extent available, the abandonment costs will be funded from the ARO Trust. (See Note 14 of Notes to Consolidated Financial Statements.)

For the year ended December 31, 2011, we incurred approximately $15 million of expense related primarily to assessment and monitoring costs to ensure the safety of the surrounding area.

Filing of rate cases

During 2012, we expect to file rate cases for both Transco and Northwest Pipeline, which are expected to result in new transportation and storage rates beginning in 2013.

Year-Over-Year Operating Results

	Year ended December 31,		
	2011	2010	2009
		(Millions)	
Segment revenues	$6,729	$5,715	$4,602
Segment profit	$1,896	$1,574	$1,317

2011 vs. 2010

The increase in *segment revenues* includes:

- A $589 million increase in marketing revenues primarily due to higher average NGL and crude prices. These changes are substantially offset by similar changes in marketing purchases.
- A $244 million increase in revenues from our equity NGLs reflecting an increase of $272 million associated with a 25 percent increase in average NGL per-unit sales prices, partially offset by a decrease of $28 million associated with a 3 percent decrease in equity NGL volumes.
- A $103 million increase in fee revenues primarily due to higher gathering and processing fee revenues. We have fees from new volumes on our gathering assets in the Marcellus Shale in northeastern Pennsylvania, which we acquired at the end of 2010, and on our Perdido Norte gas and oil pipelines in the western deepwater Gulf of Mexico, which went into service in late 2010. In addition, higher fees in the Piceance basin are primarily a result of an agreement executed in November 2010. These increases

are partially offset by a decline in gathering and transportation fees in the eastern deepwater Gulf of Mexico primarily due to natural field declines.

- A $68 million increase in transportation revenues associated with natural gas pipeline expansion projects placed in service during 2010 and 2011.

The increase in s*egment costs and expenses* of $725 million includes:

- A $574 million increase in marketing purchases primarily due to higher average NGL and crude prices. These changes are offset by similar changes in marketing revenues.
- A $136 million increase in operating costs reflecting $84 million higher maintenance expenses, including maintenance expenses for our gathering assets in northeastern Pennsylvania acquired at the end of 2010, more maintenance performed on our assets in the western onshore businesses, additional maintenance related to the Eminence storage leak, and higher property insurance expense. In addition, depreciation expense is $43 million higher primarily due to our new Perdido Norte pipelines and our Echo Springs expansion, both of which went into service in late 2010, along with accelerated depreciation of our Lybrook plant which was idled in January 2012 when the gas was redirected to our Ignacio plant.
- The absence of $30 million in gains recognized in 2010 associated with sale of certain assets in Colorado's Piceance basin and involuntary conversion gains due to insurance recoveries in excess of the carrying value.
- A $42 million decrease in costs associated with our equity NGLs reflecting a decrease of $21 million associated with a 5 percent decrease in average natural gas prices and a $21 million decrease reflecting lower equity NGL volumes.

The increase in William Partners' *segment profit* includes:

- $286 million of higher NGL production margins reflecting favorable commodity price changes.
- A $103 million increase in fee revenues as previously discussed.
- A $68 million increase in transportation revenues associated with natural gas pipeline expansion projects placed in service during 2010 and 2011.
- A $15 million increase in margins related to the marketing of NGLs and crude.
- A $33 million increase in equity earnings primarily due to the acquisition of additional interest in Gulfstream and an increased ownership interest in OPPL.
- A $136 million increase in operating costs as previously discussed.
- A $30 million unfavorable change related to gains recognized in 2010 as previously discussed.

2010 vs. 2009

The increase in *segment revenues* includes:

- A $699 million increase in marketing revenues primarily due to higher average NGL and crude prices. These changes are more than offset by similar changes in marketing purchases.
- A $330 million increase in revenues associated with the production of NGLs reflecting an increase of $335 million associated with a 41 percent increase in average NGL per-unit sales prices.
- A $56 million increase in fee revenues primarily due to higher gathering revenue in the Piceance basin as a result of permitted increases in the cost-of-service gathering rate in 2010.

The increase in s*egment costs and expenses* of $884 million includes:

- A $721 million increase in marketing purchases primarily due to higher average NGL and crude prices. These changes are substantially offset by similar changes in marketing revenues.

- A $107 million increase in costs associated with the production of NGLs reflecting an increase of $101 million associated with a 30 percent increase in average natural gas prices.
- A $19 million increase in operating costs including $12 million higher depreciation primarily due to the new Perdido Norte pipelines and a full year of depreciation on our Willow Creek facility which was placed into service in the latter part of 2009.
- The absence of a $40 million gain on the sale of our Cameron Meadows processing plant in 2009, partially offset by smaller gains in 2010. Gains recognized in 2010 include involuntary conversion gains due to insurance recoveries in excess of the carrying value of our gulf assets which were damaged by Hurricane Ike in 2008 and our Ignacio plant, which was damaged by a fire in 2007, as well as gains associated with sales of certain assets in Colorado's Piceance basin.

The increase in William Partners' *segment profit* includes:

- $223 million of higher NGL production margins reflecting higher NGL prices, partially offset by increased production costs associated with higher natural gas prices. NGL equity volumes were slightly higher due primarily to new production at Willow Creek, partially offset by the absence of favorable customer contractual changes and decreasing inventory levels in 2009.
- $28 million increase in equity earnings, including a $10 million increase from Discovery primarily due to higher processing margins and new volumes from the Tahiti pipeline lateral expansion completed in 2009. In addition, equity earnings from Aux Sable are $10 million higher primarily due to higher processing margins, and equity earnings from our increased investment in OPPL were $5 million.
- A $56 million increase in fee revenues as previously discussed.
- A $22 million decrease in margins related to the marketing of NGLs and crude primarily due to lower favorable changes in pricing while product was in transit in 2010 as compared to 2009.
- A $19 million increase in operating costs as previously discussed.
- A $14 million unfavorable change related to the disposal of assets as previously discussed.

Midstream Canada & Olefins

Our Midstream Canada & Olefins segment includes our oil sands off-gas processing plant near Fort McMurray, Alberta, our NGL/olefin fractionation facility and butylene/butane (B/B) splitter facility at Redwater, Alberta, our NGL light-feed olefins cracker in Geismar, Louisiana along with associated ethane and propane pipelines, and our refinery grade propylene splitter in Louisiana. The products we produce are: NGLs, ethylene, propylene, and other co-products. Our NGL products include: propane, normal butane, isobutane/butylene (butylene), and condensate. Prior to the operation of the B/B splitter, we also produced and sold B/B mix product which is now separated and sold as butylene and normal butane.

Significant events for 2011

We signed a long-term agreement to initially produce 10,000 barrels per day (bbls/d) of ethane/ethylene mix for a third-party customer. We expect that we will ultimately increase our production of ethane/ethylene mix to 17,000 bbls/d and we expect to complete our expansions necessary to produce the initial barrels in the first quarter of 2013.

Outlook for 2012

The following factors could impact our business in 2012.

Commodity margin changes

While per-unit margins are volatile and highly dependent upon continued demand within the global economy, we believe that our gross commodity margins will be comparable or increase slightly over 2011 levels. NGL products are currently the preferred feedstock for ethylene and propylene production which has been shifting away from the more expensive crude-based feedstocks. Bolstered by abundant long-term domestic natural gas supplies, we expect to benefit from these dynamics in the broader global petrochemical markets because of our NGL-based olefins production.

Allocation of capital to projects

We expect to spend $600 million to $700 million in 2012 on capital projects. The major expansion projects include:

- The Boreal Pipeline project, which is a 12-inch diameter pipeline in Canada that will transport recovered NGLs and olefins from our extraction plant in Fort McMurray to our Redwater fractionation facility. The pipeline will have sufficient capacity to transport additional recovered liquids in excess of those from our current agreements. Construction is well underway and we anticipate an in-service date in the second quarter of 2012.
- An expansion of our Geismar olefins production facility which is expected to increase the facility's ethylene production capacity by 600 million pounds per year to a new annual capacity of 1.95 billion pounds. We are currently in the detailed engineering and procurement phase and expect to complete the expansion in the latter part of 2013.
- The ethane recovery project, which is an expansion of our Canadian facilities that will allow us to recover ethane/ethylene mix from our operations that process off-gas from the Alberta oil sands. We plan to modify our oil sands off-gas extraction plant near Fort McMurray, Alberta, and construct a de-ethanizer at our Redwater fractionation facility. Our de-ethanizer is expected to initially process approximately 10,000 bbls/d of ethane/ethylene mix. As previously mentioned, we have signed a long-term contract to provide the ethane/ethylene mix to a third-party customer. Construction began in the fourth quarter of 2011 and we expect to complete the expansions and begin producing ethane/ethylene mix in the first quarter of 2013.

Year-Over-Year Operating Results

	Year ended December 31,		
	2011	2010	2009
		(Millions)	
Segment revenues	$1,312	$1,033	$753
Segment profit	$ 296	$ 172	$ 37

2011 vs. 2010

Segment revenues increased primarily due to:

- $126 million higher ethylene production sales revenues due to 28 percent higher average per-unit sales prices on 6 percent higher volumes primarily resulting from the absence of a four-week plant maintenance outage in 2010.
- $79 million higher NGL production revenues primarily resulting from:
    - Higher average per-unit sales prices driven by a change in our Canadian product mix. Through mid-2010, we sold B/B mix product, but in August 2010, we began producing and selling both butylene and normal butane that was produced by our new B/B splitter. The separated products receive higher values in the marketplace than the B/B mix sold previously.
    - Higher NGL sales prices resulting from higher market prices.
    - 29 percent increased sales volumes on our Canadian butylene and normal butane products primarily due to lower volume impact of operational and maintenance issues in 2011 as compared to 2010.

- $37 million higher propylene production revenues due to $68 million higher revenues from 26 percent higher average per-unit sales prices, partially offset by $31 million lower revenues resulting from 10 percent lower overall propylene production sales volumes. The lower sales volumes were primarily due to the net impact of the following:
  - 18 percent lower volumes at our Louisiana refinery grade propylene splitter primarily due to marketing and supply and third-party storage constraints, and customer outages. The impact of the lower propylene splitter sales was substantially offset by similar changes in related costs.
  - 10 percent higher propylene sales volumes at our Canadian facility primarily due to lower volume impact of operational and maintenance issues in 2011 as compared to 2010.
- $30 million higher butadiene and debutanized aromatic concentrate (DAC) production sales revenues primarily due to higher average per-unit sales prices.

Segment costs and expenses increased $155 million primarily as a result of:

- $93 million higher ethylene feedstock costs resulting from higher average per-unit feedstock costs and 6 percent higher volumes.
- $17 million higher operating and maintenance expenses primarily resulting from higher repairs and maintenance at our Canadian facilities and Geismar plant.
- $14 million higher NGL feedstock costs primarily due to higher average per-unit feedstock costs on certain products and increased volumes on our Canadian butylene and normal butane products primarily due to reduced maintenance and operational issues.
- $14 million higher propylene feedstock costs resulting from $36 million higher costs from 19 percent higher average per-unit feedstock costs, partially offset by $22 million lower costs related to reduced propylene feedstock volumes primarily from the lower volumes at our Louisiana refinery grade splitter described above.
- $11 million higher butadiene and DAC feedstock costs primarily due to higher per-unit feedstock costs.
- $6 million higher general and administrative costs.
- The absence of a $6 million favorable customer settlement in 2010.

These increases were partially offset by $19 million of 2011 income related to the reduction of our accrual for the Gulf Liquids litigation. (See Note 16 of Notes to Consolidated Financial Statements.)

Segment profit increased primarily due to:

- $42 million higher Canadian NGL production margins on the butylene and normal butane products primarily resulting from higher average per-unit margins primarily driven by a change in product mix, higher NGL sales prices, and higher volumes.
- $33 million higher Geismar ethylene production margins due to 27 percent higher per-unit margins on 6 percent higher volumes.
- $24 million higher Canadian propylene production margins resulting from 37 percent higher per-unit margins and 10 percent higher volumes.
- $23 million higher Canadian propane production margins due to 37 percent higher per-unit margins and 5 percent higher volumes.
- $19 million higher Geismar butadiene and DAC production margins primarily resulting from higher average per-unit margins.
- $19 million of 2011 income related to the reduction of our accrual for the Gulf Liquids litigation. (See Note 16 of Notes to Consolidated Financial Statements.)

These increases were partially offset by $17 million higher operating and maintenance expenses, $6 million higher general and administrative costs and the absence of a $6 million favorable customer settlement in 2010.

2010 vs. 2009

Segment revenues increased primarily due to:

- $307 million higher NGL and olefins production revenues resulting from higher average per-unit prices. The new B/B splitter began producing and selling both butylene and normal butane in August 2010 and resulted in $22 million additional sales revenues over the 2009 B/B mix product sold. The separated products receive higher values in the marketplace than the B/B mix sold previously.
- $27 million higher marketing revenues due to general increases in energy commodity prices on slightly higher volumes. The higher marketing revenues were more than offset by similar changes in marketing purchases described below.

Partially offsetting the increased revenue was a $57 million decrease from lower sales volumes primarily due to:

- 11 percent lower Geismar ethylene sales volumes, including the impact of a four-week plant maintenance outage at our Geismar plant during the fourth quarter of 2010.
- 12 percent lower propylene volumes sold primarily due to the absence of certain large 2009 propylene inventory sales and lower volumes available for processing at our Louisiana refinery grade propylene splitter.

Segment costs and expenses increased $145 million primarily as a result of:

- $156 million higher NGL and olefins production product costs resulting from higher average per-unit feedstock costs.
- $29 million increased marketing purchases due to general increases in energy commodity prices on slightly higher volumes. The increased marketing purchases more than offset similar changes in marketing revenues.
- $9 million higher operating and general and administrative costs.

Partially offsetting the increased costs are decreases due to:

- $45 million of reduced product costs resulting from the lower sales volumes described above.
- $6 million favorable customer settlement in 2010.

Segment profit increased primarily due to $139 million higher NGL and olefins production margins resulting from significantly higher average per-unit margins on lower volumes.

Other

Other includes business activities that are not operating segments as well as corporate operations.

Year-Over-Year Operating Results

	Year ended December 31,		
	2011	2010	2009
		(Millions)	
Segment revenues	$ 25	$ 24	$ 27
Segment profit (loss)	$ 24	$ 68	$ (41)

2011 vs. 2010

The unfavorable change in s*egment profit* is primarily due to $32 million of decreased gains recognized in 2011 related to the 2010 sale of our interest in Accroven SRL. (See Note 3 of Notes to Consolidated Financial Statements.) We are pursuing collection of these past due amounts from Petróleos de Venezuela S.A. (PDVSA), as well as claims related to the 2009 expropriation of certain of our Venezuelan operations, which are reported as discontinued operations.

2010 vs. 2009

The favorable change in s*egment profit* is primarily due to the net impact of recognizing $43 million in gains on the Accroven investment in 2010 while recording a $75 million impairment charge on that investment in 2009.

Management's Discussion and Analysis of Financial Condition and Liquidity

Overview

In 2011, we continued to focus upon growth through disciplined investments in our businesses. Examples of this growth included:

- Continued investment in Williams Partners' gathering and processing capacity and infrastructure in the Marcellus Shale area, western United States, and deepwater Gulf of Mexico. Included is a project to design, construct and install a floating production system (Gulfstar FPS™) in the eastern deepwater Gulf of Mexico;
- Expansion of Williams Partners' interstate natural gas pipeline system to meet the demand of growth markets;
- Expansion of Midstream Canada & Olefins' facilities to increase production of an ethane/ethylene mix.

These investments were funded through cash flow from operations, debt offerings at WPZ and cash on hand.

Our former exploration and production business, WPX, continued to invest in development drilling programs during 2011 that were largely self-funded through cash flow from operations. In November 2011, WPX completed the issuance of $1.5 billion of senior unsecured notes. WPX distributed $981 million of the net proceeds to us and retained approximately $500 million to fund future investments. Primarily utilizing the distribution we received related to the WPX debt issuance, we retired $746 million of debt in December 2011. We completed the tax-free spin-off of 100 percent of WPX to our shareholders on December 31, 2011.

During 2011, the economy has shown mixed signs of recovery; however, financial markets continue to be volatile as fears of global recession persist. In consideration of our liquidity in this environment, we note that, as of December 31, 2011, we have $889 million of cash and cash equivalents and $2.9 billion of available credit capacity under our credit facilities. Our $900 million and WPZ's $2 billion credit facilities do not expire until June 2016. (See additional discussion in the following Available Liquidity section.)

Outlook

Our plan for 2012 includes continued strong operating cash flows from our businesses. Lower-than-expected energy commodity prices would be somewhat mitigated by certain of our cash flow streams that are substantially insulated from short-term changes in commodity prices as follows:

- Firm demand and capacity reservation transportation revenues under long-term contracts from our gas pipelines;
- Fee-based revenues from certain gathering and processing services in our midstream businesses.

We believe we have, or have access to, the financial resources and liquidity necessary to meet our requirements for capital and investment expenditures, dividends and distributions, working capital, and tax and debt payments while maintaining a sufficient level of liquidity. In particular, we note the following assumptions for 2012:

- We expect capital and investment expenditures to total between $3.4 billion and $3.8 billion in 2012. Of this total, maintenance capital expenditures, which are generally considered nondiscretionary and include expenditures to meet legal and regulatory requirements, to maintain and/or extend the operating capacity and useful lives of our assets, and to complete certain well connections, are expected to total between $520 million and $600 million. Expansion capital expenditures, which are generally more discretionary to fund projects in order to grow our business are expected to total between $2.88 billion and $3.2 billion. See Results of Operations – Segments, Williams Partners and Midstream Canada & Olefins for discussions describing the general nature of these expenditures;
- We expect to pay total cash dividends of approximately $1.09 per common share, an increase of 41 percent over 2011 levels. We expect to increase our dividend quarterly through paying out substantially all of the cash distributions, net of applicable taxes, interest and costs, we receive from WPZ;
- We expect to fund capital and investment expenditures, debt payments, dividends, and working capital requirements primarily through cash flow from operations, cash and cash equivalents on hand, utilization of our revolving credit facilities, and proceeds from debt issuances and sales of equity securities as needed. Based on a range of market assumptions, we currently estimate our cash flow from operations will be between $1.85 billion and $2.325 billion in 2012;
- We expect to maintain consolidated liquidity (which includes liquidity at WPZ) of at least $1 billion from *cash and cash equivalents* and unused revolving credit facilities;
- We expect WPZ to fund its $325 million of current debt maturities with a new debt issuance;
- In January 2012, WPZ completed an equity issuance of 7 million common units representing limited partner interests in it at a price of $62.81 per unit. In February 2012, the underwriters exercised their option to purchase an additional 1.05 million common units for $62.81 per unit, with expected settlement on February 28, 2012;
- On February 17, 2012, Williams Partners completed the acquisition of 100 percent of the ownership interests in certain entities from Delphi Midstream Partners, LLC in exchange for $325 million in cash, net of cash acquired in the transaction and subject to certain closing adjustments, and approximately 7.5 million WPZ common units.

Potential risks associated with our planned levels of liquidity and the planned capital and investment expenditures discussed above include:

- Sustained reductions in energy commodity prices from the range of current expectations;
- Lower than expected distributions, including incentive distribution rights, from WPZ. WPZ’s liquidity could also be impacted by a lack of adequate access to capital markets to fund its growth;
- Lower than expected levels of cash flow from operations from Midstream Canada & Olefins.

Liquidity

Based on our forecasted levels of cash flow from operations and other sources of liquidity, we expect to have sufficient liquidity to manage our businesses in 2012. Our internal and external sources of consolidated liquidity include cash generated from our operations, cash and cash equivalents on hand, and our credit facilities. Additional sources of liquidity, if needed, include bank financings, proceeds from the issuance of long-term debt and equity securities, and proceeds from asset sales. These sources are available to us at the parent level and are expected to be available to certain of our subsidiaries, particularly equity and debt issuances from WPZ. WPZ is expected to be self-funding through its cash flows from operations, use of its credit facility, and its access to capital markets. WPZ makes cash distributions to us in accordance with the partnership agreement, which considers our level of ownership and incentive distribution rights. Our ability to raise funds in the capital markets will be impacted by our financial condition, interest rates, market conditions, and industry conditions.

	Expiration	December 31, 2011 WPZ	WMB (Millions)	Total
Available Liquidity				
Cash and cash equivalents		$ 163	$ 726 (1)	$ 889
Available capacity under our $900 million senior unsecured revolving credit facility (2)	June 3, 2016		900	900
Capacity available to WPZ under its $2 billion senior unsecured revolving credit facility (3)	June 3, 2016	2,000		2,000
		$2,163	$1,626	$3,789

(1) Includes $467 million of *cash and cash equivalents* that is being held by certain subsidiary and international operations and is not considered available for general corporate purposes. The remainder of our *cash and cash equivalents* is primarily held in government-backed instruments.

(2) In June 2011, we replaced our existing $900 million unsecured revolving credit facility agreement that was scheduled to expire in May 2012 with a new $900 million five-year senior unsecured revolving credit facility agreement. At December 31, 2011, we are in compliance with the financial covenants associated with this new credit facility agreement (see Note 11 of Notes to Consolidated Financial Statements).

(3) In June 2011, WPZ replaced its existing $1.75 billion unsecured revolving credit facility agreement that was scheduled to expire in February 2013 with a new $2 billion five-year senior unsecured revolving credit facility agreement. At December 31, 2011, WPZ is in compliance with the financial covenants associated with this new credit facility agreement. This credit facility is only available to WPZ, Transco and Northwest Pipeline as co-borrowers (see Note 11 of Notes to Consolidated Financial Statements).

In addition to the credit facilities listed above, we have issued letters of credit totaling $21 million as of December 31, 2011, under certain bilateral bank agreements.

WPZ filed a shelf registration statement as a well-known, seasoned issuer in February 2012 that allows it to issue an unlimited amount of registered debt and limited partnership unit securities.

At the parent-company level, we filed a shelf registration statement as a well-known, seasoned issuer in May 2009 that allows us to issue an unlimited amount of registered debt and equity securities.

As described in Note 11 of Notes to Consolidated Financial Statements, we have determined that we have net assets that are technically considered restricted in accordance with Rule 4-08(e) of Regulation S-X of the Securities and Exchange Commission in excess of 25 percent of our consolidated net assets. We do not expect this determination will impact our ability to pay dividends or meet future obligations as the terms of WPZ's partnership agreement require it to make quarterly distributions of all available cash, as defined, to its unitholders.

Credit Ratings

Our ability to borrow money is impacted by our credit ratings and the credit ratings of WPZ. The current ratings are as follows:

	WMB	WPZ
Standard and Poor's (1)		
Corporate Credit Rating	BBB-	BBB-
Senior Unsecured Debt Rating	BB+	BBB-
Outlook	Positive	Positive
Moody's Investors Service (2)		
Senior Unsecured Debt Rating	Baa3	Baa2
Outlook	Stable	Stable
Fitch Ratings (3)		
Senior Unsecured Debt Rating	BBB-	BBB-
Outlook	Stable	Positive

(1) A rating of "BBB" or above indicates an investment grade rating. A rating below "BBB" indicates that the security has significant speculative characteristics. A "BB" rating indicates that Standard & Poor's believes the issuer has the capacity to meet its financial commitment on the obligation, but adverse business conditions could lead to insufficient ability to meet financial commitments. Standard & Poor's may modify its ratings with a "+" or a "-" sign to show the obligor's relative standing within a major rating category.

(2) A rating of "Baa" or above indicates an investment grade rating. A rating below "Baa" is considered to have speculative elements. The "1," "2," and "3" modifiers show the relative standing within a major category. A "1" indicates that an obligation ranks in the higher end of the broad rating category, "2" indicates a mid-range ranking, and "3" indicates the lower end of the category.

On February 27, 2012, Moody's Investors Service revised WMB's rating outlook to stable from negative.

On February 27, 2012, Moody's Investors Service upgraded WPZ's senior unsecured debt rating to Baa2 from Baa3. The rating outlook was also revised to stable from under review for possible upgrade.

(3) A rating of "BBB" or above indicates an investment grade rating. A rating below "BBB" is considered speculative grade. Fitch may add a "+" or a "-" sign to show the obligor's relative standing within a major rating category.

On February 9, 2012, Fitch Ratings revised WMB's outlook to stable from rating watch negative. WPZ's outlook was also revised to positive from stable.

Credit rating agencies perform independent analyses when assigning credit ratings. No assurance can be given that the credit rating agencies will continue to assign us investment grade ratings even if we meet or exceed their current criteria for investment grade ratios. A downgrade of our credit rating might increase our future cost of borrowing and would require us to post additional collateral with third parties, negatively impacting our available liquidity. As of December 31, 2011, we estimate that a downgrade to a rating below investment grade for us or WPZ could require us to post up to $165 million or $134 million, respectively, in additional collateral with third parties.

Sources (Uses) of Cash

	Years Ended December 31, 2011	2010	2009
		(Millions)	
Net cash provided (used) by:			
Operating activities	$ 3,439	$ 2,651	$ 2,572
Financing activities	(342)	573	166
Investing activities	(3,003)	(4,296)	(2,310)
Increase (decrease) in cash and cash equivalents	$ 94	$(1,072)	$ 428

Operating activities

Our *net cash provided by operating activities* in 2011 increased from 2010 primarily due to higher operating income from our continuing businesses.

Our *net cash provided by operating activities* in 2010 increased slightly from 2009 primarily due to the improvement in the energy commodity price environment during the year.

Financing activities

Significant transactions include:

2011

- $526 million of cash retained by WPX upon spin-off on December 31, 2011;
- $746 million of notes and debentures retired in December 2011 and $254 million paid in associated premiums;

- $1.5 billion received from WPX's issuance of senior unsecured notes in November 2011;
- $500 million received from WPZ's public offering of senior unsecured notes in November 2011 primarily used to repay borrowings on its credit facility mentioned below;
- $375 million received by Transco from the issuance of senior unsecured notes in August 2011;
- $300 million paid to retire Transco's senior unsecured notes that matured in August 2011;
- $300 million received in revolver borrowings from WPZ's $1.75 billion unsecured credit facility used for WPZ's acquisition of a 24.5 percent interest in Gulfstream from us in May 2011. This obligation was transferred to WPZ's new $2 billion unsecured credit facility at its inception in June 2011;
- $150 million paid to retire WPZ's senior unsecured notes that matured in June 2011;
- We paid $457 million of quarterly dividends on common stock for the year ended December 31, 2011;
- $425 million in net borrowings and payments related to WPZ's revolving credit facility in 2011.

2010

- $369 million received from WPZ's December 2010 equity offering used primarily to reduce revolver borrowings mentioned below and to fund a portion of WPZ's acquisition of a midstream business in Pennsylvania's Marcellus Shale in December 2010;
- $200 million received in revolver borrowings from WPZ's $1.75 billion unsecured credit facility primarily used for WPZ's general partnership purposes and to fund a portion of the cash consideration paid for WPZ's acquisition of certain gathering and processing assets in Colorado's Piceance basin in November 2010;
- $600 million received from WPZ's public offering of 4.125 percent senior unsecured notes in November 2010 primarily used to fund a portion of the cash consideration paid to our former exploration and production business for WPZ's acquisition of certain gathering and processing assets in Colorado's Piceance basin;
- $430 million received in revolver borrowings from WPZ's $1.75 billion unsecured credit facility primarily used to fund our increased ownership in OPPL, a transaction that closed in September 2010;
- $437 million received from a WPZ equity offering used to reduce WPZ's revolver borrowings mentioned above;
- $3.491 billion received by WPZ in February 2010 from the issuance of $3.5 billion of senior unsecured notes related to our previously discussed restructuring;
- $3 billion of senior unsecured notes retired in February 2010 and $574 million paid in associated premiums utilizing proceeds from the $3.5 billion debt issuance;
- $250 million received from revolver borrowings on WPZ's $1.75 billion unsecured credit facility in February 2010 to repay a term loan;
- We paid $284 million of quarterly dividends on common stock for the year ended December 31, 2010.

2009

- We received $595 million net cash from the issuance of $600 million aggregate principal amount of 8.75 percent senior unsecured notes due 2020 to fund general corporate expenses and capital expenditures;
- We paid $256 million of quarterly dividends on common stock for the year ended December 31, 2009.

Investing activities

Significant transactions include:

2011

- Capital expenditures totaled $2.8 billion in 2011;
- We contributed $137 million to our Laurel Mountain equity investment.

2010

- Capital expenditures totaled $2.8 billion in 2010. Included is approximately $599 million, including closing adjustments, related to our former exploration and production business' acquisition in the Marcellus Shale in July 2010;
- We paid approximately $949 million, including closing adjustments, for our former exploration and production business' December 2010 business purchase, consisting primarily of oil and gas properties in the Bakken Shale;
- We contributed $488 million to our investments, including a $424 million cash payment for WPZ's September 2010 acquisition of an increased interest in OPPL;
- We paid $150 million for WPZ's December 2010 business purchase, consisting primarily of certain midstream assets in the Marcellus Shale.

2009

- Capital expenditures totaled $2.4 billion, more than half of which related to our former exploration and production businesses. Included was a $253 million payment by our former exploration and production business for the purchase of additional properties in the Piceance basin;
- We received $148 million as a distribution from Gulfstream following its debt offering;
- We contributed $142 million to our investments, including $106 million related to our Laurel Mountain equity investment and $20 million related to our Gulfstream equity investment.

Off-Balance Sheet Arrangements and Guarantees of Debt or Other Commitments

We have various other guarantees and commitments which are disclosed in Notes 9, 11, 15 and 16 of Notes to Consolidated Financial Statements. We do not believe these guarantees or the possible fulfillment of them will prevent us from meeting our liquidity needs.

Contractual Obligations

The table below summarizes the maturity dates of our contractual obligations at December 31, 2011:

	2012	2013 - 2014	2015 - 2016	Thereafter	Total
			(Millions)		
Long-term debt, including current portion:					
Principal	$ 352	$ —	$ 1,125	$ 7,272	$ 8,749
Interest	530	1,000	934	4,434	6,898
Capital leases	2	2	—	—	4
Operating leases (1)	44	69	55	148	316
Purchase obligations (2)	1,626	648	418	1,320	4,012
Other long-term liabilities (3) (4)	—	1	1	—	2
Total	$2,554	$1,720	$ 2,533	$ 13,174	$19,981

(1) Includes a right-of-way agreement with the Jicarilla Apache Nation, which is considered an operating lease. We are required to make a fixed annual payment of $7.5 million and an additional annual payment, which varies depending on per-unit NGL margins and the volume of gas gathered by our gathering facilities subject to the right-of-way agreement. The table above for years 2013 and thereafter does not include such variable amounts related to this agreement as the variable amount is not yet determinable.

(2) Includes an estimated $2.2 billion long-term ethane purchase obligation with index-based pricing terms that is reflected in this table at December 31, 2011 prices. This obligation is part of an overall exchange agreement whereby volumes we transport on OPPL are sold at a third-party fractionator in Conway, Kansas, and we are subsequently obligated to purchase ethane volumes at Mont Belvieu. The purchased ethane volumes may be utilized or resold at comparable prices in the Mont Belvieu market.

(3) Does not include estimated contributions to our pension and other postretirement benefit plans. We made contributions to our pension and other postretirement benefit plans of $83 million in 2011 and $76 million in 2010. In 2012, we expect to contribute approximately $94 million to these plans (see Note 7 of Notes to Consolidated Financial Statements). Tax-qualified pension plans are required to meet minimum contribution requirements. In the past, we have contributed amounts to our tax-qualified pension plans in excess of the minimum required contribution. These excess amounts can be used to offset future minimum contribution requirements. During 2011, we contributed $60 million to our tax-qualified pension plans. In addition to these contributions, a portion of the excess contributions was used to meet the minimum contribution requirements. During 2012, we expect to contribute approximately $70 million to our tax-qualified pension plans and use excess amounts to satisfy minimum contribution requirements. Additionally, estimated future minimum funding requirements may vary significantly from historical requirements if actual results differ significantly from estimated results for assumptions such as returns on plan assets, interest rates, retirement rates, mortality, and other significant assumptions or by changes to current legislation and regulations.

(4) We have not included income tax liabilities in the table above. See Note 5 of Notes to Consolidated Financial Statements for a discussion of income taxes, including our contingent tax liability reserves.

Effects of Inflation

Our operations have historically not been materially affected by inflation. Approximately 58 percent of our gross property, plant, and equipment is comprised of our interstate gas pipelines. These assets are subject to regulation, which limits recovery to historical cost. While amounts in excess of historical cost are not recoverable under current FERC practices, we anticipate being allowed to recover and earn a return based on increased actual cost incurred to replace existing assets. Cost-based regulation, along with competition and other market factors, may limit our ability to recover such increased costs. For the remainder of our business, operating costs are influenced to a greater extent by both competition for specialized services and specific price changes in crude oil and natural gas and related commodities than by changes in general inflation. Crude oil, natural gas, and NGL prices are particularly sensitive to the Organization of the Petroleum Exporting Countries (OPEC) production levels and/or the market perceptions concerning the supply and demand balance in the near future, as well as general economic conditions. However, our exposure to certain of these price changes is reduced through the use of hedging instruments and the fee-based nature of certain of our services.

Environmental

We are a participant in certain environmental activities in various stages including assessment studies, cleanup operations and/or remedial processes at certain sites, some of which we currently do not own (see Note 16 of Notes to Consolidated Financial Statements). We are monitoring these sites in a coordinated effort with other potentially responsible parties, the U.S. Environmental Protection Agency (EPA), or other governmental authorities. We are jointly and severally liable along with unrelated third parties in some of these activities and solely responsible in others. Current estimates of the most likely costs of such activities are approximately $47 million, all of which are included in *accrued liabilities* and *regulatory liabilities, deferred income and other* on the Consolidated Balance Sheet at December 31, 2011. We will seek recovery of approximately $10 million of these accrued costs through future natural gas transmission rates. The remainder of these costs will be funded from operations. During 2011, we paid approximately $8 million for cleanup and/or remediation and monitoring activities. We expect to pay approximately $10 million in 2012 for these activities. Estimates of the most likely costs of cleanup are generally based on completed assessment studies, preliminary results of studies or our experience with other similar cleanup operations. At December 31, 2011, certain assessment studies were still in process for which the ultimate outcome may yield significantly different estimates of most likely costs. Therefore, the actual costs incurred will depend on the final amount, type, and extent of contamination discovered at these sites, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

We are also subject to the Federal Clean Air Act (Act) and to the Federal Clean Air Act Amendments of 1990 (1990 Amendments), which added significantly to the existing requirements established by the Act. Pursuant to requirements of the 1990 Amendments and EPA rules designed to mitigate the migration of ground-level ozone, we have installed air pollution controls on existing sources at certain facilities in order to reduce ozone emissions.

In March 2008, the EPA promulgated a new, lower National Ambient Air Quality Standard (NAAQS) for ground-level ozone. Within two years, the EPA was expected to designate new eight-hour ozone nonattainment areas. However, in September 2009, the EPA announced it would reconsider the 2008 NAAQS for ground level ozone to ensure that the standards were clearly grounded in science and were protective of both public health and the environment. As a result, the EPA delayed designation of new eight-hour ozone nonattainment areas under the 2008 standards until the reconsideration is complete. In January 2010, the EPA proposed to further reduce the ground-level ozone NAAQS from the March 2008 levels**.** In September 2011, the EPA announced it would not move forward with the proposed 2010 ozone NAAQS. Instead, the EPA will implement the 2008 ozone NAAQS that was stayed during the reconsideration process. The EPA is expected to designate ozone nonattainment areas under the 2008 NAAQS in second quarter 2012 and we are unable at this time to estimate the cost of additions that may be required to meet this new regulation. However, designation of new eight-hour ozone nonattainment areas are expected to result in additional federal and state regulatory actions that will likely impact our operations and increase the cost of additions to *property, plant and equipment — net* on the Consolidated Balance Sheet.

Additionally, in August 2010, the EPA promulgated National Emission Standards for Hazardous Air Pollutants (NESHAP) regulations that will impact our operations. The emission control additions required to comply with the NESHAP regulations are estimated to include capital costs in the range of $24 million to $32 million through 2013, the compliance date.

In June 2010, the EPA promulgated a final rule establishing a new one-hour sulfur dioxide (SO_2) NAAQS. The effective date of the new SO_2 standard was August 23, 2010. This new standard is subject to challenge in federal court. EPA has not adopted final modeling guidance. We are unable at this time to estimate the cost of additions that may be required to meet this new regulation.

In February 2010, the EPA promulgated a final rule establishing a new one-hour nitrogen dioxide (NO_2) NAAQS. The effective date of the new NO_2 standard was April 12, 2010. This new standard is subject to numerous challenges in the federal court. We are unable at this time to estimate the cost of additions that may be required to meet this new regulation.

Our interstate natural gas pipelines consider prudently incurred environmental assessment and remediation costs and the costs associated with compliance with environmental standards to be recoverable through rates.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

Our current interest rate risk exposure is related primarily to our debt portfolio. Our debt portfolio is comprised of fixed rate debt, which mitigates the impact of fluctuations in interest rates. Any borrowings under our credit facilities could be at a variable interest rate and could expose us to the risk of increasing interest rates. The maturity of our long-term debt portfolio is partially influenced by the expected lives of our operating assets. (See Note 11 of Notes to Consolidated Financial Statements.)

The tables below provide information by maturity date about our interest rate risk-sensitive instruments as of December 31, 2011 and 2010. Long-term debt in the tables represents principal cash flows, net of (discount) premium, and weighted-average interest rates by expected maturity dates. The fair value of our publicly traded long-term debt is valued using indicative year-end traded bond market prices. Private debt is valued based on market rates and the prices of similar securities with similar terms and credit ratings.

	2012	2013	2014	2015	2016	Thereafter(1)	Total	Fair Value December 31, 2011
					(Millions)			
Long-term debt, including current portion (2):								
Fixed rate	$ 352	$ —	$ —	$ 750	$ 375	$ 7,241	$8,718	$ 10,043
Interest rate	6.0%	6.0%	6.0%	6.1%	6.2%	6.5%		

	2011	2012	2013	2014	2015	Thereafter(1)	Total	Fair Value December 31, 2010
					(Millions)			
Long-term debt, including current portion (2):								
Fixed rate	$ 507	$ 352	$ —	$ —	$ 750	$ 7,495	$9,104	$ 9,990
Interest rate	6.4%	6.4%	6.3%	6.3%	6.4%	6.9%		

(1) Includes unamortized discount and premium.

(2) Excludes capital leases.

Commodity Price Risk

We are exposed to the impact of fluctuations in the market price of natural gas and NGLs, as well as other market factors, such as market volatility and energy commodity price correlations. We are exposed to these risks in connection with our owned energy-related assets, our long-term energy-related contracts, and limited proprietary trading activities. Our management of the risks associated with these market fluctuations includes maintaining a conservative capital structure and significant liquidity, as well as using various derivatives and nonderivative energy-related contracts. The fair value of derivative contracts is subject to many factors, including changes in energy commodity market prices, the liquidity and volatility of the markets in which the contracts are transacted, and changes in interest rates. (See Note 15 of Notes to Consolidated Financial Statements.)

We measure the risk in our portfolio using a value-at-risk methodology to estimate the potential one-day loss from adverse changes in the fair value of the portfolio. Value-at-risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the portfolio. Our value-at-risk model uses a Monte Carlo method to simulate hypothetical movements in future market prices and assumes that, as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in fair value of the portfolio will not exceed the value at risk. The simulation method uses historical correlations and market forward prices and volatilities. In applying the value-at-risk methodology, we do not consider that the simulated hypothetical movements affect the positions or would cause any potential liquidity issues, nor do we consider that changing the portfolio in response to market conditions could affect market prices and could take longer than a one-day holding period to execute. While a one-day holding period has historically been the industry standard, a longer holding period could more accurately represent the true market risk given market liquidity and our own credit and liquidity constraints.

We segregate our derivative contracts into trading and nontrading contracts, as defined in the following paragraphs. We calculate value-at-risk separately for these two categories. Contracts designated as normal purchases or sales and nonderivative energy contracts have been excluded from our estimation of value at risk.

Trading

Our limited trading portfolio consists of derivative contracts entered into for purposes other than economically hedging our commodity price-risk exposure. The fair value of our trading derivatives was a net asset of less than $0.1 million at December 31, 2011. The value at risk for contracts held for trading purposes was less than $0.1 million at December 31, 2011 and zero at December 31, 2010.

Nontrading

Our nontrading portfolio consists of derivative contracts that hedge or could potentially hedge the price risk exposure from the following activities:

Segment	Commodity Price Risk Exposure
Williams Partners	• Natural gas purchases • NGL sales
Midstream Canada & Olefins	• NGL purchases and sales

The fair value of our nontrading derivatives was a net asset of $1 million at December 31, 2011.

The value-at-risk for derivative contracts held for nontrading purposes was zero at December 31, 2011, and 2010. During the year ended December 31, 2011, our value at risk for these contracts ranged from a high of $1 million to a low of zero.

Certain of the derivative contracts held for nontrading purposes in 2011 were accounted for as cash flow hedges but realized during the year. Of the total fair value on nontrading derivatives, cash flow hedges had a net asset value of zero as of December 31, 2011. Though these contracts would be included in our value-at-risk calculation, any changes in the fair value of the effective portion of these hedge contracts would generally not be reflected in earnings until the associated hedged item affects earnings.

Trading Policy

We have policies and procedures that govern our trading and risk management activities. These policies cover authority and delegation thereof in addition to control requirements, authorized commodities, and term and exposure limitations.

Foreign Currency Risk

Net assets of our consolidated foreign operations, whose functional currency is the local currency, are located primarily in Canada were approximately $690 million and $580 million at December 31, 2011 and 2010, respectively. These foreign operations do not have significant transactions or financial instruments denominated in currencies other than their functional currency. However, these investments do have the potential to impact our financial position, due to fluctuations in these local currencies arising from the process of translating the local functional currency into the U.S. dollar. As an example, a 20 percent change in the respective functional currencies against the U.S. dollar would have changed *stockholders' equity* by approximately $138 million at December 31, 2011.

Item 8. ***Financial Statements and Supplementary Data***

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a – 15(f) and 15d – 15(f) under the Securities Exchange Act of 1934). Our internal controls over financial reporting are designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and board of directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework.* Based on our assessment, we concluded that, as of December 31, 2011, our internal control over financial reporting was effective.

Ernst & Young LLP, our independent registered public accounting firm, has audited our internal control over financial reporting, as stated in their report which is included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm
On Internal Control Over Financial Reporting

The Board of Directors and Stockholders of
The Williams Companies, Inc.

We have audited The Williams Companies, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Williams Companies, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Williams Companies, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Williams Companies, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011, of The Williams Companies, Inc. and our report dated February 27, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
February 27, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
The Williams Companies, Inc.

We have audited the accompanying consolidated balance sheet of The Williams Companies, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in the index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits. We did not audit the financial statements of Gulfstream Natural Gas System, L.L.C. (Gulfstream) (a limited liability corporation in which the Company has a 50 percent interest). The Company's investment in Gulfstream constituted two percent of the Company's assets as of both December 31, 2011 and 2010 and the Company's equity earnings in the net income of Gulfstream constituted five and seventeen percent of the Company's income from continuing operations before income taxes for the years ended December 31, 2011 and 2010, respectively, Gulfstream's financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the 2011 and 2010 consolidated financial statements, insofar as it relates to the amounts included for Gulfstream, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Williams Companies, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Williams Companies, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
February 27, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Gulfstream Natural Gas System, L.L.C.

We have audited the balance sheet of Gulfstream Natural Gas System, L.L.C., (the "Company"), as of December 31, 2011 and 2010, and the related statements of operations, cash flows, and members' equity and comprehensive income for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Gulfstream Natural Gas System, L.L.C. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Houston, Texas
February 23, 2012

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31, 2011	2010	2009
	(Millions, except per-share amounts)		
Revenues:			
Williams Partners	$ 6,729	$ 5,715	$ 4,602
Midstream Canada & Olefins	1,312	1,033	753
Other	25	24	27
Intercompany eliminations	(136)	(134)	(104)
Total revenues	7,930	6,638	5,278
Segment costs and expenses:			
Costs and operating expenses	5,550	4,712	3,712
Selling, general, and administrative expenses	325	313	330
Other (income) expense – net	1	(15)	(34)
Total segment costs and expenses	5,876	5,010	4,008
General corporate expenses	187	221	164
Operating income (loss):			
Williams Partners	1,754	1,465	1,236
Midstream Canada & Olefins	300	172	37
Other	—	(9)	(3)
General corporate expenses	(187)	(221)	(164)
Total operating income (loss)	1,867	1,407	1,106
Interest accrued	(598)	(628)	(656)
Interest capitalized	25	36	61
Investing income – net	168	188	38
Early debt retirement costs	(271)	(606)	(1)
Other income (expense) – net	11	(12)	2
Income (loss) from continuing operations before income taxes	1,202	385	550
Provision (benefit) for income taxes	124	114	204
Income (loss) from continuing operations	1,078	271	346
Income (loss) from discontinued operations	(417)	(1,193)	15
Net income (loss)	661	(922)	361
Less: Net income attributable to noncontrolling interests	285	175	76
Net income (loss) attributable to The Williams Companies, Inc.	$ 376	$ (1,097)	$ 285
Amounts attributable to The Williams Companies, Inc.:			
Income (loss) from continuing operations	$ 803	$ 104	$ 206
Income (loss) from discontinued operations	(427)	(1,201)	79
Net income (loss)	$ 376	$ (1,097)	$ 285
Basic earnings (loss) per common share:			
Income (loss) from continuing operations	$ 1.36	$ .17	$ .35
Income (loss) from discontinued operations	(.72)	(2.05)	.14
Net income (loss)	$ .64	$ (1.88)	$ .49
Weighted-average shares (thousands)	588,553	584,552	581,674
Diluted earnings (loss) per common share:			
Income (loss) from continuing operations	$ 1.34	$ .17	$ .35
Income (loss) from discontinued operations	(.71)	(2.03)	.14
Net income (loss)	$ .63	$ (1.86)	$ .49
Weighted-average shares (thousands)	598,175	590,699	585,955

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED BALANCE SHEET

	December 31, 2011	December 31, 2010
	(Millions, except per-share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 889	$ 758
Accounts and notes receivable (net of allowance of $1 at December 31, 2011 and 2010, respectively)	637	497
Inventories	169	225
Assets of discontinued operations	—	897
Regulatory assets	40	51
Other current assets and deferred charges	159	102
Total current assets	1,894	2,530
Investments	1,391	1,240
Property, plant, and equipment – net	12,580	11,754
Assets of discontinued operations	—	8,828
Regulatory assets, deferred charges, and other	637	620
Total assets	$16,502	$24,972
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 691	$ 432
Accrued liabilities	631	738
Liabilities of discontinued operations	—	896
Long-term debt due within one year	353	508
Total current liabilities	1,675	2,574
Long-term debt	8,369	8,600
Deferred income taxes	1,660	1,738
Liabilities of discontinued operations	—	2,179
Regulatory liabilities, deferred income, and other	1,715	1,262
Contingent liabilities and commitments (Note 16)		
Equity:		
Stockholders' equity:		
Common stock (960 million shares authorized at $1 par value; 626 million shares issued at December 31, 2011 and 620 million shares issued at December 31, 2010)	626	620
Capital in excess of par value	8,417	8,269
Retained deficit	(5,820)	(478)
Accumulated other comprehensive income (loss)	(389)	(82)
Treasury stock, at cost (35 million shares of common stock)	(1,041)	(1,041)
Total stockholders' equity	1,793	7,288
Noncontrolling interests in consolidated subsidiaries	1,290	1,331
Total equity	3,083	8,619
Total liabilities and equity	$16,502	$24,972

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	The Williams Companies, Inc., Stockholders							
	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total
	(Millions, except per-share amounts)							
Balance, December 31, 2008	$ 613	$ 8,074	$ 874	$ (80)	$ (1,041)	$ 8,440	$ 614	$9,054
Comprehensive income (loss):								
Net income (loss)	—	—	285	—	—	285	76	361
Other comprehensive income (loss):								
Net change in cash flow hedges (Note 17)	—	—	—	(221)	—	(221)	—	(221)
Foreign currency translation adjustments	—	—	—	83	—	83	—	83
Pension benefits:								
Net actuarial gain (loss)	—	—	—	46	—	46	7	53
Other postretirement benefits:								
Prior service cost	—	—	—	4	—	4	—	4
Total other comprehensive income (loss)						(88)	7	(81)
Total comprehensive income (loss)						197	83	280
Cash dividends – common stock (Note 12)	—	—	(256)	—	—	(256)	—	(256)
Dividends and distributions to noncontrolling interests	—	—	—	—	—	—	(129)	(129)
Issuance of common stock from debentures conversion (Note 12)	3	25	—	—	—	28	—	28
Stock-based compensation, net of tax benefit	2	36	—	—	—	38	—	38
Other	—	—	—	—	—	—	4	4
Balance, December 31, 2009	618	8,135	903	(168)	(1,041)	8,447	572	9,019
Comprehensive income (loss):								
Net income (loss)	—	—	(1,097)	—	—	(1,097)	175	(922)
Other comprehensive income (loss):								
Net change in cash flow hedges (Note 17)	—	—	—	92	—	92	—	92
Foreign currency translation adjustments	—	—	—	29	—	29	—	29
Pension benefits:								
Prior service cost	—	—	—	1	—	1	—	1
Net actuarial gain (loss)	—	—	—	(25)	—	(25)	—	(25)
Other postretirement benefits:								
Prior service cost	—	—	—	(3)	—	(3)	—	(3)
Net actuarial gain (loss)	—	—	—	(8)	—	(8)	—	(8)
Total other comprehensive income (loss)						86	—	86
Total comprehensive income (loss)						(1,011)	175	(836)
Cash dividends – common stock (Note 12)	—	—	(284)	—	—	(284)	—	(284)
Dividends and distributions to noncontrolling interests	—	—	—	—	—	—	(145)	(145)
Issuance of common stock from debentures conversion (Note 12)	—	2	—	—	—	2	—	2
Sale of limited partner units of consolidated partnership	—	—	—	—	—	—	806	806
Stock-based compensation, net of tax benefit	2	55	—	—	—	57	—	57
Changes in Williams Partners L.P. ownership interest, net	—	77	—	—	—	77	(77)	—
Balance, December 31, 2010	620	8,269	(478)	(82)	(1,041)	7,288	1,331	8,619

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – (Continued)

	The Williams Companies, Inc., Stockholders							
	Common Stock	Capital in Excess of Par Value	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total
	(Millions, except per-share amounts)							
Balance, December 31, 2010	620	8,269	(478)	(82)	(1,041)	7,288	1,331	8,619
Comprehensive income (loss):								
Net income (loss)	—	—	376	—	—	376	285	661
Other comprehensive income (loss):								
Net change in cash flow hedges (Note 17)	—	—	—	53	—	53	—	53
Foreign currency translation adjustments	—	—	—	(18)	—	(18)	—	(18)
Pension benefits:								
Prior service cost	—	—	—	1	—	1	—	1
Net actuarial gain (loss)	—	—	—	(112)	—	(112)	—	(112)
Other postretirement benefits:								
Prior service cost	—	—	—	(2)	—	(2)	—	(2)
Net actuarial gain (loss)	—	—	—	(13)	—	(13)	—	(13)
Unrealized gain (loss) on equity securities	—	—	—	3	—	3	—	3
Total other comprehensive income (loss)						(88)	—	(88)
Total comprehensive income (loss)						288	285	573
Cash dividends – common stock (Note 12)	—	—	(457)	—	—	(457)	—	(457)
Dividends and distributions to noncontrolling interests	—	—	—	—	—	—	(214)	(214)
Issuance of common stock from debentures conversion (Note 12)	1	13	—	—	—	14	—	14
Stock-based compensation, net of tax benefit	4	104	—	—	—	108	—	108
Changes in Williams Partners L.P. ownership interest, net	—	30	—	—	—	30	(30)	—
Distribution of WPX Energy, Inc. to shareholders (Note 2)	—	—	(5,261)	(219)	—	(5,480)	(81)	(5,561)
Other	1	1	—	—	—	2	(1)	1
Balance, December 31, 2011	$ 626	$ 8,417	$ (5,820)	$ (389)	$ (1,041)	$ 1,793	$ 1,290	$ 3,083

See accompanying notes.

THE WILLIAMS COMPANIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Years Ended December 31, 2011	2010	2009
		(Millions)	
OPERATING ACTIVITIES:			
Net income (loss)	$ 661	$ (922)	$ 361
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation, depletion, and amortization	1,614	1,507	1,469
Provision (benefit) for deferred income taxes	(179)	(155)	249
Provision for loss on goodwill, investments, property and other assets	882	1,735	386
Provision for doubtful accounts and notes	1	(6)	48
Amortization of stock-based awards	52	48	43
Early debt retirement costs	271	606	1
Cash provided (used) by changes in current assets and liabilities:			
Accounts and notes receivable	(197)	(36)	52
Inventories	60	(81)	33
Margin deposits and customer margin deposits payable	(18)	(1)	4
Other current assets and deferred charges	(15)	43	7
Accounts payable	250	(14)	5
Accrued liabilities	51	(29)	(170)
Changes in current and noncurrent derivative assets and liabilities	7	(42)	36
Other, including changes in noncurrent assets and liabilities	(1)	(2)	48
Net cash provided by operating activities	3,439	2,651	2,572
FINANCING ACTIVITIES:			
Proceeds from long-term debt	3,172	5,129	595
Payments of long-term debt	(2,055)	(4,305)	(33)
Proceeds from sale of limited partner units of consolidated partnership	—	806	—
Dividends paid	(457)	(284)	(256)
Dividends and distributions paid to noncontrolling interests	(214)	(145)	(129)
Cash of WPX Energy, Inc. at spin-off	(526)	—	—
Payments for debt issuance costs	(50)	(71)	(7)
Premiums paid on early debt retirements	(254)	(574)	—
Changes in restricted cash	—	—	40
Other – net	42	17	(44)
Net cash provided (used) by financing activities	(342)	573	166
INVESTING ACTIVITIES:			
Capital expenditures(1)	(2,796)	(2,788)	(2,387)
Purchases of investments/advances to affiliates	(233)	(488)	(142)
Purchase of businesses	(41)	(1,099)	—
Distribution from Gulfstream Natural Gas System, L.L.C.	—	—	148
Other – net	67	79	71
Net cash used by investing activities	(3,003)	(4,296)	(2,310)
Increase (decrease) in cash and cash equivalents	94	(1,072)	428
Cash and cash equivalents at beginning of year(2)	795	1,867	1,439
Cash and cash equivalents at end of year(2)	$ 889	$ 795	$ 1,867

(1) Increases to property, plant, and equipment	$(2,953)	$(2,755)	$(2,314)
Changes in related accounts payable and accrued liabilities	157	(33)	(73)
Capital expenditures	$(2,796)	$(2,788)	$(2,387)

(2) Except for cash and cash equivalents at end of year 2011, includes cash from our former exploration and production business (See Note 2).

See accompanying notes.

Note 1. Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies

Description of Business

Our operations are located principally in the United States and are organized into the following reporting segments: Williams Partners and Midstream Canada & Olefins. All remaining business activities are included in Other.

Williams Partners consists of our consolidated master limited partnership, Williams Partners L.P. (WPZ) and includes gas pipeline and domestic midstream businesses. The gas pipeline businesses include 100 percent of Transcontinental Gas Pipe Line Company, LLC (Transco), 100 percent of Northwest Pipeline GP (Northwest Pipeline), and 49 percent of Gulfstream Natural Gas System, L.L.C. (Gulfstream). WPZ's midstream operations are composed of significant, large-scale operations in the Rocky Mountain and Gulf Coast regions, operations in Pennsylvania's Marcellus Shale region, and various equity investments in domestic natural gas gathering and processing assets and natural gas liquid (NGL) fractionation and transportation assets. WPZ's midstream assets also include substantial operations and investments in the Four Corners region, as well as an NGL fractionator and storage facilities near Conway, Kansas.

Our Midstream Canada & Olefins segment includes our oil sands off-gas processing plant near Fort McMurray, Alberta, our NGL/olefin fractionation facility and butylene/butane splitter facility at Redwater, Alberta, our NGL light-feed olefins cracker in Geismar, Louisiana, along with associated ethane and propane pipelines, and our refinery grade splitter in Louisiana.

Other includes other business activities that are not operating segments, as well as corporate operations.

Basis of Presentation

In May 2011, we contributed a 24.5 percent interest in Gulfstream to WPZ in exchange for aggregate consideration of $297 million of cash, 632,584 limited partner units, and an increase in the capital account of its general partner to allow us to maintain our 2 percent general partner interest. Williams Partners now holds a 49 percent interest in Gulfstream. We also own an additional 1 percent interest in Gulfstream reported in Other. Prior period segment disclosures have not been adjusted for this transaction as the impact, which was less than 2.5 percent of Williams Partners' segment profit for all periods affected, was not material. Equity earnings related to this interest in Gulfstream that have not been recast for the years ended December 31, 2011, 2010, and 2009 are $12 million, $32 million, and $30 million, respectively.

Master limited partnership

At December 31, 2011, we own approximately 75 percent of the interests in WPZ, including the interests of the general partner, which are wholly owned by us, and incentive distribution rights.

WPZ is self funding and maintains separate lines of bank credit and cash management accounts. Cash distributions from WPZ to us, including any associated with our incentive distribution rights, occur through the normal partnership distributions from WPZ to all partners.

Discontinued operations

<u>WPX separation</u>

On December 31, 2011, we completed the tax-free spin-off of our 100 percent interest in WPX Energy, Inc. (WPX), to our shareholders. WPX was formed in April 2011 to hold our former exploration and production business. The spin-off was completed by means of a special stock dividend, which consisted of a distribution of one share of WPX common stock for every three shares of our common stock.

On December 30, 2011, we entered into a Separation and Distribution Agreement with WPX which at the time was a wholly owned subsidiary, pursuant to which WPX would be legally and structurally separated from us. In addition to, and concurrently with, this agreement, we entered into certain ancillary agreements with WPX, including, (i) an Employee Matters Agreement that sets forth agreements as to certain employment, compensation, and benefits matters, (ii) a Tax Sharing Agreement that governs rights and obligations after the spin-off with respect to matters regarding U.S. Federal, state, local, and foreign income taxes and other taxes, including tax liabilities and benefits, attributes, returns, and contests, and (iii) a Transition Services Agreement under which we or certain of our subsidiaries will provide WPX with certain services for a limited time to help ensure an orderly transition following the Distribution Date.

For periods prior to the spin-off, the accompanying consolidated financial statements and notes reflect the results of operations and financial position of our former exploration and production business as discontinued operations. At December 31, 2011, all net assets of our former exploration and production business have been removed from our consolidated balance sheet as the spin-off was complete. (See Note 2.)

Unless indicated otherwise, the information in the Notes to the consolidated Financial Statements relates to our continuing operations.

Accounting standards issued but not yet adopted

In June 2011, the FASB issued Accounting Standards Update No. 2011-5, "Comprehensive Income (Topic 220) Presentation of Comprehensive Income" (ASU 2011-5). ASU 2011-5 requires presentation of net income and other comprehensive income either in a single continuous statement or in two separate, but consecutive, statements. ASU 2011-5 requires separate presentation in both net income and other comprehensive income of reclassification adjustments for items that are reclassified from other comprehensive income to net income. The new guidance does not change the items reported in other comprehensive income, nor affect how earnings per share is calculated and presented. We currently report net income in the Consolidated Statement of Operations and report other comprehensive income in the Consolidated Statement of Changes in Equity. In December 2011, The FASB issued Accounting Standards Update No. 2011-12, "Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" (ASU 2011-12). ASU 2011-12 defers the effective date for only the presentation requirements related to reclassifications in ASU 2011-5. During this deferral period, ASU 2011-12 states that we should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Both standards are effective beginning the first quarter of 2012, with retrospective application to prior periods. We will apply the new guidance for both standards beginning in 2012.

Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of our corporate parent and our majority-owned or controlled subsidiaries and investments. We apply the equity method of accounting for investments in unconsolidated companies in which we and our subsidiaries own 20 to 50 percent of the voting interest, otherwise exercise significant influence over operating and financial policies of the company, or where majority ownership does not provide us with control due to significant participatory rights of other owners.

Use of estimates

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

Significant estimates and assumptions include:

- Impairment assessments of investments and long-lived assets;
- Litigation-related contingencies;
- Environmental remediation obligations;
- Realization of deferred income tax assets;
- Asset retirement obligations;
- Pension and postretirement valuation variables.

These estimates are discussed further throughout these notes.

Regulatory accounting

Transco and Northwest Pipeline are regulated by the Federal Energy Regulatory Commission (FERC). Their rates established by the FERC are designed to recover the costs of providing the regulated services, and their competitive environment makes it probable that such rates can be charged and collected. Therefore, our management has determined that it is appropriate to account for and report regulatory assets and liabilities related to these operations consistent with the economic effect of the way in which their rates are established. Accounting for these businesses that are regulated can differ from the accounting requirements for nonregulated businesses. The components of our regulatory assets and liabilities relate to the effects of deferred taxes on equity funds used during construction, asset retirement obligations, fuel cost differentials, levelized incremental depreciation, negative salvage, and postretirement benefits.

Cash and cash equivalents

Cash and cash equivalents includes amounts primarily invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government. These have maturity dates of three months or less when acquired.

Accounts receivable

Accounts receivable are carried on a gross basis, with no discounting, less the allowance for doubtful accounts. We estimate the allowance for doubtful accounts based on existing economic conditions, the financial conditions of our customers, and the amount and age of past due accounts. We consider receivables past due if full payment is not received by the contractual due date. Interest income related to past due accounts receivable is generally recognized at the time full payment is received or collectability is assured. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

Inventory valuation

All *inventories* are stated at the lower of cost or market. The cost of inventories is primarily determined using the average-cost method. We determine the cost of certain natural gas inventories held by Transco using the last-in, first-out (LIFO) cost method. There was no LIFO inventory at December 31, 2011. LIFO inventory at December 31, 2010 was $9 million.

Property, plant, and equipment

Property, plant, and equipment is recorded at cost. We base the carrying value of these assets on estimates, assumptions, and judgments relative to capitalized costs, useful lives, and salvage values.

As regulated entities, Northwest Pipeline and Transco provide for depreciation using the straight-line method at FERC-prescribed rates. Depreciation for nonregulated entities is provided primarily on the straight-line method over estimated useful lives, except for certain offshore facilities that apply a declining balance method. (See Note 9.)

Gains or losses from the ordinary sale or retirement of property, plant, and equipment for regulated pipelines are credited or charged to accumulated depreciation; other gains or losses are recorded in *other (income) expense — net* included in *operating income (loss)* or *other (income) expense — net* below *operating income (loss)*.

Ordinary maintenance and repair costs are generally expensed as incurred. Costs of major renewals and replacements are capitalized as property, plant, and equipment.

We record an asset and a liability equal to the present value of each expected future asset retirement obligation (ARO) at the time the liability is initially incurred, typically when the asset is acquired or constructed. The ARO asset is depreciated in a manner consistent with the depreciation of the underlying physical asset. As regulated entities, Northwest Pipeline and Transco record the ARO asset depreciation offset to a regulatory asset. We measure changes in the liability due to passage of time by applying an interest method of allocation. This amount is recognized as an increase in the carrying amount of the liability and as a corresponding accretion expense included in *costs and operating expenses*, except for regulated entities, for which the liability is offset by a regulatory asset as management expects to recover amounts in future rates. The regulatory asset is amortized commensurate with our collection of those costs in rates.

Measurements of AROs include, as a component of future expected costs, an estimate of the price that a third party would demand, and could expect to receive, for bearing the uncertainties inherent in the obligations, sometimes referred to as a market-risk premium.

Contingent liabilities

We record liabilities for estimated loss contingencies, including environmental matters, when we assess that a loss is probable and the amount of the loss can be reasonably estimated. These liabilities are calculated based upon our assumptions and estimates with respect to the likelihood or amount of loss and upon advice of legal counsel, engineers, or other third parties regarding the probable outcomes of the matters. These calculations are made without consideration of any potential recovery from third-parties. We recognize insurance recoveries or reimbursements from others when realizable. Revisions to these liabilities are generally reflected in income when new or different facts or information become known or circumstances change that affect the previous assumptions or estimates.

Cash flows from revolving credit facilities

Proceeds and payments related to borrowings under our credit facilities are reflected in the financing activities of the Consolidated Statement of Cash Flows on a gross basis.

Treasury stock

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

Derivative instruments and hedging activities

We may utilize derivatives to manage a portion of our commodity price risk. These instruments consist primarily of swap agreements and forward contracts involving short- and long-term purchases and sales of physical energy commodities. We report the fair value of derivatives, except for those for which the normal purchases and normal sales exception has been elected, in *other current assets and deferred charges; regulatory assets, deferred charges, and other; accrued liabilities;* or *regulatory liabilities*, *deferred income, and other*. We determine the current and noncurrent classification based on the timing of expected future cash flows of individual trades. We report these amounts on a gross basis. Additionally, we report cash collateral receivables and payables with our counterparties on a gross basis.

The accounting for the changes in fair value of a commodity derivative can be summarized as follows:

Derivative Treatment	Accounting Method
Normal purchases and normal sales exception	Accrual accounting
Designated in a qualifying hedging relationship	Hedge accounting
All other derivatives	Mark-to-market accounting

We may elect the normal purchases and normal sales exception for certain short- and long-term purchases and sales of physical energy commodities. Under accrual accounting, any change in the fair value of these derivatives is not reflected on the balance sheet after the initial election of the exception.

We have also designated a hedging relationship for certain commodity derivatives. For a derivative to qualify for designation in a hedging relationship, it must meet specific criteria and we must maintain appropriate documentation. We establish hedging relationships pursuant to our risk management policies. We evaluate the hedging relationships at the inception of the hedge and on an ongoing basis to determine whether the hedging relationship is, and is expected to remain, highly effective in achieving offsetting changes in fair value or cash flows attributable to the underlying risk being hedged. We also regularly assess whether the hedged forecasted transaction is probable of occurring. If a derivative ceases to be or is no longer expected to be highly effective, or if we believe the likelihood of occurrence of the hedged forecasted transaction is no longer probable, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized currently in *revenues* or *costs and operating expenses*.

For commodity derivatives designated as a cash flow hedge, the effective portion of the change in fair value of the derivative is reported in *accumulated other comprehensive income (loss)* (AOCI) and reclassified into earnings in the period in which the hedged item affects earnings. Any ineffective portion of the derivative's change in fair value is recognized currently in *revenues* or *costs and operating expenses*. Gains or losses deferred in AOCI associated with terminated derivatives, derivatives that cease to be highly effective hedges, derivatives for which the forecasted transaction is reasonably possible but no longer probable of occurring, and cash flow hedges that have been otherwise discontinued remain in AOCI until the hedged item affects earnings. If it becomes probable that the forecasted transaction designated as the hedged item in a cash flow hedge will not occur, any gain or loss deferred in AOCI is recognized in *revenues* or *costs and operating expenses* at that time. The change in likelihood of a forecasted transaction is a judgmental decision that includes qualitative assessments made by management.

For commodity derivatives that are not designated in a hedging relationship, and for which we have not elected the normal purchases and normal sales exception, we report changes in fair value currently in *revenues* or *costs and operating expenses.*

Certain gains and losses on derivative instruments included in the Consolidated Statement of Operations are netted together to a single net gain or loss, while other gains and losses are reported on a gross basis. Gains and losses recorded on a net basis include:

- Unrealized gains and losses on all derivatives that are not designated as hedges and for which we have not elected the normal purchases and normal sales exception;
- The ineffective portion of unrealized gains and losses on derivatives that are designated as cash flow hedges;
- Realized gains and losses on all derivatives that settle financially other than natural gas derivatives for NGL processing activities;
- Realized gains and losses on derivatives entered into as a pre-contemplated buy/sell arrangement.

Realized gains and losses on derivatives that require physical delivery, as well as natural gas derivatives for NGL processing activities and which are not held for trading purposes nor were entered into as a pre-contemplated buy/sell arrangement, are recorded on a gross basis. In reaching our conclusions on this presentation, we considered whether we act as principal in the transaction; whether we have the risks and rewards of ownership, including credit risk; and whether we have latitude in establishing prices.

Revenues

Revenues from Williams Partners' gas pipeline businesses are primarily from services pursuant to long-term firm transportation and storage agreements. These agreements provide for a reservation charge based on the volume of contracted capacity and a commodity charge based on the volume of gas delivered, both at rates specified in our FERC tariffs. We recognize revenues for reservation charges ratably over the contract period regardless of the volume of natural gas that is transported or stored. Revenues for commodity charges, from both firm and interruptible transportation services, and storage injection and withdrawal services, are recognized when natural gas is delivered at the agreed upon delivery point or when natural gas is injected or withdrawn from the storage facility.

In the course of providing transportation services to customers, we may receive different quantities of gas from shippers than the quantities delivered on behalf of those shippers. The resulting imbalances are primarily settled through the purchase and sale of gas with our customers under terms provided for in our FERC tariffs. Revenue is recognized from the sale of gas upon settlement of the transportation and exchange imbalances.

As a result of the ratemaking process, certain revenues collected by us may be subject to refunds upon the issuance of final orders by the FERC in pending rate proceedings. We record estimates of rate refund liabilities considering our and other third-party regulatory proceedings, advice of counsel, and other risks.

Revenues from Williams Partners' midstream operations include those derived from natural gas gathering and processing services and are performed under volumetric-based fee contracts, keep-whole, agreements and percent-of-liquids arrangements. Revenues under volumetric-based fee contracts are recorded when services have been performed. Under keep-whole and percent-of-liquids processing contracts, we retain the rights to all or a portion of the NGLs extracted from the producers' natural gas stream and recognize revenues when the extracted NGLs are sold and delivered.

Oil gathering and transportation revenues and offshore production handling fees of Williams Partners' midstream operations are recognized when the services have been performed. Certain offshore production handling contracts contain fixed payment terms that result in the deferral of revenues until such services have been performed.

Within Williams Partners, we market NGLs that we purchase from our producer customers as part of the overall service provided to producers. Revenues from marketing NGLs are recognized when the products have been sold and delivered.

Storage revenues under prepaid contracted storage capacity contracts primarily within Williams Partners are recognized evenly over the life of the contract as services are provided.

Our midstream Canada business has processing and fractionation operations where we retain certain NGLs and olefins from an upgrader's off-gas stream and we recognize revenues when the fractionated products are sold and delivered. Our domestic olefins business produces olefins from purchased feed-stock, and we recognize revenues when the olefins are sold and delivered.

Impairment of long-lived assets and investments

We evaluate our long-lived assets of identifiable business activities for impairment when events or changes in circumstances indicate, in our management's judgment, that the carrying value of such assets may not be recoverable. When an indicator of impairment has occurred, we compare our management's estimate of undiscounted future cash flows attributable to the assets to the carrying value of the assets to determine whether an impairment has occurred and we apply a probability-weighted approach to consider the likelihood of different cash flow assumptions and possible outcomes including selling in the near term or holding for the remaining estimated useful life. If an impairment of the carrying value has occurred, we determine the amount of the impairment recognized in the financial statements by estimating the fair value of the assets and recording a loss for the amount that the carrying value exceeds the estimated fair value.

For assets identified to be disposed of in the future and considered held for sale, we compare the carrying value to the estimated fair value less the cost to sell to determine if recognition of an impairment is required. Until the assets are disposed of, the estimated fair value, which includes estimated cash flows from operations until the assumed date of sale, is recalculated when related events or circumstances change.

We evaluate our investments for impairment when events or changes in circumstances indicate, in our management's judgment, that the carrying value of such investments may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, we compare our estimate of fair value of the investment to the carrying value of the investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and we consider the decline in value to be other-than-temporary, the excess of the carrying value over the fair value is recognized in the consolidated financial statements as an impairment charge.

Judgments and assumptions are inherent in our management's estimate of undiscounted future cash flows and an asset's or investment's fair value. Additionally, judgment is used to determine the probability of sale with respect to assets considered for disposal.

Interest capitalized

We capitalize interest during construction on major projects with construction periods of at least three months and a total project cost in excess of $1 million. Interest is capitalized on borrowed funds and where regulation by the FERC exists, on internally generated funds. The latter is included in *other income (expense) — net* below *operating income (loss)*. The rates used by regulated companies are calculated in accordance with FERC rules. Rates used by nonregulated companies are based on the average interest rate on debt.

Employee stock-based awards

Stock options are valued at the date of award, which does not precede the approval date, and compensation cost is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant. Stock options generally become exercisable over a three-year period from the date of grant and can be subject to accelerated vesting if certain future stock prices or specific financial performance targets are achieved. Stock options generally expire ten years after the grant.

Restricted stock units are generally valued at market value on the grant date and generally vest over three years. Restricted stock unit compensation cost, net of estimated forfeitures, is generally recognized over the vesting period on a straight-line basis.

Income taxes

We include the operations of our subsidiaries in our consolidated tax return. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of our assets and liabilities. Our management's judgment and income tax assumptions are used to determine the levels, if any, of valuation allowances associated with deferred tax assets.

Effective with the spin-off of WPX on December 31, 2011, certain state and federal tax attributes (primarily alternative minimum tax credits) will be allocated between us and WPX pursuant to the consolidated return regulations. Although the final allocation of these tax attributes cannot be determined until the consolidated tax returns for tax year 2011 are complete, an estimate of the allocated tax attributes has been recorded in 2011.

Earnings (loss) per common share

Basic earnings (loss) per common share is based on the sum of the weighted-average number of common shares outstanding and vested restricted stock units. *Diluted earnings (loss) per common share* includes any dilutive effect of stock options, nonvested restricted stock units and, for applicable periods presented, convertible debt, unless otherwise noted.

Foreign currency translation

Certain of our foreign subsidiaries use the Canadian dollar as their functional currency. Assets and liabilities of such foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the combined statements of operations are translated into the U.S. dollar at the average exchange rates in effect during the applicable period. The resulting cumulative translation adjustment is recorded as a separate component of *accumulated other comprehensive income (loss)*.

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

Discontinued Operations

In addition to the accounting policies previously discussed, the following policies were considered significant to our former exploration and production business.

- Significant estimates and assumptions included the valuation of oil and natural gas reserves, valuation of derivatives and hedge accounting correlations and probability;
- Property, plant and equipment related to oil and gas exploration and production activities were accounted for under the successful efforts method. Depreciation, depletion and amortization was provided under the units-of-production method on a field basis;
- Goodwill was evaluated at least annually for impairment by first comparing our management's estimate of the fair value of a reporting unit with its carrying value, including goodwill. As a result of significant declines in forward natural gas prices during the third quarter of 2010, we performed an impairment assessment of our goodwill which resulted in a $1 billion impairment (See Note 2);
- Revenues for sales of natural gas were recognized when the product was sold and delivered;
- Impairments of proved properties, including developed and undeveloped, were assessed using estimated future undiscounted cash flows on a field basis. Unproved properties included lease acquisition costs and costs of acquired unproved reserves. These costs were assessed for impairment as conditions warranted.

Note 2. Discontinued Operations

On December 31, 2011, we completed the tax-free spin-off of our interest in WPX to our shareholders. The spin-off was completed by means of a special stock dividend. (See Note 1.) The dividend to our shareholders on December 31, 2011, represented approximately $10.3 billion of assets, $4.8 billion of liabilities and $5.5 billion of net equity, which includes approximately $219 million of accumulated other comprehensive income (AOCI). The carrying value of AOCI is primarily related to net unrealized gains from WPX's cash flow hedges associated with energy commodity derivatives.

The following summarized results of discontinued operations reflect the results of operations of our former exploration and production business as discontinued operations. Each period presented includes the results of intercompany transactions with our continuing business, such as sales of commodities and charges for gathering, processing and transportation services. Although we expect certain of these types of transactions to continue in the future, the expected continuing cash flows are not considered significant; thus, the operations and cash flows of our former exploration and production business are considered to be eliminated from our ongoing operations. The summarized results of discontinued operations also include certain of our former Venezuela operations, whose facilities were expropriated by the Venezuelan government in May 2009, and settlement of various items pertaining to operations discontinued prior to periods covered by this report.

The December 31, 2010 summarized assets and liabilities of discontinued operations reflects our former exploration and production business. At December 31, 2011, the net assets of this former business have been eliminated from our consolidated balance sheet as the spin-off was complete.

Summarized Results of Discontinued Operations

	Years Ended December 31,		
	2011	2010	2009
		(Millions)	
Revenues	$3,997	$ 4,042	$3,684
Income (loss) from discontinued operations before impairments, gain on deconsolidation and income taxes	$ 223	$ 350	$ 338
Impairments	(755)	(1,682)	(242)
Gain on deconsolidation	—	—	9
(Provision) benefit for income taxes	115	139	(90)
Income (loss) from discontinued operations	$ (417)	$(1,193)	$ 15
Income (loss) from discontinued operations:			
Attributable to noncontrolling interests	$ 10	$ 8	$ (64)
Attributable to The Williams Companies, Inc.	$ (427)	$(1,201)	$ 79

Income (loss) from discontinued operations before impairments, gain on deconsolidation and income taxes for 2011 and 2010 primarily reflect the results of operations of our discontinued exploration and production business (see Note 1), including $42 million of transaction costs related to the spin-off recognized in 2011.

Income (loss) from discontinued operations before impairments, gain on deconsolidation and income taxes for 2009 primarily reflects $420 million of income from our discontinued exploration and production business. Also reflected are $104 million of losses from our discontinued Venezuela operations and a $15 million gain related to our former coal operations.

Impairments in 2011 reflect $367 million and $180 million of impairments of capitalized costs of certain natural gas producing properties of our discontinued exploration and production business in the Powder River basin and the Barnett Shale, respectively, $29 million of write-downs to estimates of fair value less costs to sell the assets of our discontinued exploration and production business in the Arkoma basin, and a noncash impairment of $179 million in connection with the spin-off of WPX to reflect the difference between the carrying value of our investment in WPX and the estimated fair value of WPX at the time of spin-off. See further discussion below regarding the determination of the fair value of WPX. These nonrecurring fair value measurements fall within Level 3 of the fair value hierarchy.

Impairments in 2010 include a $1,003 million impairment of domestic goodwill (to an implied fair value of zero at the assessment date) and $678 million of impairments of capitalized costs of certain natural gas producing properties in the Barnett Shale and acquired unproved reserves in the Piceance basin of our discontinued exploration and production business (to their estimated fair value of $320 million at the assessment date). These nonrecurring fair value measurements fell within Level 3 of the fair value hierarchy.

For the goodwill evaluation, we used an income approach (discounted cash flow) for valuing reserves. The significant inputs into the valuation of proved and unproved reserves included estimated reserve quantities, forward natural gas prices, anticipated drilling and operating costs, anticipated production curves, income taxes, and appropriate discount rates.

For our assessment of the carrying value of our natural gas producing properties and costs of acquired unproved reserves, we utilized estimates of future cash flows, in certain cases including purchase offers received. Significant judgments and assumptions in these assessments are similar to those used in the goodwill evaluation and include estimates of natural gas reserve quantities, estimates of future natural gas prices using a forward NYMEX curve adjusted for locational basis differentials, drilling plans, expected capital costs, and an applicable discount rate commensurate with risk of the underlying cash flow estimates.

Impairments for 2009 primarily reflect a $211 million impairment of our Venezuela property, plant, and equipment that was expropriated by the Venezuelan government in 2009. We are pursuing collection of claims related to that expropriation. Also included is an impairment charge of $20 million related to natural gas producing properties and acquired unproved reserves of our discontinued exploration and production business and an $11 million impairment of a cost-based investment related to our interest in a Venezuelan corporation that owns and operates oil and gas activities.

Gain on deconsolidation reflects the gain recognized when we deconsolidated the entities that owned and operated our Venezuela gas compression facilities prior to their expropriation by the Venezuelan government in 2009.

(Provision) benefit for income taxes for 2011 includes a $26 million net tax benefit associated with the write-down of certain indebtedness related to our former power operations.

(Provision) benefit for income taxes for 2009 includes a $76 million benefit from the reversal of deferred tax balances related to our discontinued Venezuela operations.

Impairment of our investment in WPX

In conjunction with accounting for the spin-off of WPX, we evaluated whether there was an indicator of impairment of the carrying value of the investment at the date of the spin-off. Because the market capitalization of WPX as determined by its closing stock price on December 30, 2011 pursuant to the “when issued” trading market was less than our investment in WPX, we determined that an indicator of impairment was present and conducted an evaluation of the fair value of our investment in WPX at the date of the spin-off.

To determine the fair value at the time of spin-off, we considered several valuation approaches to derive a range of fair value estimates. These included consideration of the “when issued” stock price at December 30, 2011, an income approach, and a market approach. While the “when issued” stock price approach utilizes the most observable inputs of the three approaches, we note that the short trading duration, low trading volumes and lack of liquidity in the “when issued” market, among other factors, serve to limit this input in being solely determinative of the fair value of WPX. As such, we also considered the other valuation approaches in estimating the overall fair value of WPX, though giving preferential weighting to the “when issued” stock price approach.

Key variables and assumptions included the application of a control premium of up to 30 percent to the December 30, 2011 “when issued” trading value based on transactions involving energy companies. For the income approach, we estimated the fair value of WPX using a discounted cash flow analysis of their oil and natural gas reserves, primarily adjusted for long-term debt. Implicit in this approach was the use of forward market prices and discount rates that considered the risk of the respective reserves. After tax discount rates assumed to be used by market participants were an average of 11.25 percent for proved reserves, 13.25 percent to 15.25 percent for probable reserves and 15.25 percent to 18.25 percent for possible reserves. For the market approach, we considered multiples of cash flows derived from the value of comparable companies utilizing their respective traded stock prices, adjusted for a control premium consistent with levels noted above. Using these methodologies, we computed a range of estimated fair values from $4.5 billion to $6.7 billion. After giving preferential weighting to the “when issued” valuation, we computed an estimated fair value of approximately $5.5 billion.

As a result of this evaluation, we have recorded an impairment charge which is nondeductible for tax purposes. This amount served to reduce the investment basis of the net assets accounted for as a dividend upon the spin-off at December 31, 2011.

Summarized Assets and Liabilities of Discontinued Operations

	December 31, 2010 (Millions)
Cash and cash equivalents	$ 37
Accounts receivable - net	362
Inventories	78
Derivative assets	400
Other current assets and deferred charges	20
Total current assets of discontinued operations	897
Investments	104
Property, plant and equipment - net	8,518
Derivative assets	173
Goodwill	8
Other assets and deferred charges	25
Total noncurrent assets of discontinued operations	8,828
Total assets	$ 9,725
Accounts payable	$ 486
Accrued liabilities	263
Derivative liabilities	147
Total current liabilities of discontinued operations	896
Deferred income taxes	1,711
Derivative liabilities	142
Other liabilities and deferred income	326
Total noncurrent liabilities of discontinued operations	2,179
Total liabilities	$ 3,075

Energy Commodity Derivatives Associated with Discontinued Operations

Our former exploration and production business produced, bought, and/or sold natural gas and crude oil at different locations throughout the United States. It also entered into forward contracts to buy and sell natural gas to maximize the economic value of transportation agreements and storage capacity agreements. To reduce exposure to a decrease in revenues or margins from fluctuations in natural gas and crude oil market prices, it entered into natural gas and crude oil futures contracts, swap agreements, and financial option contracts to mitigate the price risk on forecasted sales of natural gas and crude oil. It also entered into basis swap agreements to reduce the locational price risk associated with its producing basins.

Gains and Losses

The following table presents pre-tax gains and losses for our former exploration and production business' energy commodity derivatives designated as cash flow hedges. The amounts previously recognized within *revenues* or *costs and operating expenses* are now presented within discontinued operations.

	Years ended December 31, 2011	Years ended December 31, 2010	Classification
	(Millions)		
Net gain (loss) recognized in other comprehensive income (loss) (effective portion)	$413	$507	AOCI
Net gain (loss) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	$332	$355	Income (loss) from discontinued operations
Gain (loss) recognized in income (ineffective portion)	$—	$ 9	Income (loss) from discontinued operations

The following table presents pre-tax gains and losses for energy commodity derivatives not designated as hedging instruments. The amounts previously recognized within *revenues* or *costs and operating expenses* are now presented within discontinued operations.

	Years Ended December 31, 2011	Years Ended December 31, 2010
	(Millions)	
Revenues	$ 30	$47
Costs and operating expenses	—	28
Net gain (loss)	$ 30	$19

Recurring Fair Value Measurement Disclosures Related to Assets and Liabilities of Discontinued Operations

The following table presents, by level within the fair value hierarchy, our assets and liabilities related to discontinued operations that were measured at fair value on a recurring basis.

	December 31, 2010 Level 1	Level 2	Level 3	Total
	(Millions)			
Energy derivative assets	$ 96	$ 475	$ 2	$573
Energy derivative liabilities	$ 78	$ 210	$ 1	$289

Energy derivatives included commodity based exchange-traded contracts and over-the-counter (OTC) contracts. Exchange-traded contracts included futures, swaps, and options. OTC contracts included forwards, swaps and options.

The instruments included in these Level 1 measurements consisted of energy derivatives that were exchange-traded. Exchange-traded contracts included New York Mercantile Exchange and Intercontinental Exchange contracts and were valued based on quoted prices in these active markets.

The instruments included in these Level 2 measurements consisted primarily of OTC instruments. Forward, swap, and option contracts included in Level 2 were valued using an income approach including present value techniques and option pricing models. Option contracts, which hedged future sales of production from our discontinued exploration and production business, were structured as costless collars and were financially settled. They were valued using an industry standard Black-Scholes option pricing model. Significant inputs into these Level 2 valuations included commodity prices, implied volatility by location, and interest rates, and considered executed transactions or broker quotes corroborated by other market data. These broker quotes were based on observable market prices at which transactions could currently be executed. In certain instances where these inputs were not observable for all periods, relationships of observable market data and historical observations were used as a means to estimate fair value. Where observable inputs were available for substantially the full term of the asset or liability, the instrument was categorized in Level 2.

The instruments in these Level 3 measurements primarily consisted of natural gas index transactions that were used by our discontinued exploration and production business to manage physical requirements. These instruments were valued with a present value technique using inputs that may not have been readily observable or corroborated by other market data. These instruments were classified within Level 3 because these inputs had a significant impact on the measurement of fair value. As the fair value of natural gas index transactions was primarily driven by the typically nominal differential transacted and the market price, these transactions did not have a material impact on results of operations or liquidity.

The energy derivatives portfolio of our discontinued exploration and production business was largely comprised of exchange-traded products or like products. Due to the nature of the products and tenure, market pricing was consistently obtainable. All pricing was reviewed on a daily basis and was formally validated with broker quotes and documented on a monthly basis.

Reclassifications of fair value between Level 1, Level 2, and Level 3 of the fair value hierarchy, if applicable, were made at the end of each quarter. No significant transfers between Level 1, Level 2, or Level 3 occurred during the years ended December 31, 2011 or 2010. Additionally, activity associated with the derivatives classified as Level 3 in the fair value hierarchy was not significant for the years ended December 31, 2011 and 2010.

Indemnifications of WPX Matters

According to the terms of the Separation and Distribution Agreement (See Note 1), we have indemnified WPX for certain contingent matters (See Note 16).

Guarantees on behalf of WPX

Following the spin-off of WPX, certain guarantees that were issued on behalf of WPX while it was a consolidated subsidiary remain with us. These primarily include guarantees of WPX performance under a long-term transportation capacity agreement and a natural gas purchase contract, extending through 2017 and 2023, respectively. We estimate the maximum undiscounted potential future payment obligation as of December 31, 2011, under these remaining guarantees is approximately $266 million. Our recorded liability for these guarantees, which considers our estimate of the fair value of the guarantees, is insignificant. Our fair value estimate is a Level 3 measurement within the fair value hierarchy and considers probability weighted scenarios of potential performance and the likelihood of default by WPX.

Note 3. Investing Activities

Investing Income

	Years Ended December 31, 2011	2010	2009
	(Millions)		
Equity earnings (1)	$155	$143	$118
Income (loss) from investments (1)	7	43	(75)
Impairment of cost-based investments	(1)	—	(11)
Interest income and other	7	2	6
Total investing income	$168	$188	$ 38

(1) Items also included in segment profit (loss). (See Note 18.)

In June 2010, we sold our 50 percent interest in Accroven SRL (Accroven) to the state-owned oil company, Petróleos de Venezuela S.A. (PDVSA) for $107 million. *Income (loss) from investments* in 2011 and 2010 includes gains of $11 million and $43 million, respectively, from the sale. The $11 million received in the first quarter of 2011 represents the first of six quarterly payments, which was originally due from the buyer in October 2010. We will recognize the remaining payments as income upon future receipt.

Income (loss) from investments in 2009 reflects a $75 million impairment charge related to an other-than-temporary loss in value associated with our Venezuelan investment in Accroven. Accroven owns and operates gas processing facilities and an NGL fractionation plant for the exclusive benefit of PDVSA. The deteriorating circumstances in the first quarter of 2009 for our Venezuelan operations caused us to review our investment in Accroven. We utilized a probability-weighted discounted cash flow analysis, which included an after-tax discount rate of 20 percent to reflect the risk associated with operating in Venezuela. Accroven was not part of the operations that were expropriated by the Venezuelan government in May 2009.

Investments

	December 31, 2011	2010
	(Millions)	
Equity method:		
Overland Pass Pipeline Company LLC (OPPL)- 50%	$ 433	$ 429
Gulfstream—50% (1)	362	378
Laurel Mountain Midstream, LLC (Laurel Mountain) - 51% (2)	291	170
Discovery Producer Services LLC (Discovery) - 60% (2)	182	181
Other	122	80
	1,390	1,238
Cost method	1	2
Marketable equity securities	24	—
	$1,415	$1,240

(1) As of December 31, 2011, 49 percent interest is held within Williams Partners, with the remaining 1 percent held within Other.

(2) We account for these investments under the equity method due to the significant participatory rights of our partners such that we do not control the investments.

Marketable equity securities are classified as available-for-sale. The carrying value is reported at fair value with net unrealized appreciation reported as a component of other comprehensive income.

The difference between the carrying value of our equity investments and the underlying equity in the net assets of the investees is $62 million at December 31, 2011, primarily related to impairments we previously recognized. These differences are amortized over the expected remaining life of the investees' underlying assets.

We have recognized revenue of $23 million, $41 million, and $27 million from our equity method investees for 2011, 2010, and 2009, respectively, primarily related to OPPL and Discovery. We have recognized costs and operating expenses of $234 million, $220 million, and $158 million with our equity method investees for 2011, 2010, and 2009, respectively. We have $1 million and $2 million accounts receivable and $23 million and $20 million accounts payable with our equity method investees at December 31, 2011 and December 31, 2010, respectively.

WPZ has operating agreements with certain equity method investees. These operating agreements typically provide for reimbursement or payment to WPZ for certain direct operational payroll and employee benefit costs, materials, supplies, and other charges and also for management services. We supplied a portion of these services, primarily those related to employees since WPZ does not have any employees, to certain equity method investees. The total gross charges to equity method investees for these fees are $57 million, $38 million and $23 million for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, respectively.

In September 2010, we purchased an additional 49 percent ownership interest in OPPL for $424 million. In June 2009, we purchased a 51 percent interest in Laurel Mountain for $133 million and invested $137 million and $43 million in Laurel Mountain in 2011 and 2010, respectively. We also invested $30 million in Aux Sable Liquid Products LP (Aux Sable) in 2011.

Dividends and distributions, including those presented below, received from companies accounted for by the equity method were $193 million, $175 million, and $282 million in 2011, 2010, and 2009, respectively. These transactions reduced the carrying value of our investments. These dividends and distributions primarily included:

	2011	2010	2009
		(Millions)	
Gulfstream	$84	$ 81	$223
Discovery	40	44	32
Aux Sable	35	28	15
OPPL	19	—	—

The 2009 amount presented above includes a $148 million distribution from Gulfstream following its debt offering.

Summarized Financial Position and Results of Operations of Equity Method Investments (Unaudited)

	December 31,	
	2011	2010
	(Millions)	
Current assets	$ 293	$ 236
Noncurrent assets	4,409	3,976
Current liabilities	235	157
Noncurrent liabilities	1,257	1,294

	Years Ended December 31, 2011	2010	2009
	(Millions)		
Gross revenue	$1,242	$1,086	$872
Operating income	623	587	409
Net income	460	429	317

Note 4. Asset Sales, Impairments and Other Accruals

The following table presents significant gains or losses reflected in *other (income) expense – net* within *segment costs and expenses*:

	Years Ended December 31, 2011	2010	2009
	(Millions)		
Williams Partners			
Capitalization of project feasibility costs previously expensed	$ (10)	$—	$—
Involuntary conversion gains	(3)	(18)	(4)
Gains on sales of certain assets	—	(12)	(40)
Accrual of regulatory liability related to overcollection of certain employee expenses	9	10	—
Impairments of certain gathering assets	4	9	—
Midstream Canada & Olefins			
Gulf Liquids litigation contingency accrual reduction (see Note 16)	(19)	—	—

The reversal of project feasibility costs from expense to capital in 2011 at Williams Partners is associated with a natural gas pipeline expansion project. This reversal was made upon determining that the related project was probable of development. These costs will be included in the capital costs of the project, which we believe are probable of recovery through the project rates.

In 2009, we sold our Cameron Meadows plant, which had a carrying value of $16 million and recognized a $40 million gain at Williams Partners.

Additional Items

In conjunction with the completion of a tender offer for a portion of our debt in the fourth quarter of 2011 (see Note 11), we incurred $271 million of early debt retirement costs consisting primarily of cash premiums.

We completed a strategic restructuring transaction in the first quarter of 2010 that involved significant debt issuances, retirements and amendments. During 2010, we incurred significant costs related to these transactions, as follows:

- $606 million of early debt retirement costs consisting primarily of cash premiums;
- $45 million of other transaction costs reflected in *general corporate expenses*, of which $7 million is attributable to noncontrolling interests;
- $4 million of accelerated amortization of debt costs related to the amendments of credit facilities, reflected in *other income (expense) – net* below *operating income (loss)*.

We detected a leak in an underground cavern at our Eminence Storage Field in Mississippi on December 28, 2010. We recorded $15 million and $5 million of charges to *costs and operating expenses* at Williams Partners during 2011 and 2010, respectively, primarily related to assessment and monitoring costs incurred to ensure the safety of the surrounding area.

In conjunction with the Gulf Liquids litigation contingency accrual reduction noted in the table above, Midstream Canada & Olefins also reduced an accrual for the associated interest of $14 million in 2011, which is reflected in *interest accrued*. (See Note 16.)

Note 5. Provision (Benefit) for Income Taxes

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

	Years Ended December 31,		
	2011	2010	2009
		(Millions)	
Current:			
Federal	$181	$ (21)	$ (83)
State	13	(2)	8
Foreign	(6)	29	12
	188	6	(63)
Deferred:			
Federal	(61)	144	234
State	(14)	(48)	30
Foreign	11	12	3
	(64)	108	267
Total provision (benefit)	$124	$114	$204

Reconciliations from the *provision (benefit) for income taxes* from continuing operations at the federal statutory rate to the recorded *provision (benefit) for income taxes* are as follows:

	Years Ended December 31,		
	2011	2010	2009
		(Millions)	
Provision (benefit) at statutory rate	$ 421	$135	$192
Increases (decreases) in taxes resulting from:			
Impact of nontaxable noncontrolling interests	(96)	(58)	(49)
State income taxes (net of federal benefit)	11	(35)	24
Foreign operations – net	(14)	(22)	19
Federal settlements	(109)	—	—
International revised assessments	(38)	—	—
Taxes on undistributed earnings of certain foreign operations	(66)	66	—
Reduction of tax benefits on Medicare Part D federal subsidy	—	11	—
Other – net	15	17	18
Provision (benefit) for income taxes	$ 124	$114	$204

State income taxes (net of federal benefit) were reduced by $43 million in 2010 due to a reduction in our estimate of the effective deferred state rate, including state income tax carryovers, reflective of a change in the mix of jurisdictional attribution of taxable income.

Income (loss) from continuing operations before income taxes includes $173 million and $144 million of foreign income and $48 million of foreign loss in 2011, 2010, and 2009, respectively.

During the course of audits of our business by domestic and foreign tax authorities, we frequently face challenges regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the liability associated with our various filing positions, we apply the two step process of recognition and measurement. In association with this liability, we record an estimate of related interest and tax exposure as a component of our tax provision. The impact of this accrual is included within *other – net* in our reconciliation of the tax provision to the federal statutory rate.

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

	December 31,	
	2011	2010
	(Millions)	
Deferred tax liabilities:		
Property, plant, and equipment	$ 65	$ 115
Investments	2,063	1,978
Other	46	101
Total deferred tax liabilities	2,174	2,194
Deferred tax assets:		
Accrued liabilities	324	257
Minimum tax credits *	119	120
State loss and credit carryovers	170	201
Other	98	59
Total deferred tax assets	711	637
Less valuation allowance	145	178
Net deferred tax assets	566	459
Overall net deferred tax liabilities	$1,608	$1,735

* In conjunction with the spin-off of WPX, alternative minimum tax credits were allocated between us and WPX. A $98 million deferred tax asset for the estimated alternative minimum tax credit allocable to WPX was contributed to WPX prior to the spin-off. The final allocation of tax attributes cannot be determined until the consolidated tax returns for the tax year 2011 are complete. Any subsequent adjustments will be recorded in the tax provision for the period in which the change occurs.

The valuation allowance at December 31, 2011 and 2010 serves to reduce the recognized tax assets associated with state loss and credit carryovers to an amount that will more likely than not, be realized. These amounts are presented in the table above before any federal benefit. The decrease from prior year for both the *state loss and credit carryovers* and the *valuation allowance* is primarily due to state income tax adjustments related to reporting of the federal settlements, as discussed below.

In the fourth-quarter 2010, we provided $66 million of deferred taxes on the undistributed earnings of certain foreign operations that we no longer could assert were permanently reinvested due to alternatives being considered related to an existing structure impacted by the potential timing of our plan approved by our Board of Directors to pursue the separation of our exploration and production business through an IPO and subsequent tax-free spin-off. During the third quarter of 2011, associated with a ruling received from the Internal Revenue Service (IRS) related to this separation plan, and following a certain internal reorganization, we recognized a deferred tax benefit of $66 million as we now consider the undistributed earnings of these certain foreign operations to be permanently reinvested. As of December 31, 2011, we consider $388 million of undistributed earnings from foreign subsidiaries to be permanently reinvested and have not provided deferred income taxes on that amount.

Cash payments for income taxes (net of refunds and including discontinued operations) were $296 million, $40 million, and $14 million in 2011, 2010, and 2009, respectively.

As of December 31, 2011, we had approximately $38 million of unrecognized tax benefits. If recognized, approximately $41 million, net of federal tax expense, would be recorded as a reduction of income tax expense. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2011	2010
	(Millions)	
Balance at beginning of period	$ 91	$ 89
Additions based on tax positions related to the current year	26	11
Additions for tax positions for prior years	4	3
Reductions for tax positions of prior years	(39)	(12)
Settlement with taxing authorities	(44)	—
Balance at end of period	$ 38	$ 91

We recognize related interest and penalties as a component of income tax expense (benefit). Total interest and penalties recognized as part of income tax benefit were $56 million for 2011 and as part of income tax expense were $11 million and $17 million for 2010 and 2009, respectively. Approximately $15 million and $104 million of interest and penalties primarily relating to uncertain tax positions have been accrued as of December 31, 2011 and 2010, respectively.

During the next 12 months, we do not expect ultimate resolution of any unrecognized tax benefit associated with domestic or international matters to have a material impact on our unrecognized tax benefit position.

During the first quarter of 2011, we finalized settlements for 1997 through 2008 on certain contested matters with the IRS that resulted in a 2011 year-to-date tax benefit of approximately $109 million. In July and August 2011, we made cash payments to the IRS of $82 million and $77 million, respectively, related to these settlements. During the first and fourth quarters of 2011, we received revised assessments on an international matter that resulted in a 2011 tax benefit of approximately $38 million.

As of December 31, 2011, the IRS examination of our consolidated U.S. federal income tax returns for 2009 and 2010 tax years is in process. The statute of limitations for most states expires one year after expiration of the IRS statute. Generally, tax returns for our Venezuelan and Canadian entities are open to audit from 2005 through 2011. Certain Canadian entities are currently under examination.

With the spin-off of WPX on December 31, 2011, WPX will be included in our consolidated federal income tax returns and will be included with us and/or certain of our subsidiaries in applicable combined or unitary state, local and foreign income tax returns. In conjunction with the spin-off, WPX entered into a tax sharing agreement with us under which we generally will be liable for all U.S. federal, state, local and foreign income taxes attributable to WPX with respect to taxable periods ending on or before the distribution date. We will prepare pro forma tax returns for each tax period in which WPX or any of its subsidiaries are combined or consolidated with us for purposes of any tax return. WPX will reimburse us for any additional taxes shown on the pro forma tax returns, and we will reimburse WPX for any additional current losses or credits WPX recognizes based on the pro forma tax returns, excluding alternative minimum tax credits. We are also principally responsible for managing any income tax audits by the various tax jurisdictions for pre-spin-off periods. In the case of any tax audit adjustments, all pro forma returns and associated tax reimbursement obligations will be recomputed to give effect to such adjustments.

Note 6. Earnings (Loss) Per Common Share from Continuing Operations

	Years Ended December 31,		
	2011	2010	2009
	(Dollars in millions, except per-share amounts; shares in thousands)		
Income (loss) from continuing operations attributable to The Williams Companies, Inc. available to common stockholders for basic and diluted earnings (loss) per common share (1)	$ 803	$ 104	$ 206
Basic weighted-average shares	588,553	584,552	581,674
Effect of dilutive securities:			
Nonvested restricted stock units	4,332	3,190	2,216
Stock options	3,374	2,957	2,065
Convertible debentures	1,916	—	—
Diluted weighted-average shares	598,175	590,699	585,955
Earnings (loss) per common share from continuing operations:			
Basic	$ 1.36	$ .17	$ .35
Diluted	$ 1.34	$ .17	$ .35

(1) 2011 includes $.7 million of interest expense, net of tax, associated with our convertible debentures. (See Note 12.) This amount has been added back to *income (loss) from continuing operations attributable to The Williams Companies, Inc. available to common stockholders* to calculate diluted earnings per common share.

For 2010, 2.2 million weighted-average shares related to the assumed conversion of our convertible debentures, as well as the related interest, net of tax, have been excluded from the computation of diluted earnings per common share. Inclusion of these shares would have an antidilutive effect on the diluted earnings per common share. We estimate that if 2010 *income (loss) from continuing operations attributable to The Williams Companies, Inc. available to common stockholders* was $222 million of income, then these shares would become dilutive.

For 2009, 3.4 million weighted-average shares related to the assumed conversion of our convertible debentures, as well as the related interest, net of tax, have been excluded from the computation of diluted earnings per common share. Inclusion of these shares would have an antidilutive effect on the diluted earnings per common share. We estimate that if 2009 *income (loss) from continuing operations attributable to The Williams Companies, Inc. available to common stockholders* was $212 million of income, then these shares would become dilutive.

The table below includes information related to stock options for each period that were excluded from the computation of weighted-average stock options due to the option exercise price exceeding the fourth quarter weighted-average market price of our common shares.

	2011*	2010	2009
Options excluded (millions)	0.9	2.4	3.7
Weighted-average exercise price of options excluded	$29.68	$32.41	$30.21
Exercise price ranges of options excluded	$26.10 -$29.72	$22.68 -$40.51	$20.28 -$42.29
Fourth quarter weighted-average market price	$24.51	$22.47	$19.81

* Information related to the excluded options for 2011 has been adjusted to reflect the impact of the spin-off of WPX on December 31, 2011 (see Note 13).

Note 7. Employee Benefit Plans

We have noncontributory defined benefit pension plans in which all eligible employees participate. Currently, eligible employees earn benefits primarily based on a cash balance formula. Various other formulas, as defined in the plan documents, are utilized to calculate the retirement benefits for plan participants not covered by the cash balance formula. At the time of retirement, participants may elect, to the extent they are eligible for the various options, to receive annuity payments, a lump sum payment, or a combination of a lump sum and annuity payments. In addition to our pension plans, we currently provide subsidized retiree medical and life insurance benefits (other postretirement benefits) to certain eligible participants. Generally, employees hired after December 31, 1991, are not eligible for the subsidized retiree medical benefits, except for participants that were employees or retirees of Transco Energy Company on December 31, 1995, and other miscellaneous defined participant groups. Certain of these other postretirement benefit plans, particularly the subsidized retiree medical benefit plans, provide for retiree contributions and contain other cost-sharing features such as deductibles, co-payments, and co-insurance. The accounting for these plans anticipates future cost-sharing that is consistent with our expressed intent to increase the retiree contribution level generally in line with health care cost increases.

Benefit Obligations

The following table presents the changes in benefit obligations and plan assets for pension benefits and other postretirement benefits for the years indicated. The spin-off of WPX did not have a significant impact on our pension and other postretirement benefit plans. (See Note 2). Generally, our pension and other postretirement benefit plans have retained the benefit obligations associated with vested benefits earned by eligible employees that transferred to WPX due to the spin-off. No plan assets transferred to WPX.

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
	(Millions)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,267	$1,118	$ 289	$ 259
Service cost	41	35	2	2
Interest cost	64	64	15	15
Plan participants’ contributions	—	—	6	6
Benefits paid	(66)	(58)	(22)	(24)
Medicare Part D and Early Retiree Reinsurance Program subsidies	—	—	4	2
Plan amendment	—	—	(3)	(1)
Actuarial loss	143	108	48	30
Settlements	(8)	—	—	—
Benefit obligation at end of year	1,441	1,267	339	289
Change in plan assets:				
Fair value of plan assets at beginning of year	971	860	162	148
Actual return on plan assets	—	108	(2)	17
Employer contributions	68	61	15	15
Plan participants’ contributions	—	—	6	6
Benefits paid	(66)	(58)	(22)	(24)
Settlements	(8)	—	—	—
Fair value of plan assets at end of year	965	971	159	162
Funded status - underfunded	$ (476)	$ (296)	$(180)	$(127)
Accumulated benefit obligation	$1,415	$1,224		

The underfunded status of our pension plans and other postretirement benefit plans presented in the previous table are recognized in the Consolidated Balance Sheet within the following accounts:

	December 31,	
	2011	2010
	(Millions)	
Underfunded pension plans:		
Current liabilities	$ 7	$ 7
Noncurrent liabilities	469	289
Underfunded other postretirement benefit plans:		
Current liabilities	8	8
Noncurrent liabilities	172	119

The plan assets within our other postretirement benefit plans are intended to be used for the payment of benefits for certain groups of participants. The *current liabilities* for the other postretirement benefit plans represent the current portion of benefits expected to be payable in the subsequent year for the groups of participants whose benefits are not expected to be paid from plan assets.

The pension plans’ benefit obligation *actuarial losses* of $143 million in 2011 and $108 million in 2010 are primarily due to the impact of decreases in the discount rates utilized to calculate the benefit obligation. The 2011 benefit obligation *actuarial loss* of $48 million for our other postretirement benefit plans is primarily due to the impact of decreases in the discount rate utilized to calculate the benefit obligation. The 2010 benefit obligation *actuarial loss* of $30 million for our other postretirement benefit plans is also primarily due to the impact of decreases in the discount rate utilized to calculate the benefit obligation as well as changes to medical claims experience. In 2011, the *actuarial loss* includes a curtailment gain of $4 million for our pension plans and $1 million for our other postretirement benefit plans due to the spin-off of WPX.

At December 31, 2011 and 2010, all of our pension plans had a projected benefit obligation and accumulated benefit obligation in excess of plan assets.

The determination of *net periodic benefit expense* allows for the delayed recognition of gains and losses caused by differences between actual and assumed outcomes for items such as estimated return on plan assets, or caused by changes in assumptions for items such as discount rates or estimated future compensation levels. The *net actuarial loss* presented in the following table and recorded in *accumulated other comprehensive loss* and *net regulatory assets* represents the cumulative net deferred loss from these types of differences or changes which have not yet been recognized in the Consolidated Statement of Operations. A portion of the *net actuarial loss* is amortized over the participants' average remaining future years of service, which is approximately 13 years for our pension plans and approximately 10 years for our other postretirement benefit plans.

Pre-tax amounts not yet recognized in *net periodic benefit expense* at December 31 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
	(Millions)			
Amounts included in *accumulated other comprehensive loss*:				
Prior service (cost) credit	$ (2)	$ (3)	$ 8	$ 10
Net actuarial loss	(835)	(657)	(40)	(20)
Amounts included in *net regulatory assets* associated with our FERC-regulated gas pipelines:				
Prior service credit	N/A	N/A	$ 14	$ 20
Net actuarial loss	N/A	N/A	(85)	(48)

In addition to the net regulatory assets included in the previous table, differences in the amount of actuarially determined *net periodic benefit expense* for our other postretirement benefit plans and the other postretirement benefit costs recovered in rates for our FERC-regulated gas pipelines are deferred as a regulatory asset or liability. We have *net regulatory liabilities* of $34 million at December 31, 2011 and $23 million at December 31, 2010 related to these deferrals. These amounts will be reflected in future rates based on the gas pipelines' rate structures.

Net Periodic Benefit Expense and Items Recognized in Other Comprehensive Income (Loss)

Net periodic benefit expense and other changes in plan assets and benefit obligations recognized in *other comprehensive income (loss)* before taxes for the years ended December 31 consist of the following:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
	(Millions)					
Components of net periodic benefit expense:						
Service cost	$ 41	$ 35	$ 32	$ 2	$ 2	$ 2
Interest cost	64	64	62	15	15	16
Expected return on plan assets	(77)	(71)	(61)	(10)	(9)	(9)
Amortization of prior service cost (credit)	1	1	1	(11)	(14)	(11)
Amortization of net actuarial loss	38	35	43	3	3	3
Net actuarial loss from settlements	4	—	—	—	—	—
Amortization of regulatory asset	—	—	1	1	1	5
Net periodic benefit expense	$ 71	$ 64	$ 78	$—	$ (2)	$ 6

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
	(Millions)					
Other changes in plan assets and benefit obligations recognized in *other comprehensive income (loss)*:						
Net actuarial (gain) loss	$220	$ 71	$ (44)	$ 21	$ 12	$ 1
Prior service credit	—	—	—	(2)	—	(7)
Amortization of prior service (cost) credit	(1)	(1)	(1)	4	5	4
Amortization of net actuarial loss and loss from settlements	(42)	(35)	(43)	(1)	(1)	—
Other changes in plan assets and benefit obligations recognized in *other comprehensive income (loss)*	177	35	(88)	22	16	(2)
Total recognized in *net periodic benefit expense* and *other comprehensive income (loss)*	$248	$ 99	$ (10)	$ 22	$ 14	$ 4

Included in *net periodic benefit expense* in the previous table is expense associated with active and former employees that supported WPX's operations. This expense was directly charged to WPX and is included in *income (loss) from discontinued operations*. These amounts totaled $8 million in 2011, and $7 million in both 2010 and 2009 for our pension plans and totaled less than $1 million for each period for our other postretirement benefit plans. The spin-off of WPX is not expected to have a significant impact on *net periodic benefit expense* in future periods.

Other changes in plan assets and benefit obligations for our other postretirement benefit plans associated with our FERC-regulated gas pipelines are recognized in *net regulatory assets* at December 31, 2011, and include a *net actuarial loss* of $39 million, *prior service credit* of $1 million, *amortization of prior service credit* of $7 million, and *amortization of net actuarial loss* of $2 million. At December 31, 2010, amounts recognized in *net regulatory assets* included a *net actuarial loss* of $10 million, *prior service credit* of $1 million, *amortization of prior service credit* of $9 million, and *amortization of net actuarial loss* of $2 million. At December 31, 2009, amounts recognized in *net regulatory assets* included a *net actuarial gain* of $14 million, *prior service credit* of $11 million, *amortization of prior service credit* of $7 million, and *amortization of net actuarial loss* of $3 million.

Pre-tax amounts expected to be amortized in *net periodic benefit expense* in 2012 are as follows:

	Pension Benefits	Other Postretirement Benefits
	(Millions)	
Amounts included in *accumulated other comprehensive loss:*		
Prior service cost (credit)	$ 1	$ (3)
Net actuarial loss	53	3
Amounts included in *net regulatory assets* associated with our FERC- regulated gas pipelines:		
Prior service credit	N/A	$ (4)
Net actuarial loss	N/A	7

Key Assumptions

The weighted-average assumptions utilized to determine benefit obligations as of December 31 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Discount rate	3.98%	5.20%	4.22%	5.35%
Rate of compensation increase	4.52	5.00	N/A	N/A

The weighted-average assumptions utilized to determine *net periodic benefit expense* for the years ended December 31 are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Discount rate	5.19%	5.78%	6.08%	5.35%	5.80%	6.00%
Expected long-term rate of return on plan assets	7.50	7.50	7.75	6.54	6.51	7.00
Rate of compensation increase	5.00	5.00	5.00	N/A	N/A	N/A

The discount rates for our pension and other postretirement benefit plans were determined separately based on an approach specific to our plans. The year-end discount rates were determined considering a yield curve comprised of high-quality corporate bonds published by a large securities firm and the timing of the expected benefit cash flows of each plan. The decrease in discount rates from December 31, 2010 to December 31, 2011 is primarily due to the general market decline in yields on long-term, high-quality corporate debt securities.

The expected long-term rates of return on plan assets were determined by combining a review of the historical returns realized within the portfolio, the investment strategy included in the plans' Investment Policy Statement, and capital market projections for the asset classes in which the portfolio is invested and the target weightings of each asset class.

The expected return on plan assets component of *net periodic benefit expense* is calculated using the market-related value of plan assets. For assets held in our pension plans, the market-related value of plan assets is equal to the fair value of plan assets adjusted to reflect amortization of gains or losses associated with the difference between the expected return on plan assets and the actual return on plan assets over a five-year period. Additionally, the market-related value of plan assets may be no more than 110 percent or less than 90 percent of the fair value of plan assets at the beginning of the year. The market-related value of plan assets for our other postretirement benefit plans is equal to the unadjusted fair value of plan assets at the beginning of the year.

The mortality assumptions used to determine the obligations for our pension and other postretirement benefit plans are the best estimate of expected mortality rates for the participants in these plans. The selected mortality tables are among the most recent tables available and include projected mortality improvements.

The assumed health care cost trend rate for 2012 is 8.2 percent, increases slightly in 2013, and then decreases to 5.0 percent by 2021. The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Point increase	Point decrease
	(Millions)	
Effect on total of service and interest cost components	$ 2	$ (2)
Effect on other postretirement benefit obligation	47	(39)

Plan Assets

The investment policy for our pension and other postretirement benefit plans provides for an investment strategy in accordance with ERISA, which governs the investment of the assets in a diversified portfolio. The plans follow a policy of diversifying the investments across various asset classes and investment managers. Additionally, the investment returns on approximately 40 percent of the other postretirement benefit plan assets are subject to income tax; therefore, certain investments are managed in a tax efficient manner.

The pension plans' target asset allocation range at December 31, 2011 was 54 percent to 66 percent equity securities, which includes the commingled investment funds invested in equity securities, and 36 percent to 44 percent fixed income securities, including the fixed income commingled investment fund, and cash management funds. Within equity securities, the target range for U.S. equity securities is 37 percent to 45 percent and international equity securities is 17 percent to 21 percent. The asset allocation continues to be weighted toward equity securities since the obligations of the pension and other postretirement benefit plans are long-term in nature and historically equity securities have outperformed other asset classes over long periods of time.

Equity security investments are restricted to high-quality, readily marketable securities that are actively traded on the major U.S. and foreign national exchanges. Investment in Williams' securities or an entity in which Williams has a majority ownership is prohibited in the pension plans except where these securities may be owned in a commingled investment fund in which the plans' trusts invest. No more than 5 percent of the total stock portfolio valued at market may be invested in the common stock of any one corporation.

The following securities and transactions are not authorized: unregistered securities, commodities or commodity contracts, short sales or margin transactions, or other leveraging strategies. Investment strategies using the direct holding of options or futures require approval and, historically, have not been used; however, these instruments may be used in commingled investment funds. Additionally, real estate equity and natural resource property investments are generally restricted.

Fixed income securities are restricted to high-quality, marketable securities that may include, but are not necessarily limited to, U.S. Treasury securities, U.S. government guaranteed and nonguaranteed mortgage-backed securities, government and municipal bonds, and investment grade corporate securities. The overall rating of the fixed income security assets is generally required to be at least "A," according to the Moody's or Standard & Poor's rating systems. No more than 5 percent of the total portfolio may be invested in the fixed income securities of any one issuer with the exception of bond index funds and U.S. government guaranteed and agency securities.

During 2011, nine active investment managers and one passive investment manager managed substantially all of the pension plans' funds and five active investment managers managed the other postretirement benefit plans' funds. Each of the managers had responsibility for managing a specific portion of these assets and each investment manager was responsible for 1 percent to 16 percent of the assets.

The pension and other postretirement benefit plans' assets are held primarily in equity securities, including commingled investment funds invested in equity securities, and fixed income securities, including a commingled fund invested in fixed income securities. Within the plans' investment securities, there are no significant concentrations of risk because of the diversity of the types of investments, diversity of the various industries, and the diversity of the fund managers and investment strategies. Generally, the investments held in the plans are publicly traded, therefore, minimizing liquidity risk in the portfolio.

The pension and other postretirement benefit plans participated in securities lending programs and during 2011, the plans completed their planned exit from these programs. Under the securities lending programs, securities were loaned to selected securities brokerage firms. The title of the securities was transferred to the borrower, but the plans were entitled to all distributions made by the issuer of the securities during the term of the loan and retained the right to redeem the securities on short notice. All loans required collateralization by U.S. government securities, cash, or letters of credit that equaled at least 102 percent of the fair value of the loaned securities plus accrued interest. There were limitations on the aggregate fair value of securities that could be loaned to any one broker and to all brokers as a group. The collateral was invested in repurchase agreements, asset-backed securities, bank notes, corporate floating rate notes, and certificates of deposit. At December 31, 2010, the fair values of the loaned securities were $116 million for the pension plans and $17 million for the other postretirement benefit plans and are included in the following tables. At December 31, 2010, the fair values of securities held as collateral, and the obligation to return the collateral, were $120 million for the pension plans and $17 million for the other postretirement benefit plans and are not included in the following tables. No significant losses were realized during 2011 as a result of the exit from the securities lending programs.

The fair values of our pension plan assets at December 31, 2011 and 2010, by asset class are as follows:

	2011			
	Level 1	Level 2	Level 3	Total
	(Millions)			
Pension assets:				
Cash management fund (1)	$ 43	$ —	$ —	$ 43
Equity securities:				
U.S. large cap	170	—	—	170
U.S. small cap	121	—	—	121
International developed markets large cap growth	4	57	—	61
Emerging markets growth	3	9	—	12
Commingled investment funds:				
Equities - U.S. large cap (2)	—	147	—	147
Equities - Emerging markets value (3)	—	27	—	27
Equities - International developed markets large cap value (4)	—	69	—	69
Fixed income - Corporate bonds (5)	—	58	—	58
Fixed income securities (6):				
U.S. Treasury securities	16	—	—	16
Mortgage-backed securities	—	65	—	65
Corporate bonds	—	169	—	169
Insurance company investment contracts and other	—	7	—	7
Total assets at fair value at December 31, 2011	$ 357	$ 608	$ —	$965

	2010			
	Level 1	Level 2	Level 3	Total
	(Millions)			
Pension assets:				
Cash management fund (1)	$ 30	$ —	$ —	$ 30
Equity securities:				
U.S. large cap	192	—	—	192
U.S. small cap	137	—	—	137
International developed markets large cap growth	4	68	—	72
Emerging markets growth	4	12	—	16
Commingled investment funds:				
Equities - U.S. large cap (2)	—	168	—	168
Equities - Emerging markets value (3)	—	35	—	35
Equities - International developed markets large cap value (4)	—	80	—	80
Fixed income securities (6):				
U.S. Treasury securities	17	3	—	20
Mortgage-backed securities	—	64	—	64
Corporate bonds	—	150	—	150
Insurance company investment contracts and other	—	7	—	7
Total assets at fair value at December 31, 2010	$ 384	$ 587	$ —	$971

The fair values of our other postretirement benefits plan assets at December 31, 2011 and 2010, by asset class are as follows:

	2011			
	Level 1	Level 2	Level 3	Total
	(Millions)			
Other postretirement benefit assets:				
Cash management funds (1)	$ 16	$ —	$ —	$ 16
Equity securities:				
U.S. large cap	42	—	—	42
U.S. small cap	20	—	—	20
International developed markets large cap growth	1	12	—	13
Emerging markets growth	1	1	—	2
Commingled investment funds:				
Equities - U.S. large cap (2)	—	15	—	15
Equities - Emerging markets value (3)	—	3	—	3
Equities - International developed markets large cap value (4)	—	7	—	7
Fixed income - Corporate bonds (5)	—	6	—	6
Fixed income securities (7):				
U.S. Treasury securities	2	—	—	2
Government and municipal bonds	—	10	—	10
Mortgage-backed securities	—	6	—	6
Corporate bonds	—	17	—	17
Total assets at fair value at December 31, 2011	$ 82	$ 77	$ —	$159

	2010			
	Level 1	Level 2	Level 3	Total
	(Millions)			
Other postretirement benefit assets:				
Cash management funds (1)	$ 15	$ —	$ —	$ 15
Equity securities:				
U.S. large cap	44	—	—	44
U.S. small cap	24	—	—	24
International developed markets large cap growth	1	14	—	15
Emerging markets growth	1	2	—	3
Commingled investment funds:				
Equities - U.S. large cap (2)	—	17	—	17
Equities - Emerging markets value (3)	—	3	—	3
Equities - International developed markets large cap value (4)	—	8	—	8
Fixed income securities (7):				
U.S. Treasury securities	2	—	—	2
Government and municipal bonds	—	10	—	10
Mortgage-backed securities	—	6	—	6
Corporate bonds	—	15	—	15
Total assets at fair value at December 31, 2010	$ 87	$ 75	$ —	$162

(1) These funds invest in high credit-quality, short-term corporate, and government money market debt securities that have remaining maturities of approximately one year or less, and are deemed to have minimal credit risk.

(2) This fund invests primarily in equity securities comprising the Standard & Poor’s 500 Index. The investment objective of the fund is to approximate the performance of the Standard & Poor’s 500 Index. The fund manager retains the right to restrict withdrawals from the fund as not to disadvantage other investors in the fund.

(3) This fund invests in equity securities of international emerging markets for the purpose of capital appreciation. The fund invests primarily in common stocks in the financial, telecommunications, information technology, consumer goods, energy, industrial, and materials sectors. The plans’ trustee is required to notify the fund manager ten days prior to a withdrawal from the fund. The fund manager retains the right to restrict withdrawals from the fund as not to disadvantage other investors in the fund.

(4) This fund invests in a diversified portfolio of international equity securities for the purpose of capital appreciation. The fund invests primarily in common stocks in the consumer goods, materials, financial, energy, information technology, industrial, and health care sectors, as well as forward foreign currency exchange contracts. The plans’ trustee is required to notify the fund manager ten days prior to a withdrawal from the fund. The fund manager retains the right to restrict withdrawals from the fund as not to disadvantage other investors in the fund.

(5) This fund invests in U.S. Corporate bonds and U.S. Treasury securities. The fund is managed to closely match the characteristics of a long-term corporate bond index fund and seeks to maintain an average credit quality target of A- or above and a maximum 10 percent allocation to BBB rated securities. The fund’s target duration is approximately 20 years. The trustee of the fund reserves the right to delay the processing of deposits or withdrawals in order to ensure that securities transactions will be carried out in an orderly manner.

(6) The weighted-average credit quality rating of the pension assets’ fixed income security portfolio is investment grade with a weighted-average duration of 5.6 years for 2011 and 2010.

(7) The weighted-average credit quality rating of the other postretirement benefit assets’ fixed income security portfolio is investment grade with a weighted-average duration of 4.8 years for 2011 and 2010.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Shares of the cash management funds are valued at fair value based on published market prices as of the close of business on the last business day of the year, which represents the net asset values of the shares held.

The fair values of equity securities traded on U.S. exchanges are derived from quoted market prices as of the close of business on the last business day of the year. The fair values of equity securities traded on foreign exchanges are also derived from quoted market prices as of the close of business on an active foreign exchange on the last business day of the year. However, the valuation requires translation of the foreign currency to U.S. dollars and this translation is considered an observable input to the valuation.

The fair value of all commingled investment funds are estimated based on the net asset values per unit of each of the funds. The net asset values per unit represent the aggregate value of the fund's assets at fair value less liabilities, divided by the number of units outstanding.

The fair value of fixed income securities, except U.S. Treasury notes and bonds, are determined using pricing models. These pricing models incorporate observable inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads for similar securities to determine fair value. The U.S. Treasury notes and bonds are valued at fair value based on closing prices on the last business day of the year reported in the active market in which the security is traded.

The investment contracts with insurance companies are valued at fair value by discounting the cash flow of a bond using a yield to maturity based on an investment grade index or comparable index with a similar maturity value, maturity period, and nominal coupon rate.

There have been no significant changes in the preceding valuation methodologies used at December 31, 2011 and 2010. Additionally, there were no transfers or reclassifications of investments between Level 1, Level 2, or Level 3 from December 2010 to December 2011. If transfers between levels occur, the transfers will be recognized as of the end of the period.

Plan Benefit Payments and Employer Contributions

Following are the expected benefits to be paid by the plans and the expected federal prescription drug subsidy to be received in the next ten years. These estimates are based on the same assumptions previously discussed and reflect future service as appropriate. The actuarial assumptions are based on long-term expectations and include, but are not limited to, assumptions as to average expected retirement age and form of benefit payment. Actual benefit payments could differ significantly from expected benefit payments if near-term participant behaviors differ significantly from the actuarial assumptions.

	Pension Benefits	Other Postretirement Benefits	Federal Prescription Drug Subsidy
		(Millions)	
2012	$ 74	$ 17	$ (2)
2013	76	17	(2)
2014	88	18	(2)
2015	92	19	(3)
2016	98	20	(3)
2017-2021	576	111	(16)

In 2012, we expect to contribute approximately $70 million to our tax-qualified pension plans and approximately $9 million to our nonqualified pension plans, for a total of approximately $79 million, and approximately $15 million to our other postretirement benefit plans.

Defined Contribution Plans

We also maintain defined contribution plans for the benefit of substantially all of our employees. Generally, plan participants may contribute a portion of their compensation on a pre-tax and after-tax basis in accordance with the plans' guidelines. We match employees' contributions up to certain limits. Our matching contributions charged to expense were $28 million in 2011, $26 million in 2010, and $25 million in 2009. Included in these amounts are matching contributions for employees that support WPX's operations that were directly charged to WPX and included in *income (loss) from discontinued operations* that totaled $5 million for each of the 2011, 2010, and 2009 years.

Note 8. Inventories

	December 31, 2011	December 31, 2010
	(Millions)	
Natural gas liquids and olefins	$ 97	$ 87
Natural gas in underground storage	1	62
Materials, supplies, and other	71	76
	$169	$225

Note 9. Property, Plant, and Equipment

	Estimated Useful Life (a) (Years)	Depreciation Rates (a) (%)	December 31, 2011	December 31, 2010
			(Millions)	
Nonregulated:				
Natural gas gathering and processing facilities	5 - 40		$ 6,435	$ 6,134
Construction in progress	(b)		648	223
Other	3 - 45		816	773
Regulated:				
Natural gas transmission facilities		.01 - 6.67	9,593	9,066
Construction in progress		(b)	199	240
Other		.01 - 33.33	1,391	1,359
Total property, plant, and equipment, at cost			19,082	17,795
Accumulated depreciation and amortization			(6,502)	(6,041)
Property, plant, and equipment - net			$12,580	$11,754

(a) Estimated useful life and depreciation rates are presented as of December 31, 2011. Depreciation rates for regulated assets are prescribed by the FERC.
(b) Construction in progress balances not yet subject to depreciation.

Depreciation and amortization expense for *property, plant, and equipment – net* was $658 million in 2011, $611 million in 2010, and $576 million in 2009.

Regulated *property, plant, and equipment – net* includes $865 million and $906 million at December 31, 2011 and 2010, respectively, related to amounts in excess of the original cost of the regulated facilities within our gas pipeline businesses as a result of our prior acquisitions. This amount is being amortized over 40 years using the straight-line amortization method. Current FERC policy does not permit recovery through rates for amounts in excess of original cost of construction.

Asset Retirement Obligations

Our accrued obligations relate to underground storage caverns, offshore platforms, fractionation and compression facilities, gas gathering well connections and pipelines, and gas transmission facilities. At the end of the useful life of each respective asset, we are legally obligated to plug storage caverns and remove any related surface equipment, to restore land and remove surface equipment at gas processing, fractionation and compression facilities, to dismantle offshore platforms, to cap certain gathering pipelines at the wellhead connection and remove any related surface equipment, and to remove certain components of gas transmission facilities from the ground.

The following table presents the significant changes to our asset retirement obligations, of which $507 million and $464 million are included in *regulatory liabilities, deferred income, and other*, with the remaining current portion in *accrued liabilities* at December 31, 2011 and 2010, respectively.

	December 31,	
	2011	2010
	(Millions)	
Beginning balance	$499	$499
Liabilities settled	(46)	(16)
Additions	4	2
Accretion expense	39	36
Revisions(1)	77	(22)
Ending balance	$573	$499

(1) The revision in 2011 is primarily due to increases in the inflation rate and estimated removal costs, which are among several factors considered for revision in the annual review process. The revision in 2010 is primarily due to a decrease in the inflation rate. The 2011 and 2010 revisions also include increases of $39 million and $31 million, respectively, related to changes in the timing and method of abandonment on certain of Transco's natural gas storage caverns that were associated with a leak in 2010.

Pursuant to its 2008 rate case settlement, Transco deposits a portion of its collected rates into an external trust (ARO Trust) that is specifically designated to fund future AROs. Transco is also required to make annual deposits into the trust through 2012. (See Note 15.).

Note 10. Accrued Liabilities

	December 31,	
	2011	2010
	(Millions)	
Interest on debt	$143	$162
Employee costs	127	146
Asset retirement obligations	66	35
Income taxes	24	187
Other, including other loss contingencies	271	208
	$631	$738

Note 11. Debt, Banking Arrangements, and Leases

Long-Term Debt

	December 31, 2011	December 31, 2010
	(Millions)	
Unsecured:		
Transco:		
7% Notes due 2011	$ —	$ 300
8.875% Notes due 2012	325	325
6.4% Notes due 2016	200	200
6.05% Notes due 2018	250	250
7.08% Debentures due 2026	8	8
7.25% Debentures due 2026	200	200
5.4% Notes due 2041	375	—
Northwest Pipeline:		
7% Notes due 2016	175	175
5.95% Notes due 2017	185	185
6.05% Notes due 2018	250	250
7.125% Debentures due 2025	85	85
WPZ:		
7.5% Notes due 2011	—	150
3.8% Notes due 2015	750	750
7.25% Notes due 2017	600	600
5.25% Notes due 2020	1,500	1,500
4.125% Notes due 2020	600	600
4% Notes due 2021	500	—
6.3% Notes due 2040	1,250	1,250
The Williams Companies, Inc.:		
7.875% Notes due 2021	371	571
7.5% Debentures due 2031	339	527
7.75% Notes due 2031	252	369
8.75% Notes due 2032	445	686
Various - 5.5% to 10.25% Notes and Debentures due 2011 to 2033	90	152
Other, including secured capital lease obligations	4	13
Net unamortized debt discount	(32)	(38)
Total long-term debt, including current portion	8,722	9,108
Long-term debt due within one year	(353)	(508)
Long-term debt	$8,369	$8,600

Certain of our debt agreements contain covenants that restrict or limit, among other things, our ability to create liens supporting indebtedness, sell assets, and incur additional debt. Default of these agreements could also restrict our ability to make certain distributions or repurchase equity.

Credit Facilities

In June 2011, we entered into two new separate five-year senior unsecured revolving credit facility agreements. The replacements of our previous $900 million credit facility and WPZ's $1.75 billion credit facility, as discussed further below, are considered modifications for accounting purposes.

We established a new $900 million unsecured revolving credit facility agreement which replaced our existing unsecured $900 million credit facility agreement that was scheduled to expire May 1, 2012. There were no outstanding borrowings under the existing agreement at the time it was terminated. The new credit facility may, under certain conditions, be increased up to an additional $250 million. Significant financial covenants require our ratio of debt to EBITDA (each as defined in the credit facility) to be no greater than 4.5 to 1. For the fiscal quarter and the two following fiscal quarters in which one or more acquisitions for a total aggregate purchase price equal to or greater than $50 million has been executed, we are required to maintain a ratio of debt to EBITDA of no greater than 5 to 1. At December 31, 2011, we are in compliance with these financial covenants. On November 1, 2011, the new credit facility was amended primarily to revise certain defined terms for further clarity and to accommodate our revised reorganization plan related to the spin-off of WPX.

WPZ also established a new $2 billion unsecured revolving credit facility agreement that includes Transco and Northwest Pipeline as co-borrowers that replaced an existing unsecured $1.75 billion credit facility agreement that was scheduled to expire on February 17, 2013. This credit facility is only available to named borrowers. At the closing, WPZ refinanced $300 million outstanding under the existing facility via a noncash transfer of the obligation to the new credit facility. The new credit facility may, under certain conditions, be increased up to an additional $400 million. The full amount of the credit facility is available to WPZ to the extent not otherwise utilized by Transco and Northwest Pipeline. Transco and Northwest Pipeline each have access to borrow up to $400 million under the credit facility to the extent not otherwise utilized by the other co-borrowers. Significant financial covenants include:

- WPZ's ratio of debt to EBITDA (each as defined in the credit facility) must be no greater than 5 to 1. For the fiscal quarter and the two following fiscal quarters in which one or more acquisitions for a total aggregate purchase price equal to or greater than $50 million has been executed, WPZ is required to maintain a ratio of debt to EBITDA of no greater than 5.5 to 1;
- The ratio of debt to capitalization (defined as net worth plus debt) must be no greater than 65 percent for each of Transco and Northwest Pipeline.

At December 31, 2011, WPZ is in compliance with these financial covenants.

The two new credit agreements contain the following terms and conditions:

- Each time funds are borrowed, the applicable borrower may choose from two methods of calculating interest: a fluctuating base rate equal to Citibank N.A.'s alternate base rate plus an applicable margin or a periodic fixed rate equal to LIBOR plus an applicable margin. The applicable borrower is required to pay a commitment fee (currently 0.25 percent) based on the unused portion of their respective credit facility. The applicable margin and the commitment fee are determined for each borrower by reference to a pricing schedule based on such borrower's senior unsecured long-term debt ratings.
- Various covenants may limit, among other things, a borrower's and its material subsidiaries' ability to grant certain liens supporting indebtedness, a borrower's ability to merge or consolidate, sell all or substantially all of its assets, enter into certain affiliate transactions, make certain distributions during an event of default, make investments, and allow any material change in the nature of its business.

- If an event of default with respect to a borrower occurs under their respective credit facility agreement, the lenders will be able to terminate the commitments for the respective borrowers and accelerate the maturity of any loans of the defaulting borrower under the respective credit facility agreement and exercise other rights and remedies.

Letter of credit capacity under our $900 million and WPZ's $2 billion credit facilities is $700 million and $1.3 billion, respectively. At December 31, 2011, no letters of credit have been issued and no loans are outstanding on either facility. We have issued letters of credit totaling $21 million as of December 31, 2011, under certain bilateral bank agreements.

Issuances and Retirements

Utilizing cash on hand, WPZ retired $150 million of 7.5 percent senior unsecured notes that matured on June 15, 2011.

In August 2011, Transco issued $375 million of 5.4 percent senior unsecured notes due 2041 to investors in a private debt placement. A portion of these proceeds was used to repay Transco's $300 million 7 percent senior unsecured notes that matured on August 15, 2011. As part of the new issuance, Transco entered into a registration rights agreement with the initial purchasers of the unsecured notes. An offer to exchange these unregistered notes for substantially identical new notes that are registered under the Securities Act of 1933, as amended, was commenced in February 2012 and is expected to be completed in March 2012. If Transco fails to complete the exchange within certain time periods required by the registration rights agreement, additional interest will accrue on the affected securities. The rate of additional interest will be 0.25 percent per annum on the principal amount of the affected securities for the first 90-day period immediately following the occurrence of default, increasing by an additional 0.25 percent per annum with respect to each subsequent 90-day period thereafter. Following the cure of any registration defaults, the accrual of additional interest will cease.

In November 2011, WPZ completed a public offering of $500 million of its 4 percent senior unsecured notes due 2021. WPZ used the net proceeds primarily to repay outstanding borrowings on its senior unsecured revolving credit facility.

In November 2011, WPX completed the issuance of $1.5 billion of senior unsecured notes and subsequently distributed $981 million of the proceeds to us. As a result of the spin-off, these WPX notes are not included in our consolidated debt balance at December 31, 2011. Primarily utilizing the distribution we received related to the WPX debt issuance, we retired $746 million of debt in December 2011. In conjunction with the retirement, we paid $254 million in related premiums.

Other Debt Disclosures

As of December 31, 2011, aggregate minimum maturities of long-term debt (excluding capital leases and unamortized discount and premium) for each of the next five years are as follows:

	(Millions)
2012	$ 352
2013	$ —
2014	$ —
2015	$ 750
2016	$ 375

Cash payments for interest (net of amounts capitalized) were $599 million in 2011, $614 million in 2010 and $592 million in 2009.

We have considered the guidance in the Securities and Exchange Commission's Regulation S-X related to restricted net assets of subsidiaries. In accordance with Rule 4-08(e) of Regulation S-X, we have determined that certain net assets of our subsidiaries are considered restricted under this guidance and exceed 25 percent of our consolidated net assets. Substantially all of these restricted net assets relate to the net assets of WPZ, which are technically considered restricted under this accounting rule due to terms within WPZ's partnership agreement that govern the partnership's assets. Our interest in WPZ's net assets at December 31, 2011 was $3.9 billion.

Leases-Lessee

Future minimum annual rentals under noncancelable operating leases as of December 31, 2011 are payable as follows:

	(Millions)
2012	$ 43
2013	35
2014	33
2015	29
2016	26
Thereafter	148
Total	$ 314

Under our right-of-way agreement with the Jicarilla Apache Nation (JAN), we make annual payments of approximately $8 million and an additional annual payment which varies depending on the prior year's per-unit NGL margins and the volume of gas gathered by our Williams Partners gathering facilities subject to the agreement. Depending primarily on the per-unit NGL margins for any given year, the additional annual payments could exceed the fixed amount. This agreement expires March 31, 2029.

Total rent expense was $49 million in 2011, $45 million in 2010, and $45 million in 2009.

Note 12. Stockholders' Equity

Cash dividends declared per common share were $.775, $.485 and $.44 for 2011, 2010, and 2009, respectively.

At December 31, 2011, approximately $8 million of our original $300 million, 5.5 percent junior subordinated convertible debentures, convertible into approximately one million shares of common stock, remain outstanding. In 2011, 2010 and 2009, we converted $14 million, $2 million and $28 million, respectively, of the debentures in exchange for approximately one million, less than one million and three million shares, respectively, of common stock. In conjunction with the spin-off of WPX, the conversion rate for the remaining debentures outstanding has been modified.

We maintain a Stockholder Rights Plan, as amended and restated on September 21, 2004, and further amended May 18, 2007, and October 12, 2007, under which each outstanding share of our common stock has a right (as defined in the plan) attached. Under certain conditions, each right may be exercised to purchase, at an exercise price of $50 (subject to adjustment), one two-hundredth of a share of Series A Junior Participating Preferred Stock. The rights may be exercised only if an Acquiring Person acquires (or obtains the right to acquire) 15 percent or more of our common stock or commences an offer for 15 percent or more of our common stock. The plan contains a mechanism to divest of shares of common stock if such stock in excess of 14.9 percent was acquired inadvertently or without knowledge of the terms of the rights. The rights, which until exercised do not have voting rights, expire in 2014 and may be redeemed at a price of $.01 per right prior to their expiration, or within a specified period of time after the occurrence of certain events. In the event a person becomes the owner of more than 15 percent of our common stock, each holder of a right (except an Acquiring Person) shall have the right to receive, upon exercise, our common stock having a value equal to two times the exercise price of the right. In the event we are engaged in a merger, business combination, or 50 percent or more of our assets, cash flow or earnings power is sold or transferred, each holder of a right (except an Acquiring Person) shall have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the right.

On December 31, 2011, we completed the tax-free spin-off of our interest in WPX to our shareholders. (See Note 2.)

Note 13. Stock-Based Compensation

Plan Information

On May 17, 2007, our stockholders approved a plan that provides common-stock-based awards to both employees and nonmanagement directors and reserved 19 million new shares for issuance. On May 20, 2010, our stockholders approved an amendment and restatement of the 2007 plan to increase by 11 million the number of new shares authorized for making awards under the plan, among other changes. The plan permits the granting of various types of awards including, but not limited to, restricted stock units and stock options. At December 31, 2011, 35 million shares of our common stock were reserved for issuance pursuant to existing and future stock awards, of which 20 million shares were available for future grants.

Additionally, on May 17, 2007, our stockholders approved an Employee Stock Purchase Plan (ESPP) which authorizes up to 2 million new shares of our common stock to be available for sale under the plan. The ESPP enables eligible participants to purchase our common stock through payroll deductions not exceeding an annual amount of $15,000 per participant. The ESPP provides for offering periods during which shares may be purchased and continues until the earliest of: (1) the Board of Directors terminates the ESPP, (2) the sale of all shares available under the ESPP, or (3) the tenth anniversary of the date the Plan was approved by the stockholders. The first offering under the ESPP commenced on October 1, 2007 and ended on December 31, 2007. Subsequent offering periods are from January through June and from July through December. Generally, all employees are eligible to participate in the ESPP, with the exception of executives and international employees. The number of shares eligible for an employee to purchase during each offering period is limited to 750 shares. The purchase price of the stock is 85 percent of the lower closing price of either the first or the last day of the offering period. The ESPP requires a one-year holding period before the stock can be sold. Employees purchased 239 thousand shares at an average price of $21.19 per share during 2011. Approximately 809 thousand shares were available for purchase under the ESPP at December 31, 2011.

Total stock-based compensation expense for the years ended December 31, 2011, 2010 and 2009 was $52 million, $48 million, and $43 million, respectively, of which $18 million, $14 million, and $13 million is included in income (loss) from discontinued operations for each respective year. Measured but unrecognized stock-based compensation expense at December 31, 2011, was $35 million, which does not include the effect of estimated forfeitures of $2 million. This amount is comprised of $3 million related to stock options and $32 million related to restricted stock units. These amounts are expected to be recognized over a weighted-average period of 1.8 years.

WPX Spin Off

As provided in the Employee Matters Agreement related to the spin-off of WPX (see Note 1), except for options awards granted prior to 2006, stock-based awards previously held by WPX employees were forfeited and replaced with WPX stock-based awards while awards held by our ongoing employees were adjusted upon the spin-off. All stock options granted previous to 2006 were converted into options to acquire both WPX common stock and our common stock. The adjusted awards maintain their original terms and conditions with regard to vesting schedules and expiration dates. These modifications to our stock-based compensation awards resulted in an insignificant amount of incremental expense. Both the shares and weighted-average prices presented below are on a post-spin basis.

Stock Options

The following summary reflects stock option activity and related information for the year ended December 31, 2011.

Stock Options	Options (Millions)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (Millions)
Outstanding at December 31, 2010	12.3	$ 14.18	
Granted	0.9	$ 24.21	
Exercised	(3.3)	$ 11.13	
Expired	(0.3)	$ 28.56	
Outstanding at December 31, 2011	9.6	$ 15.63	$ 111
Exercisable at December 31, 2011	7.8	$ 14.87	$ 97

The total intrinsic value of options exercised during the years ended December 31, 2011, 2010, and 2009 was $55 million, $20 million, and $2 million, respectively; and the tax benefit realized was $21 million, $7 million, and $1 million, respectively. Cash received from stock option exercises was $45 million, $7 million, and $2 million during 2011, 2010, and 2009, respectively.

The following summary provides additional information about stock options that are outstanding and exercisable at December 31, 2011.

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Options (Millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Options (Millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)
$1.85 to $9.94	3.6	$ 7.49	3.8	3.3	$ 7.33	3.4
$12.79 to $19.80	3.3	$ 16.56	4.5	2.7	$ 16.42	3.8
$22.11 to $24.21	1.8	$ 23.62	6.8	0.9	$ 23.03	4.5
$26.10 to $29.72	0.9	$ 29.68	5.4	0.9	$ 29.68	5.4
Total	9.6	$ 15.63	4.7	7.8	$ 14.87	3.9

The estimated fair value at date of grant of options for our common stock granted in each respective year, using the Black-Scholes option pricing model, is as follows:

	2011	2010	2009
Weighted-average grant date fair value of options for our common stock granted during the year, per share	$6.28	$5.71	$4.56
Weighted-average assumptions:			
Dividend yield	3.6%	2.6%	1.6%
Volatility	34.6%	39.0%	60.8%
Risk-free interest rate	2.8%	3.0%	2.3%
Expected life (years)	6.5	6.5	6.5

The expected dividend yield is based on the average annual dividend yield as of the grant date. Expected volatility is based on the historical volatility of our stock and the implied volatility of our stock based on traded options. In calculating historical volatility, returns during calendar year 2002 were excluded as the extreme volatility during that time is not reasonably expected to be repeated in the future. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rates as of the grant date. The expected life of the option is based on historical exercise behavior and expected future experience.

Nonvested Restricted Stock Units

The following summary reflects nonvested restricted stock unit activity and related information for the year ended December 31, 2011.

Restricted Stock Units	Shares (Millions)	Weighted-Average Fair Value*
Nonvested at December 31, 2010	5.2	$ 12.91
Granted	1.4	$ 23.31
Forfeited	(0.2)	$ 15.16
Cancelled	(0.3)	$ —
Vested	(0.9)	$ 26.46
Nonvested at December 31, 2011	5.2	$ 14.12

* Performance-based shares are primarily valued using a valuation pricing model. However, certain of these shares were valued using the end-of-period market price until certification that the performance objectives were completed or a value of zero once it was determined that it was unlikely that performance objectives would be met. All other shares are valued at the grant-date market price, less dividends projected to be paid over the vesting period.

Other restricted stock unit information

	2011	2010	2009
Weighted-average grant date fair value of restricted stock units granted during the year, per share	$23.31	$16.37	$7.70
Total fair value of restricted stock units vested during the year ($'s in millions)	$ 35	$ 29	$ 28

Performance-based shares granted under the Plan represent 30 percent of nonvested restricted stock units outstanding at December 31, 2011. These grants may be earned at the end of a three-year period based on actual performance against a performance target. Based on the extent to which certain financial targets are achieved, vested shares may range from zero percent to 200 percent of the original grant amount.

Note 14. Fair Value Measurements

The following table presents, by level within the fair value hierarchy, our assets that are measured at fair value on a recurring basis.

	December 31, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Millions)							
ARO Trust investments (see Note 15)	$ 25	$ —	$ —	$ 25	$ 40	$ —	$ —	$ 40
Available-for-sale equity securities (see Note 3)	24	—	—	24	—	—	—	—
Energy derivatives	1	—	—	1	—	—	—	—
Total assets	$ 50	$ —	$ —	$ 50	$ 40	$ —	$ —	$ 40

ARO Trust investments: Transco deposits a portion of its collected rates into an external trust (ARO Trust) that is specifically designated to fund future asset retirement obligations pursuant to its 2008 rate case settlement. The ARO Trust invests in a portfolio of actively traded mutual funds.

Available-for-sale marketable equity securities: At December 31, 2011 we held certain equity securities that were subsequently sold in January 2012. These securities are traded on the New York Stock Exchange.

Energy derivatives: Energy derivatives include commodity based exchange-traded contracts, which consist of swaps that are valued based on quoted prices in active markets. The tenure of our energy derivatives portfolio is relatively short with all of our derivatives expiring by March 31, 2013.

The following table presents assets measured on a nonrecurring basis within Level 3 of the fair value hierarchy as of December 31, 2010.

	Fair Value Measurement	Total Impairments
	(Millions)	
Certain gathering assets – Williams Partners	$ 3	$ 9

Note 15. Financial Instruments, Derivatives, Guarantees, and Concentration of Credit Risk

Financial Instruments

Fair-value methods

We use the following methods and assumptions in estimating our fair-value disclosures for financial instruments:

Cash and cash equivalents and restricted cash: The carrying amounts reported in the Consolidated Balance Sheet approximate fair value due to the short-term maturity of these instruments. Restricted cash is included in *other current assets and deferred charges* in the Consolidated Balance Sheet.

ARO Trust investments: Transco deposits a portion of its collected rates, pursuant to its 2008 rate case settlement, into the ARO Trust. The ARO Trust invests in a portfolio of mutual funds that are reported at fair value, based on quoted net asset values, in *regulatory assets, deferred charges, and other* in the Consolidated Balance Sheet and are classified as available-for-sale. However, both realized and unrealized gains and losses are ultimately recorded as regulatory assets or liabilities.

Long-term debt: The fair value of our publicly traded long-term debt is determined using indicative period-end traded bond market prices. The fair value of our private debt is based on market rates and the prices of similar securities with similar terms and credit ratings. At December 31, 2011 and December 31, 2010, approximately 96 percent and 100 percent, respectively, of our long-term debt was publicly traded.

Guarantee: The *guarantee* represented in the following table consists of a guarantee we have provided in the event of nonpayment by our previously owned communications subsidiary, Williams Communications Group (WilTel), on a lease performance obligation. To estimate the fair value of the guarantee, the estimated default rate is determined by obtaining the average cumulative issuer-weighted corporate default rate based on the credit rating of WilTel's current owner and the term of the underlying obligation. The default rate is published by Moody's Investors Service. This guarantee is included in *accrued liabilities* in the Consolidated Balance Sheet.

Other: Includes current and noncurrent notes receivable, margin deposits, customer margin deposits payable, and cost-based investments. Other also includes available-for-sale equity securities. These securities are reported within *other current assets and deferred charges* in the Consolidated Balance Sheet and are carried at fair value based upon the publicly traded equity prices.

Energy derivatives: Energy derivatives include forwards and swaps. These are carried at fair value in the Consolidated Balance Sheet. See Note 14 for a discussion of the valuation of our energy derivatives.

Carrying amounts and fair values of our financial instruments

Asset (Liability)	December 31, 2011 Carrying Amount	December 31, 2011 Fair Value	December 31, 2010 Carrying Amount	December 31, 2010 Fair Value
	(Millions)			
Cash and cash equivalents	$ 889	$ 889	$ 758	$ 758
Restricted cash	$ —	$ —	$ 4	$ 4
ARO Trust investments	$ 25	$ 25	$ 40	$ 40
Long-term debt, including current portion (a)	$(8,718)	$(10,043)	$(9,104)	$(9,990)
Guarantee	$ (34)	$ (32)	$ (35)	$ (34)
Other	$ 82	$ 81 (b)	$ 2	$ — (b)
Energy derivatives	$ 1	$ 1	$ —	$ —

(a) Excludes capital leases.

(b) Excludes certain cost-based investments in companies that are not publicly traded and therefore it is not practicable to estimate fair value. The carrying value of these investments was $1 million and $2 million at December 31, 2011 and December 31, 2010, respectively.

Energy Commodity Derivatives

Risk management activities

We are exposed to market risk from changes in energy commodity prices within our operations. We may utilize derivatives to manage our exposure to the variability in expected future cash flows from forecasted purchases and sales of natural gas and NGLs attributable to commodity price risk. Certain of these derivatives utilized for risk management purposes have been designated as cash flow hedges, while other derivatives have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging our future cash flows on an economic basis.

We produce and sell NGLs and olefins at different locations throughout North America. We also buy natural gas to satisfy the required fuel and shrink needed to generate NGLs and olefins. In addition, we buy NGLs as feedstock to generate olefins. To reduce exposure to a decrease in revenues from fluctuations in NGL market prices or increases in costs and operating expenses from fluctuations in natural gas and NGL market prices, we may enter into NGL or natural gas swap agreements, financial forward contracts, and financial option contracts to mitigate the price risk on forecasted sales of NGLs and purchases of natural gas and NGLs. Those designated as cash flow hedges are expected to be highly effective in offsetting cash flows attributable to the hedged risk during the term of the hedge. However, ineffectiveness may be recognized primarily as a result of locational differences between the hedging derivative and the hedged item.

Volumes

Our energy commodity derivatives are comprised of both contracts to purchase the commodity (long positions) and contracts to sell the commodity (short positions). Derivative transactions are categorized into two types:

- Central hub risk: Includes physical and financial derivative exposures to Henry Hub for natural gas and Mont Belvieu for NGLs;
- Basis risk: Includes physical and financial derivative exposures to the difference in value between the central hub and another specific delivery point.

The following table depicts the notional quantities of the net long (short) positions in our commodity derivatives portfolio as of December 31, 2011. NGLs are presented in barrels.

Derivative Notional Volumes	Unit of Measure	Central Hub Risk	Basis Risk
Not Designated as Hedging Instruments			
Williams Partners	Barrels	45,000	240,000
Midstream Canada & Olefins	Barrels	(25,000)	

Fair values and gains (losses)

At December 31, 2011, the fair value of our energy commodity derivatives was an asset of $1 million. These derivative contracts were not designated as hedging instruments. Our derivatives are included in *other current assets and deferred charges* in our Consolidated Balance Sheet. Derivatives are classified as current or noncurrent based on the contractual timing of expected future net cash flows of individual contracts. The expected future net cash flows for derivatives classified as current are expected to occur within the next 12 months. The fair value amount is on a gross basis and does not reflect the netting of asset and liability positions permitted under the terms of our master netting arrangements. Further, the amount does not include cash held on deposit in margin accounts that we have received or remitted to collateralize certain derivative positions.

The following table presents pre-tax gains and losses for our energy commodity derivatives designated as cash flow hedges, as recognized in AOCI, *revenues*, or *costs and operating expenses*.

	Years ended December 31, 2011	2010	Classification
	(Millions)		
Net gain (loss) recognized in other comprehensive income (loss) (effective portion)	$ (18)	$ (12)	AOCI
Net gain (loss) reclassified from accumulated other comprehensive income (loss) into income (effective portion)	$ (18)	$ (13)	Revenues or Costs and Operating Expenses
Gain (loss) recognized in income (ineffective portion)	$ —	$ —	Revenues or Costs and Operating Expenses

There were no gains or losses recognized in income as a result of excluding amounts from the assessment of hedge effectiveness or as a result of reclassifications to earnings following the discontinuance of any cash flow hedges.

We recognized losses of $2 million and $1 million in *revenues* for the years ended December 31, 2011 and 2010, respectively, on our energy commodity derivatives not designated as hedging instruments.

The cash flow impact of our derivative activities is presented in the Consolidated Statement of Cash Flows as *changes in current and noncurrent derivative assets and liabilities*.

Credit-risk-related features

Certain of our derivative contracts contain credit-risk-related provisions that would require us, in certain circumstances, to post additional collateral in support of our net derivative liability positions. These credit-risk-related provisions require us to post collateral in the form of cash or letters of credit when our net liability positions exceed an established credit threshold. The credit thresholds are typically based on our senior unsecured debt ratings from Standard and Poor's and/or Moody's Investors Service. Under these contracts, a credit ratings decline would lower our credit thresholds, thus requiring us to post additional collateral. We also have contracts that contain adequate assurance provisions giving the counterparty the right to request collateral in an amount that corresponds to the outstanding net liability.

As of December 31, 2011 and December 31, 2010, we did not have any collateral posted, either in the form of cash or letters of credit, to derivative counterparties since we had respective net derivative asset positions with all of our counterparties.

Cash flow hedges

Changes in the fair value of our cash flow hedges, to the extent effective, are deferred in AOCI and reclassified into earnings in the same period or periods in which the hedged forecasted purchases or sales affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. As of December 31, 2011, we have realized all of our hedged portions of future cash flows associated with anticipated energy commodity purchases. Based on recorded values at December 31, 2011, no net gains or losses will be reclassified into earnings within the next year.

Guarantees

In addition to the guarantees and payment obligations discussed in Note 2 and Note 16, we have issued guarantees and other similar arrangements as discussed below.

We are required by our revolving credit agreements to indemnify lenders for any taxes required to be withheld from payments due to the lenders and for any tax payments made by the lenders. The maximum potential amount of future payments under these indemnifications is based on the related borrowings and such future payments cannot currently be determined. These indemnifications generally continue indefinitely unless limited by the underlying tax regulations and have no carrying value. We have never been called upon to perform under these indemnifications and have no current expectation of a future claim.

We have provided a guarantee in the event of nonpayment by our previously owned communications subsidiary, WilTel, on a certain lease performance obligation that extends through 2042. The maximum potential exposure is approximately $38 million at December 31, 2011 and $39 million at December 31, 2010. Our exposure declines systematically throughout the remaining term of WilTel's obligation. The carrying value of the guarantee included in *accrued liabilities* on the Consolidated Balance Sheet is $34 million at December 31, 2011 and $35 million at December 31, 2010.

At December 31, 2011, we do not expect these guarantees to have a material impact on our future liquidity or financial position. However, if we are required to perform on these guarantees in the future, it may have an adverse effect on our results of operations.

Concentration of Credit Risk

Cash equivalents

Our cash equivalents are primarily invested in funds with high-quality, short-term securities and instruments that are issued or guaranteed by the U.S. government.

Accounts and notes receivable

The following table summarizes concentration of receivables, net of allowances, by product or service at December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
	(Millions)	
Receivables by product or service:		
Sale of NGLs and related products and services	$446	$345
Transportation of natural gas and related products	164	149
Other, including certain amounts due from WPX	27	3
Total	$637	$497

Natural gas and NGL customers include pipelines, distribution companies, producers, gas marketers and industrial users primarily located in the central, eastern and northwestern United States, Rocky Mountains, Gulf Coast, and Canada. As a general policy, collateral is not required for receivables, but customers' financial condition and credit worthiness are evaluated regularly.

Revenues

In 2011 and 2010, we had one customer that accounted for 17 percent and 15 percent of our consolidated revenues, respectively. There were no customers for which our sales exceeded 10 percent of our consolidated revenues in 2009.

Note 16. Contingent Liabilities and Commitments

Indemnification of WPX Matters

We have agreed to indemnify our former affiliate, WPX and its subsidiaries, related to the following matters. In connection with this indemnification, we have retained applicable accrued asset and liability balances associated with these matters, and as a result, have an indirect exposure to future developments in these matters.

Issues Resulting from California Energy Crisis

WPX's former power business was engaged in power marketing in various geographic areas, including California. Prices charged for power by WPX and other traders and generators in California and other western states in 2000 and 2001 were challenged in various proceedings, including those before the Federal Energy Regulatory Commission (FERC). WPX has entered into settlements with the State of California (State Settlement), major California utilities (Utilities Settlement), and others that substantially resolved each of these issues with these parties.

Although the State Settlement and Utilities Settlement resolved a significant portion of the refund issues among the settling parties, WPX continues to have potential refund exposure to nonsettling parties, including various California end users that did not participate in the Utilities Settlement. WPX is currently in settlement negotiations with certain California utilities aimed at eliminating or substantially reducing this exposure. If successful, and subject to a final "true-up" mechanism, the settlement agreement would also resolve WPX's collection of accrued interest from counterparties as well as their payment of accrued interest on refund amounts. Thus, as currently contemplated by the parties, the settlement agreement would resolve most, if not all, of WPX's legal issues arising from the 2000-2001 California Energy Crisis. We currently have a net receivable from WPX related to these matters.

Certain other issues also remain open at the FERC and for other nonsettling parties.

Reporting of Natural Gas-Related Information to Trade Publications

Civil suits based on allegations of manipulating published gas price indices have been brought against WPX and others, in each case seeking an unspecified amount of damages. WPX is currently a defendant in class action litigation and other litigation originally filed in state court in Colorado, Kansas, Missouri and Wisconsin brought on behalf of direct and indirect purchasers of natural gas in those states. These cases were transferred to the federal court in Nevada. In 2008, the court granted summary judgment in the Colorado case in favor of WPX and most of the other defendants based on plaintiffs' lack of standing. In 2009, the court denied the plaintiffs' request for reconsideration of the Colorado dismissal and entered judgment in WPX's favor. The court's order became final on July 18, 2011, and the Colorado plaintiffs might appeal the order.

In the other cases, on July 18, 2011, the Nevada district court granted WPX's joint motions for summary judgment to preclude the plaintiffs' state law claims because the federal Natural Gas Act gives the FERC exclusive jurisdiction to resolve those issues. The court also denied the plaintiffs' class certification motion as moot. On July 22, 2011, the plaintiffs' appealed the court's ruling to the Ninth Circuit Court of Appeals, and the parties are briefing the issues. Because of the uncertainty around these current pending unresolved issues, including an insufficient description of the purported classes and other related matters, we cannot reasonably estimate a range of potential exposures at this time. However, it is reasonably possible that the ultimate resolution of these items and our related indemnification obligation could result in future charges that may be material to our results of operations.

Environmental Matters

We are a participant in certain environmental activities in various stages including assessment studies, cleanup operations and remedial processes at certain sites, some of which we currently do not own. We are monitoring these sites in a coordinated effort with other potentially responsible parties, the EPA, and other governmental authorities. We are jointly and severally liable along with unrelated third parties in some of these activities and solely responsible in others. Certain of our subsidiaries have been identified as potentially responsible parties at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. As of December 31, 2011, we have accrued liabilities totaling $47 million for these matters, as discussed below. Our accrual reflects the most likely costs of cleanup, which are generally based on completed assessment studies, preliminary results of studies or our experience with other similar cleanup operations. Certain assessment studies are still in process for which the ultimate outcome may yield significantly different estimates of most likely costs. Any incremental amount in excess of amounts currently accrued cannot be reasonably estimated at this time due to uncertainty about the actual number of contaminated sites ultimately identified, the actual amount and extent of contamination discovered and the final cleanup standards mandated by the EPA and other governmental authorities.

The EPA and various state regulatory agencies routinely promulgate and propose new rules, and issue updated guidance to existing rules. These new rules and rulemakings include, but are not limited to, rules for reciprocating internal combustion engine maximum achievable control technology, new air quality standards for ground level ozone, and one hour nitrogen dioxide emission limits. We are unable to estimate the costs of asset additions or modifications necessary to comply with these new regulations due to uncertainty created by the various legal challenges to these regulations and the need for further specific regulatory guidance.

Continuing operations

Our interstate gas pipelines are involved in remediation activities related to certain facilities and locations for polychlorinated biphenyl, mercury contamination, and other hazardous substances. These activities have involved the EPA, various state environmental authorities and identification as a potentially responsible party at various Superfund waste disposal sites. At December 31, 2011, we have accrued liabilities of $10 million for these costs. We expect that these costs will be recoverable through rates.

We also accrue environmental remediation costs for natural gas underground storage facilities, primarily related to soil and groundwater contamination. At December 31, 2011, we have accrued liabilities totaling $8 million for these costs.

Former operations, including operations classified as discontinued

We have potential obligations in connection with assets and businesses we no longer operate. These potential obligations include the indemnification of the purchasers of certain of these assets and businesses for environmental and other liabilities existing at the time the sale was consummated. Our responsibilities relate to the operations of the assets and businesses described below.

- Former agricultural fertilizer and chemical operations and former retail petroleum and refining operations;
- Former petroleum products and natural gas pipelines;
- Former petroleum refining facilities;
- Former exploration and production and mining operations;
- Former electricity and natural gas marketing and trading operations.

At December 31, 2011, we have accrued environmental liabilities of $29 million related to these matters.

Other Legal Matters

Gulf Liquids litigation

Gulf Liquids contracted with Gulsby Engineering Inc. (Gulsby) and Gulsby-Bay (a joint venture between Gulsby and Bay Ltd.) for the construction of certain gas processing plants in Louisiana. National American Insurance Company (NAICO) and American Home Assurance Company provided payment and performance bonds for the projects. In 2001, the contractors and sureties filed multiple cases in Louisiana and Texas against Gulf Liquids and us.

In 2006, at the conclusion of the consolidated trial of the asserted contract and tort claims, the jury returned its actual and punitive damages verdict against us and Gulf Liquids. Based on our interpretation of the jury verdicts, we recorded a charge based on our estimated exposure for actual damages of approximately $68 million plus potential interest of approximately $20 million. In addition, we concluded that it was reasonably possible that any ultimate judgment might have included additional amounts of approximately $199 million in excess of our accrual, which primarily represented our estimate of potential punitive damage exposure under Texas law.

From May through October 2007, the court entered seven post-trial orders in the case (interlocutory orders) which, among other things, overruled the verdict award of tort and punitive damages as well as any damages against us. The court also denied the plaintiffs' claims for attorneys' fees. On January 28, 2008, the court issued its judgment awarding damages against Gulf Liquids of approximately $11 million in favor of Gulsby and approximately $4 million in favor of Gulsby-Bay. Gulf Liquids, Gulsby, Gulsby-Bay, Bay Ltd., and NAICO appealed the judgment. In February 2009, we settled with certain of these parties and reduced our accrued liability as of December 31, 2008, by $43 million, including $11 million of interest. On February 17, 2011, the Texas Court of Appeals upheld the dismissals of the tort and punitive damages claims and reversed and remanded the contract claim and attorney fee claims for further proceedings. None of the parties filed a petition for review in the Texas Supreme Court. As a result, we reduced our accrued liability as of December 31, 2011 by $33 million, including $14 million of interest. We are awaiting the Texas Court of Appeals to issue a mandate remanding the case to the trial court.

James West v. Williams Alaska Petroleum, Inc., et al

In January 2010, the plaintiff originally filed a class action lawsuit in state court in Fairbanks, Alaska on behalf of individual property owners whose water contained sulfolane contamination allegedly emanating from the Flint Hills Oil Refinery in North Pole, Alaska. The suit named our subsidiary Williams Alaska Petroleum Inc. (WAPI) and Flint Hills Resources Alaska, LLC (FHRA) as defendants. We owned and operated the refinery until 2004 when we sold it to FHRA. We and FHRA have made claims under the pollution liability insurance policy issued in connection with the sale of the North Pole refinery to FHRA. We and FHRA also filed claims against each other seeking, among other things, contractual indemnification alleging that the other party caused the sulfolane contamination.

In August 2010, the court denied the plaintiff's request for class certification. On May 5, 2011, we and FHRA settled the James West claim, leaving FHRA and WAPI claims. On November 17, 2011, we filed motions for summary judgment on FHRA's claims against us, but the motions are unlikely to resolve all the outstanding claims. Similarly, FHRA has filed motions for summary judgment that would resolve some, but not all, of our claims against it. We await the court's ruling on those motions and the new scheduling order.

While significant uncertainty still exists due to, among other things, ongoing proceedings and expert evaluations, we currently estimate that our reasonably possible loss exposure in this matter could range from an insignificant amount up to $32 million. We might have the ability to recover any such losses under the pollution liability policy if FHRA has not exhausted the policy limits.

Other

In 2003, we entered into an agreement to sublease certain underground storage facilities to Liberty Gas Storage (Liberty). We have asserted claims against Liberty for prematurely terminating the sublease and for damage caused to the facilities. In February 2011, Liberty asserted a counterclaim for costs in excess of $200 million associated with its use of the facilities. Due to the lack of information currently available, we are unable to evaluate the merits of the counterclaim and determine the amount of any possible liability.

Other Divestiture Indemnifications

Pursuant to various purchase and sale agreements relating to divested businesses and assets, we have indemnified certain purchasers against liabilities that they may incur with respect to the businesses and assets acquired from us. The indemnities provided to the purchasers are customary in sale transactions and are contingent upon the purchasers incurring liabilities that are not otherwise recoverable from third parties. The indemnities generally relate to breach of warranties, tax, historic litigation, personal injury, property damage, environmental matters, right of way and other representations that we have provided.

At December 31, 2011, other than as previously disclosed, we are not aware of any material claims involving the indemnities; thus, we do not expect any of the indemnities provided pursuant to the sales agreements to have a material impact on our future financial position. Any claim for indemnity brought against us in the future may have a material adverse effect on our results of operations in the period in which the claim is made.

In addition to the foregoing, various other proceedings are pending against us which are incidental to our operations.

Summary

We estimate that for all matters for which we are able to reasonably estimate a range of loss, including those noted above and others that are not individually significant, our aggregate reasonably possible losses beyond amounts accrued for all of our contingent liabilities are immaterial to our expected future annual results of operations, liquidity and financial position. These calculations have been made without consideration of any potential recovery from third-parties. We have disclosed all significant matters for which we are unable to reasonably estimate a range of possible loss.

Commitments

Commitments for construction and acquisition of property, plant and equipment are approximately $830 million at December 31, 2011.

Note 17. Accumulated Other Comprehensive Income (Loss)

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

	Income (Loss)							
			Pension Benefits		Other Postretirement Benefits			
	Cash Flow Hedges	Foreign Currency Translation	Prior Service Cost	Net Actuarial Gain (Loss)	Prior Service Cost	Net Actuarial Gain (Loss)	Other	Total
	(Millions)							
Balance at December 31, 2008	$ 296	$ 53	$ (3)	$ (434)	$ 6	$ 2	$—	$ (80)
2009 Change:								
Pre-income tax amount	262	83	—	44	7	(1)	—	395
Income tax (provision) benefit	(99)	—	—	(17)	—	1	—	(115)
Net reclassification into earnings of derivative instrument gains (net of a $234 million income tax provision)	(384)	—	—	—	—	—	—	(384)
Amortization included in net periodic benefit expense	—	—	1	42	(4)	—	—	39
Income tax (provision) benefit on amortization	—	—	(1)	(16)	1	—	—	(16)
	(221)	83	—	53	4	—	—	(81)
Allocation of other comprehensive income (loss) to noncontrolling interests	—	—	—	(7)	—	—	—	(7)
Balance at December 31, 2009	75	136	(3)	(388)	10	2	—	(168)
2010 Change:								
Pre-income tax amount	488	29	—	(71)	—	(12)	—	434
Income tax (provision) benefit	(185)	—	—	24	—	3	—	(158)
Net reclassification into earnings of derivative instrument gains (net of a $131 million income tax provision)	(211)	—	—	—	—	—	—	(211)
Amortization included in net periodic benefit expense	—	—	1	35	(5)	1	—	32
Income tax (provision) benefit on amortization	—	—	—	(13)	2	—	—	(11)
	92	29	1	(25)	(3)	(8)	—	86

	Income (Loss)							
			Pension Benefits		Other Postretirement Benefits			
	Cash Flow Hedges	Foreign Currency Translation	Prior Service Cost	Net Actuarial Gain (Loss)	Prior Service Cost	Net Actuarial Gain (Loss)	Other	Total
	(Millions)							
Allocation of other comprehensive income to noncontrolling interests	—	—	—	—	—	—	—	—
Balance at December 31, 2010	167	165	(2)	(413)	7	(6)	—	(82)
2011 Change:								
Pre-income tax amount	395	(18)	—	(220)	2	(21)	—	138
Income tax (provision) benefit	(152)	—	—	82	(1)	7	—	(64)
Net reclassification into earnings of derivative instrument gains (net of a $124 million income tax provision)	(190)	—	—	—	—	—	—	(190)
Amortization included in net periodic benefit expense	—	—	1	42	(4)	1	—	40
Income tax (provision) benefit on amortization	—	—	—	(16)	1	—	—	(15)
Unrealized gain(loss) on equity securities	—	—	—	—	—	—	3	3
Distribution of WPX Energy, Inc. to shareholders	(220)	—	—	1	—	—	—	(219)
	(167)	(18)	1	(111)	(2)	(13)	3	(307)
Allocation of other comprehensive income to noncontrolling interests	—	—	—	—	—	—	—	—
Balance at December 31, 2011	$ —	$ 147	$ (1)	$ (524)	$ 5	$ (19)	$ 3	$(389)

Note 18. Segment Disclosures

Our reporting segments are Williams Partners and Midstream Canada & Olefins. All remaining business activities are included in Other. (See Note 1.)

Our segment presentation of Williams Partners is reflective of the parent-level focus by our chief operating decision-maker, considering the resource allocation and governance provisions associated with this master limited partnership structure. WPZ maintains a capital and cash management structure that is separate from ours. WPZ is self-funding and maintains its own lines of bank credit and cash management accounts. These factors, coupled with a different cost of capital from our other businesses, serve to differentiate the management of this entity as a whole.

Performance Measurement

We currently evaluate performance based upon *segment profit (loss)* from operations, which includes *segment revenues* from external and internal customers, *segment costs and expenses*, *equity earnings (losses)* and *income (loss) from investments*. The accounting policies of the segments are the same as those described in Note 1. Intersegment sales are generally accounted for at current market prices as if the sales were to unaffiliated third parties.

The primary types of costs and operating expenses by segment can be generally summarized as follows:

- Williams Partners—commodity purchases (primarily for NGL and crude marketing, shrink and fuel), depreciation and operation and maintenance expenses;
- Midstream Canada & Olefins—commodity purchases (primarily for shrink, feedstock and NGL and olefin marketing activities), depreciation and operation and maintenance expenses.

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

	United States	Other	Total
		(Millions)	
Revenues from external customers:			
2011	$ 7,728	$202	$ 7,930
2010	6,470	168	6,638
2009	5,163	115	5,278
Long-lived assets:			
2011	$ 12,041	$583	$12,624
2010	11,384	408	11,792
2009	11,064	310	11,374

Our foreign operations are primarily located in Canada. *Long-lived assets* are comprised of property, plant, and equipment, and other intangible assets.

As discussed in Notes 1 and 2, our former exploration and production business was spun-off on December 31, 2011 and has been reported as discontinued operations in all periods presented. Revenues derived from intercompany sales to our former exploration and production business, previously reported as internal, have been recast and are now shown as external. These sales were $310 million, $264 million, and $164 million for the years ended 2011, 2010, and 2009, respectively. In addition, costs attributable to activities with our former exploration and production business, previously reported as internal, have been recast and are now shown as external. Such costs were $845 million, $797 million, and $541 million for the years ended 2011, 2010, and 2009, respectively. The following table reflects the reconciliation of *segment revenues* and *segment profit (loss)* to *revenues* and *operating income (loss)* as reported in the Consolidated Statement of Operations and *other financial information* related to *long-lived assets*.

	Williams Partners	Midstream Canada & Olefins	Other	Eliminations	Total
			(Millions)		
2011					
Segment revenues:					
External	$ 6,614	$ 1,302	$ 14	$ —	$7,930
Internal	115	10	11	(136)	—
Total revenues	$ 6,729	$ 1,312	$ 25	$ (136)	$7,930
Segment profit (loss)	$ 1,896	$ 296	$ 24	$ —	$2,216
Less:					
Equity earnings (losses)	142	—	13	—	155
Income (loss) from investments	—	(4)	11	—	7
Segment operating income (loss)	$ 1,754	$ 300	$ —	$ —	2,054
General corporate expenses					(187)
Total operating income (loss)					$1,867
Other financial information:					
Additions to long-lived assets	$ 1,242	$ 242	$ 46	$ —	$1,530
Depreciation and amortization	$ 611	$ 26	$ 25	$ —	$ 662
2010					
Segment revenues:					
External	$ 5,609	$ 1,017	$ 12	$ —	$6,638
Internal	106	16	12	(134)	—
Total revenues	$ 5,715	$ 1,033	$ 24	$ (134)	$6,638
Segment profit (loss)	$ 1,574	$ 172	$ 68	$ —	$1,814
Less:					
Equity earnings (losses)	109	—	34	—	143
Income (loss) from investments	—	—	43	—	43
Segment operating income (loss)	$ 1,465	$ 172	$ (9)	$ —	1,628
General corporate expenses					(221)
Total operating income (loss)					$1,407
Other financial information:					
Additions to long-lived assets(1)	$ 904	$ 104	$ 25	$ —	$1,033
Depreciation and amortization	$ 568	$ 23	$ 21	$ —	$ 612
2009					
Segment revenues:					
External	$ 4,524	$ 737	$ 17	$ —	$5,278
Internal	78	16	10	(104)	—
Total revenues	$ 4,602	$ 753	$ 27	$ (104)	$5,278

	Williams Partners	Midstream Canada & Olefins	Other	Eliminations	Total
			(Millions)		
Segment profit (loss)	$ 1,317	$ 37	$ (41)	$ —	$ 1,313
Less:					
Equity earnings (losses)	81	—	37	—	118
Income (loss) from investments	—	—	(75)	—	(75)
Segment operating income (loss)	$ 1,236	$ 37	$ (3)	$ —	1,270
General corporate expenses					(164)
Total operating income (loss)					$ 1,106
Other financial information:					
Additions to long-lived assets	$ 1,023	$ 42	$ 27	$ —	$ 1,092
Depreciation and amortization	$ 553	$ 21	$ 19	$ —	$ 593

(1) Does not include WPZ's purchase of a business represented by certain gathering and processing assets in Colorado's Piceance basin from our former Exploration & Production segment now included in discontinued operations.

The following table reflects *total assets* and *equity method investments* by reporting segment, including discontinued operations.

	Total Assets		Equity Method Investments		
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2009
			(Millions)		
Williams Partners	$ 14,380	$ 13,404	$ 1,383	$ 1,045	$ 593
Midstream Canada & Olefins	1,138	922	—	—	—
Other (a)	1,275	3,553	7	193	196
Eliminations (a)	(291)	(2,632)	—	—	—
Discontinued operations (see Note 2)	—	9,725	—	104	95
Total	$ 16,502	$ 24,972	$ 1,390	$ 1,342	$ 884

(a) The decrease in the total assets of Other and Eliminations as compared to the prior year-end is substantially due to the forgiveness of an intercompany long-term receivable in the second-quarter of 2011.

Note 19. Subsequent Events

In January 2012, WPZ completed an equity issuance of 7 million common units representing limited partner interests at a price of $62.81 per unit. In February 2012, the underwriters exercised their option to purchase an additional 1.05 million common units for $62.81 per unit.

On February 17, 2012, Williams Partners completed the acquisition of 100 percent of the ownership interests in certain entities from Delphi Midstream Partners, LLC in exchange for $325 million in cash, net of cash acquired in the transaction and subject to certain closing adjustments, and approximately 7.5 million in WPZ common units valued at $465 million. Our valuation of the assets acquired and liabilities assumed has not been completed because the acquisition is very recent. We expect the significant components of the valuation to include property, plant and equipment, intangible contract assets and goodwill. The goodwill relates primarily to enhancing our strategic platform for expansion in the area. Revenues and earnings for the acquired companies are insignificant for the periods presented primarily because the Laser Gathering System began operations in October 2011.

THE WILLIAMS COMPANIES, INC.

QUARTERLY FINANCIAL DATA
(Unaudited)

Summarized quarterly financial data are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions, except per-share amounts)			
2011				
Revenues	$1,871	$1,984	$ 1,972	$2,103
Costs and operating expenses	1,309	1,394	1,389	1,458
Income (loss) from continuing operations	360	239	321	158
Net income (loss)	384	297	342	(362)
Amounts attributable to The Williams Companies, Inc.:				
Income (loss) from continuing operations	300	171	253	79
Net income (loss)	321	227	272	(444)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	0.51	0.29	0.43	0.14
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	0.50	0.29	0.43	0.13
2010				
Revenues	$1,724	$1,630	$ 1,543	$1,741
Costs and operating expenses	1,241	1,175	1,087	1,209
Income (loss) from continuing operations	(245)	177	179	160
Net income (loss)	(146)	222	(1,226)	228
Amounts attributable to The Williams Companies, Inc.:				
Income (loss) from continuing operations	(291)	143	144	108
Net income (loss)	(193)	185	(1,263)	174
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	(0.50)	0.25	0.25	0.19
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	(0.50)	0.24	0.25	0.18

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

On December 31, 2011, we completed the spin-off of our former exploration and production business. (See Note 1 of Notes to Consolidated Financial Statements.) Summarized quarterly financial data has been retrospectively adjusted to reflect the historical results of the exploration and production business as discontinued operations. The increases (decreases) to amounts previously reported were as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Millions, except per-share amounts)			
2011				
Revenues	$ (704)	$ (685)	$ (731)	$ N/A
Costs and operating expenses	(599)	(544)	(636)	N/A
Income (loss) from continuing operations	(32)	(61)	(26)	N/A
Net income (loss)	—	—	—	N/A
Amounts attributable to The Williams Companies, Inc.:				
Income (loss) from continuing operations	(29)	(59)	(24)	N/A
Net income (loss)	—	—	—	N/A
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	(0.05)	(0.10)	(0.04)	N/A
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	(0.05)	(0.09)	(0.04)	N/A
2010				
Revenues	$ (867)	$ (659)	$ (757)	$ (679)
Costs and operating expenses	(676)	(542)	(661)	(573)
Income (loss) from continuing operations	(97)	(48)	1,400	(72)
Net income (loss)	—	—	—	—
Amounts attributable to The Williams Companies, Inc.:				
Income (loss) from continuing operations	(96)	(45)	1,402	(70)
Net income (loss)	—	—	—	—
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	(0.17)	(0.07)	2.40	(0.12)
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	(0.17)	(0.07)	2.40	(0.12)

Net loss for fourth-quarter 2011 includes the following pre-tax items:

- $271 million of early debt retirement costs consisting primarily of cash premiums of $254 million (see Note 4 of Notes to Consolidated Financial Statements);
- $560 million of impairment charges primarily related to impairments of certain properties of our discontinued exploration and production business in the Powder River basin and Barnett Shale (see summarized results of discontinued operations at Note 2);
- $179 million of impairment charges associated with our investment in WPX (see summarized results of discontinued operations at Note 2);
- $33 million of income including associated interest related to the reduction of the Gulf Liquids litigation contingency accrual at Midstream Canada & Olefins (See Notes 4 and 16);
- $30 million of transaction costs related to the spin-off of our exploration and production former business (see summarized results of discontinued operations at Note 2).

Net loss for fourth-quarter 2011 also includes a $26 million net tax benefit associated with the write-down of certain indebtedness related to our former power operations (see summarized results of discontinued operations at Note 2).

Net income for third-quarter 2011 includes a $66 million tax benefit to reverse taxes on undistributed earnings of certain foreign operations that are now considered to be permanently reinvested (see Note 5).

Net income for first-quarter 2011 includes the following pre-tax items:

- $11 million gain related to the sale of our 50 percent interest in Accroven at Other (see Note 3);
- $10 million related to the reversal of project feasibility costs from expense to capital at Williams Partners (see Note 4).

Net income for first-quarter 2011 also includes a $124 million tax benefit related to finalized settlements and a revised assessment on an international matter (see Note 5).

Net income for fourth-quarter 2010 includes the following tax adjustments:

- $66 million provision to reflect taxes on undistributed earnings of certain foreign operations that were no longer consider permanently reinvested (see Note 5). These taxes were reversed in the third quarter of 2011;
- $65 million benefit to decrease state income taxes (net of federal benefit) due to a reduction in our estimate of the effective deferred state rate, including state income tax carryovers (see Note 5).

Net loss for third-quarter 2010 includes the following pre-tax items:

- $1,003 million impairment of goodwill related to our former exploration and production business (see summarized results of discontinued operations at Note 2);
- $678 million of impairments of certain producing properties and acquired unproved reserves related to our former exploration and production business (see summarized results of discontinued operations at Note 2);
- $30 million gain related to the sale of our 50 percent interest in Accroven at Other (see Note 3);
- $12 million gain on the sale of certain assets at Williams Partners (see Note 4).

Net income for second-quarter 2010 includes the following pre-tax items:

- $13 million gain related to the sale of our 50 percent interest in Accroven at Other (see Note 3);
- $11 million of involuntary conversion gains due to insurance recoveries that are in excess of the carrying value of assets at Williams Partners (see Note 4).

Net loss for first-quarter 2010 includes the following pre-tax items:

- $606 million of early debt retirement costs consisting primarily of cash premiums of $574 million (see Note 4);
- $39 million of other transaction costs associated with our strategic restructuring transaction, of which $4 million are attributable to noncontrolling interests (see Note 4);
- $4 million of accelerated amortization of debt costs related to amendments of credit facilities (see Note 4).

THE WILLIAMS COMPANIES, INC.

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

	Years Ended December 31, 2011	2010	2009
		(Millions)	
Equity in earnings of consolidated subsidiaries	$ 1,962	$ 1,457	$ 948
Interest accrued - external	(186)	(235)	(448)
Interest accrued - affiliate	(622)	(460)	(367)
Interest income - affiliate	84	76	285
Early debt retirement costs	(271)	(606)	(1)
Other income (expense) — net	(45)	(41)	(11)
Income from continuing operations before income taxes	922	191	406
Provision for income taxes	119	87	200
Income (loss) from continuing operations	803	104	206
Income (loss) from discontinued operations	(427)	(1,201)	79
Net income (loss)	$ 376	$ (1,097)	$ 285
Basic earnings (loss) per common share:			
Income (loss) from continuing operations	$ 1.36	$ 0.17	$ .35
Income (loss) from discontinued operations	(.72)	(2.05)	.14
Net income (loss)	$ .64	$ (1.88)	$ .49
Weighted-average shares (thousands)	588,553	584,552	581,674
Diluted earnings (loss) per share common share:			
Income (loss) from continuing operations	$ 1.34	$ .17	$ .35
Income (loss) from discontinued operations	(.71)	(2.03)	.14
Net income (loss)	$ .63	$ (1.86)	$ .49
Weighted-average shares (thousands)	598,175	590,699	585,955

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

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

	December 31, 2011	December 31, 2010
	(Millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 292	$ 102
Other current assets	128	18
Total current assets	420	120
Investments in and advances to consolidated subsidiaries	13,602	20,815
Property, plant, and equipment - net	61	62
Other noncurrent assets	142	58
Total assets	$ 14,225	$ 21,055
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 143	$ 292
Long-term debt due within one year	28	49
Other current liabilities	58	40
Total current liabilities	229	381
Long-term debt	1,456	2,235
Notes payable - affiliates	8,418	9,008
Pension, other post-retirement and other liabilities	732	460
Deferred income taxes	1,597	1,683
Contingent liabilities and commitments		
Equity:		
Common stock	626	620
Other stockholders' equity	1,167	6,668
Total stockholders' equity	1,793	7,288
Total liabilities and stockholders' equity	$ 14,225	$ 21,055

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

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

	Years Ended December 31,		
	2011	2010	2009
		(Millions)	
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	$ (286)	$ 3,371	$ (159)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	75	100	595
Payments of long-term debt	(871)	(3,102)	(15)
Changes in notes payable to affiliate	(590)	1,422	227
Tax benefit of stock-based awards	22	7	1
Premiums paid on early debt retirement	(254)	(574)	—
Proceeds from issuance of common stock	49	12	6
Dividends paid	(457)	(284)	(256)
Other — net	(5)	(12)	(1)
Net cash provided (used) by financing activities	(2,031)	(2,431)	557
INVESTING ACTIVITIES:			
Capital expenditures	(28)	(15)	(14)
Changes in investments in and advances to consolidated subsidiaries	2,553	(2,054)	(1)
Other — net	(18)	—	1
Net cash provided (used) by investing activities	2,507	(2,069)	(14)
Increase (decrease) in cash and cash equivalents	190	(1,129)	384
Cash and cash equivalents at beginning of period	102	1,231	847
Cash and cash equivalents at end of period	$ 292	$ 102	$1,231

See accompanying notes.

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OR REGISTRANT
NOTES TO FINANCIAL INFORMATION (PARENT)

Note 1. Guarantees

In addition to the guarantees disclosed in the accompanying consolidated financial statements in Item 8, we have financially guaranteed the performance of certain consolidated subsidiaries. The duration of these guarantees varies and we estimate the maximum undiscounted potential future payment obligation related to these guarantees as of December 31, 2011, is approximately $233 million. We estimate that the fair value of these guarantees is not material.

Note 2. Cash Dividends Received

We receive dividends and distributions either directly from our subsidiaries or indirectly through dividends received by subsidiaries and subsequent transfers of cash to us through our corporate cash management system. The total of such receipts ultimately related to dividends and distributions for the years ended December 31, 2011, 2010 and 2009 was approximately $1.2 billion, $5.0 billion, and $635 million, respectively.

THE WILLIAMS COMPANIES, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged (Credited) To Costs and Expenses	Additions: Other	Deductions	Ending Balance
			(Millions)		
2011					
Allowance for doubtful accounts - accounts and notes receivable(b)	$ 15	$ 1	$—	$ 15 (g)	$ 1
Deferred tax asset valuation allowance(a)	249	(33)	—	71 (g)	145
2010					
Allowance for doubtful accounts - accounts and notes receivable(b)	22	(6)	—	1 (f)	15
Deferred tax asset valuation allowance(a)	289	(40)	—	—	249
Price-risk management credit reserves - liabilities(c)	(3)	3 (d)	—	—	—
2009					
Allowance for doubtful accounts - accounts and notes receivable(b)	29	4	—	11 (f)	22
Deferred tax asset valuation allowance(a)	224	65	—	—	289
Price-risk management credit reserves - assets(b)	6	(3)(d)	(3)(e)	—	—
Price-risk management credit reserves - liabilities(c)	(15)	12 (d)	—	—	(3)

(a) Deducted primarily from related assets, with a portion included in assets of discontinued operations.
(b) Deducted from related assets, primarily included in assets of discontinued operations.
(c) Deducted from related liabilities, included in liabilities of discontinued operations.
(d) Included in *income (loss) from discontinued operations*.
(e) Included in *accumulated other comprehensive income (loss)*.
(f) Represents balances written off, reclassifications, and recoveries.
(g) Includes balance deductions due to the spin-off of our exploration and production business on December 31, 2011.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) (Disclosure Controls) will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our Disclosure Controls and make modifications as necessary; our intent in this regard is that the Disclosure Controls will be modified as systems change and conditions warrant.

An evaluation of the effectiveness of the design and operation of our Disclosure Controls was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these Disclosure Controls are effective at a reasonable assurance level.

Management's Annual Report on Internal Control over Financial Reporting

See report set forth above in Item 8, "Financial Statements and Supplementary Data."

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

See report set forth above in Item 8, "Financial Statements and Supplementary Data."

Changes in Internal Controls Over Financial Reporting

There have been no changes during the fourth quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our Internal Controls over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information regarding our directors and nominees for director required by Item 401 of Regulation S-K will be presented under the heading “Proposal 1 — Election of Directors” in our Proxy Statement prepared for the solicitation of proxies in connection with our Annual Meeting of Stockholders to be held May 17, 2012 (Proxy Statement), which information is incorporated by reference herein.

Information regarding our executive officers required by Item 401(b) of Regulation S-K is presented at the end of Part I herein and captioned “Executive Officers of the Registrant” as permitted by General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K.

Information required by Item 405 of Regulation S-K will be included under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement, which information is incorporated by reference herein.

Information required by paragraphs (c)(3), (d)(4) and (d)(5) of Item 407 of Regulation S-K will be included under the heading “Questions and Answers About the Annual Meeting and Voting” and “Corporate Governance and Board Matters” in our Proxy Statement, which information is incorporated by reference herein.

We have adopted a Code of Ethics for Senior Officers that applies to our Chief Executive Officer, Chief Financial Officer, and Controller, or persons performing similar functions. The Code of Ethics for Senior Officers, together with our Corporate Governance Guidelines, the charters for each of our board committees, and our Code of Business Conduct applicable to all employees are available on our Internet website at *www.williams.com.* We will provide, free of charge, a copy of our Code of Ethics or any of our other corporate documents listed above upon written request to our Corporate Secretary at Williams, One Williams Center, Suite 4700, Tulsa, Oklahoma 74172. We intend to disclose any amendments to or waivers of the Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer, Controller, and persons performing similar functions on our Internet website at *www.williams.com* under the Investor Relations caption, promptly following the date of any such amendment or waiver.

Item 11. ***Executive Compensation***

The information required by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K regarding executive compensation will be presented under the headings “Compensation Discussion and Analysis,” “Executive Compensation and Other Information,” “Compensation of Directors,” “Compensation Committee Report on Executive Compensation,” and “Compensation Committee Interlocks and Insider Participation” in our Proxy Statement, which information is incorporated by reference herein. Notwithstanding the foregoing, the information provided under the heading “Compensation Committee Report on Executive Compensation” in our Proxy Statement is furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, is not subject to the liabilities of that section and is not deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information regarding securities authorized for issuance under equity compensation plans required by Item 201(d) of Regulation S-K and the security ownership of certain beneficial owners and management required by Item 403 of Regulation S-K will be presented under the headings “Equity Compensation Stock Plans” and “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement, which information is incorporated by reference herein.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information regarding certain relationships and related transactions required by Item 404 and Item 407(a) of Regulation S-K will be presented under the heading “Corporate Governance and Board Matters” in our Proxy Statement, which information is incorporated by reference herein.

Item 14. *Principal Accounting Fees and Services*

The information regarding our principal accounting fees and services required by Item 9(e) of Schedule 14A will be presented under the heading “Principal Accounting Fees and Services” in Proposal 2 Ratification of the Appointment of Independent Auditors of our Proxy Statement, which information is incorporated by reference herein.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1 and 2.

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

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

INDEX TO EXHIBITS

Exhibit No.		Description
3.1	—	Amended and Restated Certificate of Incorporation, as supplemented (filed on May 26, 2010 as Exhibit 3.1 to the Company's Form 8-K) and incorporated herein by reference.
3.2	—	By-Laws (filed on May 26, 2010 as Exhibit 3.2 to the Company's Current Report on Form 8-K) and incorporated herein by reference.
4.1	—	Form of Senior Debt Indenture between Williams and Bank One Trust company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed on September 8, 1997 as Exhibit 4.1 to The Williams Companies, Inc.'s Form S-3) and incorporated herein by reference.
4.2	—	Fifth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001 (filed on March 12, 2001 as Exhibit 4(k) to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
4.3	—	Seventh Supplemental Indenture dated March 19, 2002, between The Williams Companies, Inc. as Issuer and Bank One Trust Company, National Association, as Trustee (filed on May 9, 2002 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
4.4	—	Senior Indenture dated February 25, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed February 25, 1997 as Exhibit 4.4.1 to MAPCO Inc.'s Amendment No. 1 to Form S-3) and incorporated herein by reference.

Exhibit No.		Description
4.5	—	Supplemental Indenture No. 1 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(o) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997) and incorporated herein by reference.
4.6	—	Supplemental Indenture No. 2 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(p) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997) and incorporated herein by reference.
4.7	—	Supplemental Indenture No. 3 dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(j) to Williams Holdings of Delaware, Inc.'s Form 10-K for the fiscal year ended December 31, 1998) and incorporated herein by reference.
4.8	—	Supplemental Indenture No. 4 dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed on March 28, 2000 as Exhibit 4(q) to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
4.9	—	Indenture dated as of May 28, 2003, by and between The Williams Companies, Inc. and JPMorgan Chase Bank, as Trustee for the issuance of the 5.50% Junior Subordinated Convertible Debentures due 2033 (filed on August 12, 2003 as Exhibit 4.2 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
4.10	—	Indenture dated as of March 5, 2009, among The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed on March 11, 2009 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.11	—	Eleventh Supplemental Indenture dated as of February 1, 2010 between The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A. (filed on February 2, 2010 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.12	—	First Supplemental Indenture dated as of February 1, 2010 between The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A. (filed on February 2, 2010 as Exhibit 4.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.13	—	Fifth Supplemental Indenture dated as of February 1, 2010 between The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A. (filed on February 2, 2010 as Exhibit 4.3 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.14	—	Amended and Restated Rights Agreement dated September 21, 2004 by and between The Williams Companies, Inc. and EquiServe Trust Company, N.A., as Rights Agent (filed on September 24, 2004 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.15	—	Amendment No. 1 dated May 18, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004 (filed on May 22, 2007 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.16	—	Amendment No. 2 dated October 12, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004 (filed on October 15, 2007 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.

Exhibit No.		Description
4.17	—	Senior Indenture, dated as of November 30, 1995, between Northwest Pipeline Corporation and Chemical Bank, Trustee with regard to Northwest Pipeline's 7.125% Debentures, due 2025 (filed September 14, 1995 as Exhibit 4.1 to Northwest Pipeline's Form S-3) and incorporated herein by reference.
4.18	—	Indenture dated as of June 22, 2006, between Northwest Pipeline Corporation and JPMorgan Chase Bank, N.A., as Trustee, with regard to Northwest Pipeline's $175 million aggregate principal amount of 7.00% Senior Notes due 2016 (filed on June 23, 2006 as Exhibit 4.1 to Northwest Pipeline's Form 8-K) and incorporated herein by reference.
4.19	—	Indenture, dated as of April 5, 2007, between Northwest Pipeline Corporation and The Bank of New York (filed on April 5, 2007 as Exhibit 4.1 to Northwest Pipeline Corporation's Form 8-K) (Commission File number 001-07414) and incorporated herein by reference.
4.20	—	Indenture dated May 22, 2008, between Northwest Pipeline GP and The Bank of New York Trust Company, N.A., as Trustee (filed on May 23, 2008 as Exhibit 4.1 to Northwest Pipeline GP's Form 8-K) and incorporated herein by reference.
4.21	—	Senior Indenture dated as of July 15, 1996 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed on April 2, 1996 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form S-3) and incorporated herein by reference.
4.22	—	Indenture dated as of August 27, 2001 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed on November 8, 2001 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form S-4) and incorporated herein by reference.
4.23	—	Indenture dated as of July 3, 2002 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed August 14, 2002 as Exhibit 4.1 to The Williams Companies Inc.'s Form 10-Q) and incorporated herein by reference.
4.24	—	Indenture dated as of April 11, 2006, between Transcontinental Gas Pipe Line Corporation and JPMorgan Chase Bank, N.A., as Trustee with regard to Transcontinental Gas Pipe Line's $200 million aggregate principal amount of 6.4% Senior Note due 2016 (filed on April 11, 2006 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form 8-K) and incorporated herein by reference.
4.25	—	Indenture dated May 22, 2008, between Transcontinental Gas Pipe Line Corporation and The Bank of New York Trust Company, N.A., as Trustee (filed on May 23, 2008 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form 8-K) and incorporated herein by reference.
4.26	—	Indenture, dated as of August 12, 2011, between Transcontinental Gas Pipe Line Company, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on August 12, 2011 as Exhibit 4.1 to Transcontinental Gas Pipe Line Company, LLC's Form 8-K (File No. 001-07584)) and incorporated herein by reference.
4.27	—	Indenture dated December 13, 2006, by and among Williams Partners L.P., Williams Partners Finance Corporation and The Bank of New York (filed on December 19, 2006 as Exhibit 4.1 to Williams Partners L.P. Form 8-K) and incorporated herein by reference.
4.28	—	Indenture dated as of February 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A. (filed on February 10, 2010 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.29	—	Indenture, dated as of November 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on November 12, 2010 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.

Exhibit No.		Description
4.30	—	First Supplemental Indenture, dated as of November 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on November 12, 2010 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.
4.31	—	Second Supplemental Indenture, dated as of November 17, 2011, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed November 18, 2011 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.
10.1§	—	The Williams Companies Amended and Restated Retirement Restoration Plan effective January 1, 2008 (filed on February 25, 2009 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.2§	—	Form of Director and Officer Indemnification Agreement (filed on September 24, 2008 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.3§	—	Form of 2011 Restricted Stock Unit Agreement among Williams and certain employees and officers (filed on February 24, 2011 as Exhibit 10.6 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.4*§	—	Form of 2012 Performance-Based Restricted Stock Unit Agreement among Williams and certain employees and officers.
10.5*§	—	Form of 2012 Restricted Stock Unit Agreement among Williams and certain employees and officers.
10.6*§	—	Form of 2012 Nonqualified Stock Option Agreement among Williams and certain employees and officers.
10.7*	—	Form of 2011 Restricted Stock Unit Agreement among Williams and nonmanagement directors.
10.8	—	The Williams Companies, Inc. 1996 Stock Plan for Nonemployee Directors (filed on March 27, 1996 as Exhibit B to The Williams Companies, Inc.'s Proxy Statement) and incorporated herein by reference.
10.9§	—	The Williams Companies, Inc. 2002 Incentive Plan as amended and restated effective as of January 23, 2004 (filed on August 5, 2004 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
10.10§	—	Amendment No. 1 to The Williams Companies, Inc. 2002 Incentive Plan (filed on February 25, 2009 as Exhibit 10.11 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.11§	—	Amendment No. 2 to The Williams Companies, Inc. 2002 Incentive Plan (filed on February 25, 2009 as Exhibit 10.12 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.12*§	—	The Williams Companies, Inc. 2007 Incentive Plan as amended and restated effective January 19, 2012.
10.13§	—	Amended and Restated Change-in-Control Severance Agreement between the Company and certain executive officers (Tier I Executives) (filed on February 25, 2009 as Exhibit 10.18 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.14*§	—	Amended and Restated Change-in-Control Severance Agreement between the Company and certain executive officers (Tier II Executives).

Exhibit No.		Description
10.15	—	Contribution Agreement, dated as of January 15, 2010, by and among Williams Energy Services, LLC, Williams Gas Pipeline Company, LLC, WGP Gulfstream Pipeline Company, L.L.C., Williams Partners GP LLC, Williams Partners L.P., Williams Partners Operating LLC and, for a limited purpose, The Williams Companies, Inc, including exhibits thereto (filed on January 19, 2010 as Exhibit 10.1 to The Williams Companies Inc.'s Form 8-K) and incorporated herein by reference.
10.16	—	Credit Agreement, dated as of June 3, 2011, by and among The Williams Companies, Inc., the lenders named therein, and Citibank, N.A., as Administrative Agent (filed on August 4, 2011 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
10.17	—	First Amendment to The Williams Companies, Inc. June 3, 2011 Credit Agreement, dated as of November 1, 2011, by and among The Williams Companies, Inc., the lenders named therein, and Citibank, N.A. as Administrative Agent (filed on November 1, 2011 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference
10.18	—	Credit Agreement, dated as of June 3, 2011, by and among Williams Partners L.P., Northwest Pipeline GP, Transcontinental Gas Pipe Line Company, LLC, as co-borrowers, the lenders named therein, and Citibank N.A., as Administrative Agent (filed on August 4, 2011 as Exhibit 10.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.19*	—	Separation and Distribution Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc.
10.20	—	Employee Matters Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (filed on January 6, 2012 as Exhibit 10.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.21	—	Tax Sharing Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (filed on January 6, 2012 as Exhibit 10.3 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
12*	—	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
14	—	Code of Ethics for Senior Officers (filed on March 15, 2004 as Exhibit 14 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
21*	—	Subsidiaries of the registrant.
23.1*	—	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.
23.2*	—	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.
24*	—	Power of Attorney.
31.1*	—	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	—	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit No.		Description
32**	—	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	—	XBRL Instance Document
101.SCH*	—	XBRL Taxonomy Extension Schema
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	—	XBRL Taxonomy Extension Label Linkbase
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

** Furnished herewith

§ Management contract or compensation plan or arrangement

SIGNATURES

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

THE WILLIAMS COMPANIES, INC.
(Registrant)

By: /S/ TED T. TIMMERMANS
Ted T. Timmermans
Vice President, Controller and Chief Accounting Officer

Date: February 27, 2012

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

Signature	Title	Date
/S/ ALAN S. ARMSTRONG Alan S. Armstrong	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2012
/S/ DONALD R. CHAPPEL Donald R. Chappel	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2012
/S/ TED T. TIMMERMANS Ted T. Timmermans	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2012
/S/ JOSEPH R. CLEVELAND* Joseph R. Cleveland*	Director	February 27, 2012
/S/ KATHLEEN B. COOPER* Kathleen B. Cooper*	Director	February 27, 2012
/S/ IRL F. ENGELHARDT* Irl F. Engelhardt*	Director	February 27, 2012
/S/ WILLIAM E. GREEN* William E. Green*	Director	February 27, 2012
/S/ JOHN A. HAGG* John A. Hagg*	Director	February 27, 2012
/S/ JUANITA H. HINSHAW* Juanita H. Hinshaw*	Director	February 27, 2012
/S/ FRANK T. MACINNIS* Frank T. MacInnis*	Chairman of the Board	February 27, 2012
/S/ STEVEN W. NANCE* Steven W. Nance*	Director	February 27, 2012
/S/ MURRAY D. SMITH* Murray D. Smith*	Director	February 27, 2012

Signature	Title	Date
/s/ Janice D. Stoney* Janice D. Stoney*	Director	February 27, 2012
/s/ Laura A. Sugg* Laura A. Sugg*	Director	February 27, 2012
*By: /s/ Sarah C. Miller Sarah C. Miller *Attorney-in-Fact*		February 27, 2012

INDEX TO EXHIBITS

Exhibit No.		Description
3.1	—	Amended and Restated Certificate of Incorporation, as supplemented (filed on May 26, 2010 as Exhibit 3.1 to the Company’s Form 8-K) and incorporated herein by reference.
3.2	—	By-Laws (filed on May 26, 2010 as Exhibit 3.2 to the Company’s Current Report on Form 8-K) and incorporated herein by reference.
4.1	—	Form of Senior Debt Indenture between Williams and Bank One Trust company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed on September 8, 1997 as Exhibit 4.1 to The Williams Companies, Inc.’s Form S-3) and incorporated herein by reference.
4.2	—	Fifth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001 (filed on March 12, 2001 as Exhibit 4(k) to The Williams Companies, Inc.’s Form 10-K) and incorporated herein by reference.
4.3	—	Seventh Supplemental Indenture dated March 19, 2002, between The Williams Companies, Inc. as Issuer and Bank One Trust Company, National Association, as Trustee (filed on May 9, 2002 as Exhibit 4.1 to The Williams Companies, Inc.’s Form 10-Q) and incorporated herein by reference.
4.4	—	Senior Indenture dated February 25, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed February 25, 1997 as Exhibit 4.4.1 to MAPCO Inc.’s Amendment No. 1 to Form S-3) and incorporated herein by reference.
4.5	—	Supplemental Indenture No. 1 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(o) to MAPCO Inc.’s Form 10-K for the fiscal year ended December 31, 1997) and incorporated herein by reference.
4.6	—	Supplemental Indenture No. 2 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(p) to MAPCO Inc.’s Form 10-K for the fiscal year ended December 31, 1997) and incorporated herein by reference.
4.7	—	Supplemental Indenture No. 3 dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(j) to Williams Holdings of Delaware, Inc.’s Form 10-K for the fiscal year ended December 31, 1998) and incorporated herein by reference.
4.8	—	Supplemental Indenture No. 4 dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed on March 28, 2000 as Exhibit 4(q) to The Williams Companies, Inc.’s Form 10-K) and incorporated herein by reference.
4.9	—	Indenture dated as of May 28, 2003, by and between The Williams Companies, Inc. and JPMorgan Chase Bank, as Trustee for the issuance of the 5.50% Junior Subordinated Convertible Debentures due 2033 (filed on August 12, 2003 as Exhibit 4.2 to The Williams Companies, Inc.’s Form 10-Q) and incorporated herein by reference.
4.10	—	Indenture dated as of March 5, 2009, among The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed on March 11, 2009 as Exhibit 4.1 to The Williams Companies, Inc.’s Form 8-K) and incorporated herein by reference.

Exhibit No.		Description
4.11	—	Eleventh Supplemental Indenture dated as of February 1, 2010 between The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A. (filed on February 2, 2010 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.12	—	First Supplemental Indenture dated as of February 1, 2010 between The Williams Companies, Inc. and The Bank of New York Mellon Trust Company, N.A. (filed on February 2, 2010 as Exhibit 4.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
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4.14	—	Amended and Restated Rights Agreement dated September 21, 2004 by and between The Williams Companies, Inc. and EquiServe Trust Company, N.A., as Rights Agent (filed on September 24, 2004 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.15	—	Amendment No. 1 dated May 18, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004 (filed on May 22, 2007 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.16	—	Amendment No. 2 dated October 12, 2007 to the Amended and Restated Rights Agreement dated September 21, 2004 (filed on October 15, 2007 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.17	—	Senior Indenture, dated as of November 30, 1995, between Northwest Pipeline Corporation and Chemical Bank, Trustee with regard to Northwest Pipeline's 7.125% Debentures, due 2025 (filed September 14, 1995 as Exhibit 4.1 to Northwest Pipeline's Form S-3) and incorporated herein by reference.
4.18	—	Indenture dated as of June 22, 2006, between Northwest Pipeline Corporation and JPMorgan Chase Bank, N.A., as Trustee, with regard to Northwest Pipeline's $175 million aggregate principal amount of 7.00% Senior Notes due 2016 (filed on June 23, 2006 as Exhibit 4.1 to Northwest Pipeline's Form 8-K) and incorporated herein by reference.
4.19	—	Indenture, dated as of April 5, 2007, between Northwest Pipeline Corporation and The Bank of New York (filed on April 5, 2007 as Exhibit 4.1 to Northwest Pipeline Corporation's Form 8-K) (Commission File number 001-07414) and incorporated herein by reference.
4.20	—	Indenture dated May 22, 2008, between Northwest Pipeline GP and The Bank of New York Trust Company, N.A., as Trustee (filed on May 23, 2008 as Exhibit 4.1 to Northwest Pipeline GP's Form 8-K) and incorporated herein by reference.
4.21	—	Senior Indenture dated as of July 15, 1996 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed on April 2, 1996 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form S-3) and incorporated herein by reference.
4.22	—	Indenture dated as of August 27, 2001 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed on November 8, 2001 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form S-4) and incorporated herein by reference.
4.23	—	Indenture dated as of July 3, 2002 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A., as Trustee (filed August 14, 2002 as Exhibit 4.1 to The Williams Companies Inc.'s Form 10-Q) and incorporated herein by reference.

Exhibit No.		Description
4.24	—	Indenture dated as of April 11, 2006, between Transcontinental Gas Pipe Line Corporation and JPMorgan Chase Bank, N.A., as Trustee with regard to Transcontinental Gas Pipe Line's $200 million aggregate principal amount of 6.4% Senior Note due 2016 (filed on April 11, 2006 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form 8-K) and incorporated herein by reference.
4.25	—	Indenture dated May 22, 2008, between Transcontinental Gas Pipe Line Corporation and The Bank of New York Trust Company, N.A., as Trustee (filed on May 23, 2008 as Exhibit 4.1 to Transcontinental Gas Pipe Line Corporation's Form 8-K) and incorporated herein by reference.
4.26	—	Indenture, dated as of August 12, 2011, between Transcontinental Gas Pipe Line Company, LLC and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on August 12, 2011 as Exhibit 4.1 to Transcontinental Gas Pipe Line Company, LLC's Form 8-K (File No. 001-07584)) and incorporated herein by reference.
4.27	—	Indenture dated December 13, 2006, by and among Williams Partners L.P., Williams Partners Finance Corporation and The Bank of New York (filed on December 19, 2006 as Exhibit 4.1 to Williams Partners L.P. Form 8-K) and incorporated herein by reference.
4.28	—	Indenture dated as of February 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A. (filed on February 10, 2010 as Exhibit 4.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
4.29	—	Indenture, dated as of November 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on November 12, 2010 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.
4.30	—	First Supplemental Indenture, dated as of November 9, 2010, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed on November 12, 2010 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.
4.31	—	Second Supplemental Indenture, dated as of November 17, 2011, between Williams Partners L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (filed November 18, 2011 as Exhibit 4.1 to Williams Partners L.P.'s current report on Form 8-K (File No. 001-32599)) and incorporated herein by reference.
10.1§	—	The Williams Companies Amended and Restated Retirement Restoration Plan effective January 1, 2008 (filed on February 25, 2009 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.2§	—	Form of Director and Officer Indemnification Agreement (filed on September 24, 2008 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.3§	—	Form of 2011 Restricted Stock Unit Agreement among Williams and certain employees and officers (filed on February 24, 2011 as Exhibit 10.6 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.4*§	—	Form of 2012 Performance-Based Restricted Stock Unit Agreement among Williams and certain employees and officers.
10.5*§	—	Form of 2012 Restricted Stock Unit Agreement among Williams and certain employees and officers.

Exhibit No.		Description
10.6*§	—	Form of 2012 Nonqualified Stock Option Agreement among Williams and certain employees and officers.
10.7*	—	Form of 2011 Restricted Stock Unit Agreement among Williams and nonmanagement directors.
10.8	—	The Williams Companies, Inc. 1996 Stock Plan for Nonemployee Directors (filed on March 27, 1996 as Exhibit B to The Williams Companies, Inc.'s Proxy Statement) and incorporated herein by reference.
10.9§	—	The Williams Companies, Inc. 2002 Incentive Plan as amended and restated effective as of January 23, 2004 (filed on August 5, 2004 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
10.10§	—	Amendment No. 1 to The Williams Companies, Inc. 2002 Incentive Plan (filed on February 25, 2009 as Exhibit 10.11 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.11§	—	Amendment No. 2 to The Williams Companies, Inc. 2002 Incentive Plan (filed on February 25, 2009 as Exhibit 10.12 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.12*§	—	The Williams Companies, Inc. 2007 Incentive Plan as amended and restated effective January 19, 2012.
10.13§	—	Amended and Restated Change-in-Control Severance Agreement between the Company and certain executive officers (Tier I Executives) (filed on February 25, 2009 as Exhibit 10.18 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
10.14*§	—	Amended and Restated Change-in-Control Severance Agreement between the Company and certain executive officers (Tier II Executives).
10.15	—	Contribution Agreement, dated as of January 15, 2010, by and among Williams Energy Services, LLC, Williams Gas Pipeline Company, LLC, WGP Gulfstream Pipeline Company, L.L.C., Williams Partners GP LLC, Williams Partners L.P., Williams Partners Operating LLC and, for a limited purpose, The Williams Companies, Inc, including exhibits thereto (filed on January 19, 2010 as Exhibit 10.1 to The Williams Companies Inc.'s Form 8-K) and incorporated herein by reference.
10.16	—	Credit Agreement, dated as of June 3, 2011, by and among The Williams Companies, Inc., the lenders named therein, and Citibank, N.A., as Administrative Agent (filed on August 4, 2011 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 10-Q) and incorporated herein by reference.
10.17	—	First Amendment to The Williams Companies, Inc. June 3, 2011 Credit Agreement, dated as of November 1, 2011, by and among The Williams Companies, Inc., the lenders named therein, and Citibank, N.A. as Administrative Agent (filed on November 1, 2011 as Exhibit 10.1 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference
10.18	—	Credit Agreement, dated as of June 3, 2011, by and among Williams Partners L.P., Northwest Pipeline GP, Transcontinental Gas Pipe Line Company, LLC, as co-borrowers, the lenders named therein, and Citibank N.A., as Administrative Agent (filed on August 4, 2011 as Exhibit 10.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.19*	—	Separation and Distribution Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc.

Exhibit No.		Description
10.20	—	Employee Matters Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (filed on January 6, 2012 as Exhibit 10.2 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
10.21	—	Tax Sharing Agreement, dated as of December 30, 2011, between The Williams Companies, Inc. and WPX Energy, Inc. (filed on January 6, 2012 as Exhibit 10.3 to The Williams Companies, Inc.'s Form 8-K) and incorporated herein by reference.
12*	—	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
14	—	Code of Ethics for Senior Officers (filed on March 15, 2004 as Exhibit 14 to The Williams Companies, Inc.'s Form 10-K) and incorporated herein by reference.
21*	—	Subsidiaries of the registrant.
23.1*	—	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.
23.2*	—	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.
24*	—	Power of Attorney.
31.1*	—	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	—	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	—	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	—	XBRL Instance Document
101.SCH*	—	XBRL Taxonomy Extension Schema
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	—	XBRL Taxonomy Extension Label Linkbase
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith
** Furnished herewith
§ Management contract or compensation plan or arrangement

EXHIBIT 10.4

Date=Grant Date

TO: <@**Name**@>

FROM: Alan S. Armstrong

SUBJECT: **2012** Performance-Based Restricted Stock Unit Award

You have been selected to receive a performance-based restricted stock unit award to be paid if the Company exceeds the Threshold goal for Total Shareholder Return, as established by the Committee, over the Performance Period. This award is subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time, and the 2012 Performance-Based Restricted Stock Unit Agreement (the "Agreement").

This award is granted to you in recognition of your role as an employee whose responsibilities and performance are critical to the attainment of long-term goals. This award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

Subject to all of the terms of the Agreement, you will become entitled to payment of the award if you are an active employee of the Company on the third anniversary of the grant date and if performance measures are certified for the three-year period beginning January 1 of the year in which this award is made to you. The adjustment and termination provisions associated with this award are included in the Agreement.

If you have any questions about this award, you may contact a dedicated Fidelity Stock Plan Representative at 1-800-544-9354.

2012 PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

THIS 2012 PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”), which contains the terms and conditions for the Restricted Stock Units (“Restricted Stock Units” or “RSUs”) referred to in the 2012 Performance-Based Restricted Stock Unit Award Letter delivered in hard copy or electronically to the Participant (“2012 Award Letter”), is by and between **THE WILLIAMS COMPANIES, INC.,** a Delaware corporation (the “Company”), and the individual identified on the last page hereof (the “Participant”).

1. Grant of RSUs. Subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time (the “Plan”), this Agreement, and the 2012 Award Letter, the Company hereby grants to the Participant an award (the “Award) of **<@Num+C @>** RSUs effective **<@GrDt+C@>** (the “Effective Date”). The Award, which is subject to adjustment under the terms of this Agreement, gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company equal to the number of RSUs shown in the prior sentence if the Target goal, as established by the Committee, is achieved by the Company over the Performance Period. These shares, together with any other shares that are payable under this Agreement, are referred to in the Agreement as “Shares.” Until the Participant both becomes vested in the Shares under the terms of Paragraph 5 and is paid such Shares under the terms of Paragraph 6, the Participant shall have no rights as a stockholder of the Company with respect to the Shares.

2. Incorporation of Plan and Acceptance of Documents. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the meaning set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan, and hereby automatically accepts the RSUs subject to all the terms and provisions of the Plan and this Agreement. The Participant hereby further agrees that he or she has received a copy of, or has online access to, the Plan prospectus, as updated from time to time, and hereby acknowledges his or her automatic acceptance and receipt of such prospectus electronically.

3. Committee Decisions and Interpretations; Committee Discretion. The Participant hereby agrees to accept as binding, conclusive and final all actions, decisions and/or interpretations of the Committee, its delegates, or agents, upon any questions or other matters arising under the Plan or this Agreement.

4. Performance Measures; Number of Shares Payable to the Participant.

(a) Performance measures established by the Committee shall be based on targeted levels of both absolute and relative Total Shareholder Return. The Committee establishes (i) “Threshold,” “Target” and “Stretch” goals for Total Shareholder Return (both for absolute and relative Total Shareholder Return) during the Performance Period and (ii) the designated numbers of Shares that may be received by a Participant based upon the achievement of each such goal during the Performance Period, all as more fully described in Subparagraphs 4(b) through 4(c) below. The number of Shares that may be received by the Participant if the Target goal is reached is equal to the number of RSUs set forth in Paragraph 1 above.

(b) The RSUs awarded to Participant and subject to this Agreement as reflected in Paragraph 1 above represents Participant's opportunity to earn the right to payment of an equal number of Shares ("Target Number of Shares") upon (i) certification by the Committee that 100% of the Target goal for Total Shareholder Return for the Performance Period has been met and (ii) satisfaction of all the other conditions set forth in Paragraph 5 below.

(c) Subject to the Committee's discretion as set forth in Subparagraph 4(d) below and to satisfaction of all other conditions set forth in Paragraph 5 below, the actual number of Shares earned by and payable to Participant upon certification of Total Shareholder Return results and satisfaction of all other conditions set forth in Paragraph 5 below will be determined on a continuum ranging from 0% (at the Threshold goal) to 200% (at the Stretch goal) of the Target Number of Shares depending on the level of Total Shareholder Return certified by the Committee at the end of the Performance Period.

(d) Notwithstanding (i) any other provision of this Agreement or the Plan or (ii) certification by the Committee that targets for Total Shareholder Return above the Threshold goal have been achieved during the Performance Period, the Committee may in its sole and absolute discretion reduce, but not below zero (0), the number of Shares payable to the Participant based on such factors as it deems appropriate, including but not limited to the Company's performance. Accordingly, any reference in this Agreement to Shares that (i) become payable, (ii) may be received by a Participant or (iii) are earned by a Participant, and any similar reference, shall be understood to mean the number of Shares that are received, payable or earned after any such reduction is made.

5. Vesting; Legally Binding Rights.

(a) Notwithstanding any other provision of this Agreement, a Participant shall not be entitled to any payment of Shares under this Agreement unless and until such Participant obtains a legally binding right to such Shares and satisfies applicable vesting conditions for such payment.

(b) Except as otherwise provided in Subparagraphs 5(c) – 5(g) below and subject to the provisions of Subparagraph 4(d) above, the Participant shall vest in Shares under this Agreement only if and at the time that both of the following conditions are fully satisfied:

(i) The Participant remains an active employee of the Company or any of its Affiliates on the third anniversary of the Effective Date (the "Maturity Date"); and

(ii) The Committee certifies that the Company has met Total Shareholder Return targets above the Threshold goal as defined by the Committee for the three-year performance period beginning January 1, 2012 (the "Performance

Period”). Certification, if any, by the Committee for the Performance Period shall be made by the Maturity Date or as soon thereafter as is administratively practicable.

(c) If a Participant dies, becomes Disabled (as defined below) or qualifies for Retirement (as defined below) prior to the Maturity Date while an active employee of the Company or any of its Affiliates, at but not prior to the Maturity Date, and only to the extent and at the time that the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, upon such certification, the Participant shall vest in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Subparagraphs 4(a) through 4(d) above prorated to reflect that portion of the Performance Period prior to such Participant’s ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares in which the Participant may become vested in such case shall equal that number determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Subparagraphs 4(a) to 4(d) above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(d) As used in this Agreement, the terms “Disabled,” “qualify for Retirement,” “Separation from Service” and “Affiliate” shall have the following respective meanings:

(i) A Participant shall be considered Disabled if such Participant (A) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (B) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant’s employer. Notwithstanding the forgoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and guidance thereunder.

(ii) A Participant “qualifies for Retirement” only if such Participant experiences a Separation from Service (as defined in (iii) below) after attaining age fifty-five (55) and completing at least three (3) years of service with the Company or any of its Affiliates.

(iii) “Separation from Service” means a Participant’s termination or deemed termination from employment with the Company and its Affiliates (as defined in (iv) below). For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with his or her employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for his or her employer. If the period of leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six (6) month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, and such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Participant and the Company reasonably anticipate the Participant will perform no further services for the Company and its Affiliates (whether as an employee or an independent contractor or (B) that the level of bona fide services the Participant will perform for the Company and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than twenty (20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period or, if the Participant has been providing services to the Company and its Affiliates for less than thirty-six (36) months, the full period over which the Participant has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Participant after a certain date.

(iv) As used in this Agreement, "Affiliate" means all persons with whom the Company would be considered a single employer under Section 414(b) of the Code, and all persons with whom such person would be considered a single employer under Section 414(c) of the Code.

(e) If a Participant experiences a Separation from Service prior to the Maturity Date and within two years following a Change in Control**,** either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in that number of Shares equal to the number of Shares that might otherwise be received by the Participant upon achievement of the Target goal.

(f) If the Participant experiences an involuntary Separation from Service prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, at but not prior to the Maturity Date and only to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, the Participant shall, on the date of such certification, become vested in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares which may be payable to the Participant on but not prior to the Maturity Date in such case shall equal that number determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that includes the Effective Date and ends on (and includes) the date the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(g) If (i) the Participant experiences an involuntary Separation from Service prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, and (ii) the Company or any of its Affiliates fails to make an offer of comparable employment, as defined a severance plan or program maintained by the Company, to the Participant, then at the time and to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, upon such certification, the Participant shall become vested in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares in which the Participant may become vested on, but not prior to, the Maturity Date in such case shall equal that number of Shares determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date. or purposes of this Subparagraph 5(g), a Termination of Affiliation shall constitute an involuntary Separation from Service.

6. Payment of Shares.

(a) (i) The payment date for all Shares which a Participant becomes vested pursuant to Subparagraph 5(e) above shall be the thirtieth (30th) day after such Participant's Separation from Service, *provided* that if the Participant was a "key employee" within the meaning of Section 409A(a)(B)(i) of the Code immediately prior to his or her Separation from Service, payment shall not be made sooner than six (6) months following the date of such Separation from Service.

(ii) For purposes of this Subparagraph 6(a), "key employee" means an employee designated on an annual basis by the Company as of December 31 (the "Key Employee Designation Date") as an employee meeting the requirements of Section 416(i) of Code utilizing the definition of compensation under Treasury Regulation § 1.415(c)-2(d)(2). A Participant designated as a "key employee" shall be a "key employee" for the entire twelve (12) month period beginning on April 1 following the Key Employee Designation Date.

(b) The payment date for all Shares in which the Participant becomes vested pursuant to Paragraph 5 above, other than Subparagraph 5(e) (as to which the payment date is determined in accordance with Subparagraph 6(a) above), shall be the calendar year containing the Maturity Date.

(c) Upon conversion of RSUs into Shares under this Agreement, such RSUs shall be cancelled. Shares that become payable under this Agreement will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, one or more certificates (or other indicia of ownership) representing Shares of Williams Common Stock equal in number to the number of Shares otherwise payable under this Agreement less the number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, equal to the minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Section 409A of the Code and the guidance thereunder, if federal employment taxes become due upon the Participant's becoming entitled to payment of Shares, the number of Shares necessary to cover minimum statutory withholding requirements may, in the Company's discretion, be used to satisfy such requirements upon such entitlement.

7. Other Provisions.

(a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.

(b) The Participant agrees and understands that, subject to the limit expressed in clause (iii) of the following sentence, stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its Affiliates, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance. In addition, the Company may accelerate the time or schedule of a payment of vested Shares and/or deduct from any payment of Shares to the Participant under this Agreement, or to his or her beneficiaries in the case of the Participant's death, that number of Shares having a Fair Market Value at the date of such deduction to the amount of such debt as satisfaction of any such debt, *provided* that (i) such debt is incurred in the ordinary course of the employment relationship between the Company or any of its Affiliates and the Participant, (ii) the aggregate amount of any such debt-related collateral held or deduction made in any taxable year of the Company with respect to the Participant does not exceed $5,000, and (iii) the deduction of Shares is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(c) Except as provided in Subparagraphs 5(c) through 5(g) above, in the event that the Participant's employment with the Company or any of its Affiliates terminates prior to the Maturity Date, RSUs subject to this Agreement and any right to Shares issuable hereunder shall be forfeited.

(d) The Participant acknowledges that this Award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

(e) RSUs, Shares and the Participant's interest in RSUs and Shares, may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both (i) the Participant's becoming vested in Shares and (ii) payment of Shares under this Agreement.

(f) If the Participant at any time forfeits any or all of the RSUs pursuant to this Agreement, the Participant agrees that all of the Participant's rights to and interest in such RSUs and in Shares issuable thereunder shall terminate upon forfeiture without payment of consideration.

(g) The Committee shall determine whether an event has occurred resulting in the forfeiture of the RSUs and any Shares issuable thereunder in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

(h) With respect to the right to receive payment of Shares under this Agreement, nothing contained herein shall give the Participant any rights that are greater than those of a general creditor of the Company.

(i) The obligations of the Company under this Agreement are unfunded and unsecured. Each Participant shall have the status of a general creditor of the Company with respect to amounts due, if any, under this Agreement.

(j) The parties to this Agreement intend that this Agreement meet the requirements of Section 409A of the Code and recognize that it may be necessary to modify this Agreement and/or the Plan to reflect guidance under Section 409A of the Code issued by the Internal Revenue Service. Participant agrees that the Committee shall have sole discretion in determining (i) whether any such modification is desirable or appropriate and (ii) the terms of any such modification.

(k) The Participant hereby automatically becomes a party to this Agreement whether or not he or she accepts the Award electronically or in writing in accordance with procedures of the Committee, its delegates or agents.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

(m) The Participant hereby acknowledges that nothing in this Agreement shall be construed as requiring the Committee to allow a Domestic Relations Order with respect to this Award.

8. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner. To direct the sale of any Shares issued under this Agreement, contact Fidelity at http://netbenefits.fidelity.com or by telephone at 800-544-9354.

9. Forfeiture and Clawback. Notwithstanding any other provision of the Plan or this Agreement to the contrary, by accepting the Award represented by this Agreement, the Participant acknowledges that any incentive-based compensation paid to the Participant hereunder may be subject to recovery by the Company under any clawback policy that the Company may adopt from time to time, including without limitation any policy that the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Shares may be listed. The Participant further agrees to promptly return any such incentive-based compensation which the Company determines it is required to recover from you under any such clawback policy.

10. Tax Consultation. You understand you will incur tax consequences as a result of acquisition or disposition of the Shares. You agree to consult with any tax consultants you think advisable in connection with the acquisition of the Shares and and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By: ________________________________

Alan S. Armstrong
President and CEO

Participant: **<@Name**
SSN: **<@SSN @>**

EXHIBIT 10.5

Date=Grant Date

TO: <@**Name**@>

FROM: **Alan S. Armstrong**

SUBJECT: 2012 Restricted Stock Unit Award

You have been selected to receive a restricted stock unit award. This award is subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time, and, the 2012 Restricted Stock Unit Agreement (the "Agreement").

This award is granted to you in recognition of your role as an employee whose responsibilities and performance are critical to the attainment of long-term goals. This award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

Subject to all of the terms of the Agreement, you will become entitled to payment of this award if you are an active employee of the Company on the third anniversary of the grant date.

If you have any questions about this award, you may contact a dedicated Fidelity Stock Plan Representative at 1-800-544-9354.

2012 RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), which contains the terms and conditions for the Restricted Stock Units ("Restricted Stock Units" or "RSUs") referred to in the 2012 Restricted Stock Unit Award Letter delivered in hard copy or electronically to Participant ("2012 Award Letter"), is by and between **THE WILLIAMS COMPANIES, INC.,** a Delaware corporation (the "Company") and the individual identified on the last page hereof (the "Participant").

1. Grant of RSUs. Subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time (the "Plan"), this Agreement and the 2012Award Letter, the Company hereby grants an award (the "Award") to the Participant of **<@Num+C @>** RSUs effective **<@GrDt+C@>** (the "Effective Date"). The Award gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company equal to the number of RSUs shown in the prior sentence, subject to adjustment under the terms of this Agreement. These shares are referred to in this Agreement as the "Shares." Until the Participant both becomes vested in the Shares under the terms of Paragraph 4 and is paid such Shares under the terms of Paragraph 5, the Participant shall have no rights as a stockholder of the Company with respect to the Shares; provided, however, that the Participant shall have the right to earn Dividend Equivalents with respect to the RSUs awarded under this Agreement in accordance with Subparagraph 4(i) below.

2. Incorporation of Plan and Acceptance of Documents. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the respective meanings set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan and hereby automatically accepts the RSUs subject to all the terms and provisions of the Plan and this Agreement. The Participant hereby further agrees that he or she has received a copy of, or has online access to, the Plan prospectus, as updated from time to time, and hereby acknowledges his or her automatic acceptance and receipt of such prospectus electronically.

3. Committee Decisions and Interpretations. The Participant hereby agrees to accept as binding, conclusive and final all actions, decisions and/or interpretations of the Committee, its delegates, or agents, upon any questions or other matters arising under the Plan or this Agreement.

4. Vesting; Legally Binding Rights.

(a) Notwithstanding any other provision of this Agreement, (i) a Participant shall not be entitled to any payment of Shares under this Agreement unless and until such Participant obtains a legally binding right to such Shares and satisfies applicable vesting conditions for such payment and (ii) a Participant shall not be entitled to payment of any Dividend Equivalents unless and until such Participant obtains a legally binding right to, and satisfies applicable vesting conditions for payment of, the underlying Shares on which such Dividend Equivalents are payable.

(b) Except as otherwise provided in Subparagraphs 4(c)—4(h) below, the Participant shall vest in all Shares on the third anniversary of the Effective Date (the “Maturity Date”), but only if the Participant remains an active employee of the Company or any of its Affiliates through the Maturity Date.

(c) If a Participant dies prior to the Maturity Date while an active employee of the Company or any of its Affiliates, the Participant shall vest in all Shares at the time of such death.

(d) If a Participant becomes Disabled (as defined below) prior to the Maturity Date while an active employee of the Company or any of its Affiliates, the Participant shall vest all Shares at the time the Participant becomes Disabled. For purposes of this Subparagraph 4(d), the Participant shall be considered Disabled if he or she (A) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (B) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant’s employer. Notwithstanding the forgoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the guidance thereunder.

(e) If the Participant qualifies for Retirement (as defined in (i) below) with the Company or any of its Affiliates prior to the Maturity Date due to such Retirement, at the time of such Participant’s ceasing being an active employee the Participant shall vest in a pro rata number of the Shares as determined in accordance with this Subparagraph 4(e). The pro rata number referred to above shall be determined by multiplying the number of Shares subject to the Award by a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant’s ceasing being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(i) For purposes of this Subparagraph 4(e), a Participant “qualifies for Retirement” only if such Participant experiences a Separation from Service (as defined in (ii) below) after attaining age fifty-five (55) and completing at least three (3) years of service with the Company or any of its Affiliates.

(ii) As used in this Agreement, “Separation from Service” means a Participant’s termination or deemed termination from employment with the Company and its Affiliates. For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with his or her employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for his or her employer. If the period of leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six (6) month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, and such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Participant and the Company reasonably anticipate the Participant will perform no further services for the Company and its Affiliates (whether as an employee or an independent contractor or (B) that the level of bona fide services the Participant will perform for the Company and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than twenty (20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period or, if the Participant has been providing services to the Company and its Affiliates for less than thirty-six (36) months, the full period over which the Participant has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Participant after a certain date.

(iii) As used in this Agreement, "Affiliate" means all persons with whom the Company would be considered a single employer under Section 414(b) of the Code, and all persons with whom such person would be considered a single employer under Section 414(c) of the Code.

(f) If the Participant experiences a Separation from Service prior to the Maturity Date within two years following a Change in Control**,** either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in all of the Shares upon such Separation from Service.

(g) If the Participant experiences an involuntary Separation from Service prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, the Participant shall vest in all Shares upon such Separation from Service.

(h) If the Participant experiences an involuntary Separation from Service prior to the

Maturity Date due to a sale of a business or the outsourcing of any portion of a business, the Participant shall vest in all Shares upon such Separation from Service, but only if the Company or any of its Affiliates failed to make an offer of comparable employment, as defined by a severance pay plan or program maintained by the Company, to the Participant. For purposes of this Subparagraph 4(h), a Termination of Affiliation shall constitute an involuntary Separation from Service.

(i) If the Participant becomes entitled to payment of any Shares under this Agreement, the Participant shall also be entitled to receipt of Dividend Equivalents with respect to such Shares in an amount equal to the amount of dividends, if any, that would have been payable on such Shares if such Shares had been issued and outstanding from the date of this Agreement through the payment date of the Shares. Dividend Equivalents shall remain assets of the Company until paid hereunder and may, in the discretion of the Committee be paid in either cash or Shares. If Dividend Equivalents are paid in Shares, the number of Shares so payable will equal the total amount of Dividend Equivalents payable, if any, divided by the Fair Market Value of a Share on the payment date. No fractional Shares shall be issued.

5. <u>Payment of Shares and Dividend Equivalents</u>.

(a) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 4(b) above, and Dividend Equivalents in which the Participant becomes vested pursuant to Subparagraph 4(i), shall be the thirtieth (30^{th}) day following the Maturity Date.

(b) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 4(c) above, and Dividend Equivalents in which the Participant becomes vested pursuant to Subparagraph 4(i), shall be the sixtieth (60^{th}) day following such death.

(c) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 4(d) above, and Dividend Equivalents in which the Participant becomes vested pursuant to Subparagraph 4(i), shall be the thirtieth (30^{th}) day after the Participant becomes Disabled.

(d) The payment date for all Shares in which the Participant becomes vested pursuant to Subparagraphs 4(e), 4(f), 4(g) and 4(h) above, and Dividend Equivalents in which the Participant becomes vested pursuant to Subparagraph 4(i), shall be the thirtieth (30^{th}) day following such Participant's Separation from Service, *provided* that if the Participant was a "key employee" within the meaning of Section 409A(a)(B)(i) of the Code immediately prior to his or her Separation from Service, and such Participant vested in such Shares under Subparagraph 4(e), (4)(f), 4(g) or 4(h) above, payment shall not be made sooner than six (6) months following the date such Participant experienced a Separation from Service. For purposes of this Subparagraph 5(d), "key employee" means an employee designated on an annual basis by the Company as of December 31 (the "Key Employee Designation Date") as an employee meeting the requirements of Section 416(i) of Code utilizing the definition of compensation under Treasury Regulation § 1.415(c)-2(d)(2). A Participant designated as a "key employee" shall be a "key employee" for the entire twelve (12) month period beginning on April 1 following the Key Employee Designation Date.

(e) Upon conversion of RSUs into Shares under this Agreement, such RSUs shall be cancelled Shares that become payable under this Agreement will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, of one or more certificates (or other indicia of ownership) representing shares of Williams Common Stock equal in number to the number of Shares otherwise payable under this Agreement less the number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, equal to the minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Section 409A of the Code and the guidance issued by the Internal Revenue Service thereunder, if federal employment taxes become due upon the Participant's becoming entitled to payment of Shares, the number of Shares necessary to cover minimum statutory withholding requirements may, in the discretion of the Company, be used to satisfy such requirements upon such entitlement.

6. Other Provisions.

(a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.

(b) The Participant agrees and understands that, subject to the limit expressed in clause (iii) of the following sentence, upon payment of Shares and Dividend Equivalents under this Agreement, stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its Affiliates, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance. In addition, the Company may accelerate the time or schedule of a payment of vested Shares and Dividend Equivalents, and/or deduct from any payment of Shares and Dividend Equivalents to the Participant under this Agreement, or to his or her beneficiaries in the case of the Participant's death, that number of Shares and Dividend Equivalents having a Fair Market Value at the date of such deduction to the amount of such debt as satisfaction of any such debt, *provided* that (i) such debt is incurred in the ordinary course of the employment relationship between the Company or any of its Affiliates and the Participant, (ii) the aggregate amount of any such debt-related collateral held or deduction made in any taxable year of the Company with respect to the Participant does not exceed $5,000, and (iii) the deduction of Shares and Dividend Equivalents is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(c) Except as provided in Subparagraphs 4(c) through 4(h) above, in the event that the Participant experiences a Separation from Service prior to the Participant's becoming vested in the Shares under this Agreement, RSUs subject to this Agreement and any right to Shares and Dividend Equivalents issuable hereunder shall be forfeited.

(d) The Participant acknowledges that this Award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

(e) RSUs, Shares and Dividend Equivalents and the Participant's interest in RSUs and Shares and Dividend Equivalents may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both (i) the Participant's becoming vested in such Shares and (ii) payment of such Shares and Dividend Equivalents under this Agreement.

(f) If the Participant at any time forfeits any or all of the RSUs pursuant to this Agreement, the Participant agrees that all of the Participant's rights to and interest in such RSUs and in Shares and Dividend Equivalents payable thereon, if any, issuable hereunder shall terminate upon forfeiture without payment of consideration.

(g) The Committee shall determine whether an event has occurred resulting in the forfeiture of the Shares and Dividend Equivalents payable thereon in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

(h) With respect to the right to receive payment of the Shares and Dividend Equivalents under this Agreement, nothing contained herein shall give the Participant any rights that are greater than those of a general creditor of the Company.

(i) The obligations of the Company under this Agreement are unfunded and unsecured. Each Participant shall have the status of a general creditor of the Company with respect to amounts due, if any, under this Agreement.

(j) The parties to this Agreement intend that this Agreement meet the applicable requirements of Section 409A of the Code and recognize that it may be necessary to modify this Agreement and/or the Plan to reflect guidance under Section 409A of the Code issued by the Internal Revenue Service. Participant agrees that the Committee shall have sole discretion in determining (i) whether any such modification is desirable or appropriate and (ii) the terms of any such modification.

(k) The Participant hereby automatically becomes a party to this Agreement whether or not he or she accepts the Award electronically or in writing in accordance with procedures of the Committee, its delegates or agents.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

(m) The Participant hereby acknowledges that nothing in this Agreement shall be construed as requiring the Committee to allow a Domestic Relations Order with respect to this Award.

7. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner. To direct the sale of any Shares issued under this Agreement, contact Fidelity at http://netbenefits.fidelity.com or by telephone at 800-544-9354.

8. Tax Consultation. You understand you will incur tax consequences as a result of acquisition or disposition of the Shares and Dividend Equivalents. You agree to consult with any tax consultants you think advisable in connection with the acquisition of the Shares and Dividend Equivalents and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By: ______________________________
Alan S. Armstrong
President and CEO

Participant: **<@Name**
SSN: **<@SSN @>**

EXHIBIT 10.6

Date=Grant Date

TO: **<@Name@>**

FROM: Alan S. Armstrong

SUBJECT: Stock Option Award

You have been selected to receive a stock option award. This award is subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time, and the Nonqualified Stock Option Agreement. Your stock option award is subject to three-year graded vesting. You may view the vesting schedule for this award on-line.

This stock option award is granted to you in recognition of your role as an employee whose responsibilities and performance are critical to the attainment of long-term goals. This award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

If you have any questions about this award, you may contact a dedicated Fidelity Stock Plan Representative at 1-800-544-9354.

Name: **<@Name@>**
SSN: **<@SSN@>**

THE WILLIAMS COMPANIES, INC.
2007 INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (“Option Agreement”) contains the terms of the Option (as defined below) granted to you in this Option Agreement. Certain other terms of the Option are defined in the Plan (as defined below).

1. <u>Stock Options.</u> Subject to the terms of The Williams Companies, Inc. 2007 Incentive Plan or any successor plan, including any supplements or amendments and restatements to it (the “Plan”), you have been granted the right (“Option”) to purchase from the Company **<@Num+C @>** shares of the Company’s Common Stock, par value $1 per share (the “Shares”) effective **<@GrDt+C@>**. (the “Effective Date”). Your Option is exercisable in whole or in part at the exercise price of **<@P+C @>** (the “Option Price”), the closing stock price on **<@GrDt+C@>**, and has an expiration date of **<@ExDt @>**. The Option will vest in one-third increments each year for three years on the anniversary date of the Effective Date beginning the year following the Effective Date and is exercisable at such times and during such periods as are set forth in this Option Agreement and the Plan.

2. <u>Incorporation of Plan and Acceptance of Documents</u>. The Plan applies as though it were included in this Option Agreement. Any capitalized word has a special meaning, which can be found either in the Plan or in this Option Agreement. You agree to accept as binding, conclusive and final all decisions and interpretations of the Committee upon any questions arising under the Plan or this Option Agreement. You acknowledge that you have received a copy of, or have online access to, the Plan and hereby automatically accept the Option subject to all the terms and provisions of the Plan and this Option Agreement. You further acknowledge and agree that you have received a copy of, or that you have online access to, the Plan prospectus, as updated from time to time, and you hereby acknowledge your automatic acceptance and receipt of such prospectus electronically.

3. <u>Exercise</u>. Except as otherwise provided in this Option Agreement, you may exercise vested Options, in whole or in part, by delivering a notice of exercise to the Plan’s designated broker, showing the number of Shares for which the Option is being exercised, and providing payment in full for the Option Price. To give notice of exercise of an Option and receive instructions on payment of the Option Price, contact Fidelity at http://netbenefits.fidelity.com or by telephone at 800-544-9354. If you have not signed and delivered this Option Agreement prior to submitting a notification of such election, submission of your notification of election shall constitute your agreement with the terms and conditions of this Option Agreement. Notwithstanding the preceding sentence, the Company reserves the right to require your signature to this Option Agreement prior to accepting a notification of election to exercise this Option in whole or in part.

4. <u>Payment</u>. You must pay the Option Price in full by any one or more of the following methods, subject to approval of the Committee in its sole discretion,
(i) subject to applicable law, in cash through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom you have submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay the Option Price; (ii) in cash, by personal check or wire transfer; (iii) in Shares valued at their Fair

Market Value on the date of exercise; (iv) withholding of Shares otherwise deliverable upon exercise valued at their Fair Market Value on the date of exercise; or (v) in any combination of the above methods. Certificates for any Shares used to pay the Option Price must be attested to in writing to the Company or delivered to the Company in negotiable form, duly endorsed in blank or with separate stock powers attached, and must be free and clear of all liens, encumbrances, claims and any other charges thereon of any kind.

5. Tax Withholding. Whenever any Options are exercised under the terms of this Option Agreement, the Company will not deliver your Shares unless you remit or, in appropriate cases, agree to remit when due the minimum amount necessary to satisfy all of the Company's federal, state and local withholding tax requirements relating to your Option or the Shares. The Committee may require you to satisfy these minimum withholding tax obligations by any (or a combination) of the following means as determined by the Committee in its sole discretion: (i) a cash payment; (ii) withholding from compensation otherwise payable to you; (iii) authorizing the Company to withhold from the Shares otherwise deliverable to you as a result of the exercise of an Option, a number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation; or (iv) delivering to the Company unencumbered Mature Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation.

6. Rights in the Event of Termination of Service.

(a) Rights in the Event of Termination of Service. If your service with the Company and its Affiliates is terminated for any reason other than death, retirement, Disability or for Cause as defined below, the Option, to the extent vested on the date of your termination, will remain exercisable for six months from the date of such termination (but may not be exercised later than the last day of the original Option Term).

(b) Rights in the Event of Death. If you die while in the service of the Company and its Affiliates, your Option will immediately vest and the Option shall remain exercisable for a period of five years from the date of your death (but may not be exercised later than the last day of the original Option Term) by the person who becomes entitled to exercise your Option after your death (whether by will or by the laws of descent and distribution, or by means of a written beneficiary designation you filed with the Stock Administration Department before your death).

(c) Rights in the Event of Retirement or Disability. If your service with the Company and its Affiliates is terminated for retirement (as defined below) or Disability (as defined below), your Option will immediately vest and the Option shall remain exercisable for five years from the date of your termination (but may not be exercised later than the last day of the original Option Term). The term "Disability" is defined in the Company's long-term disability plan in which you participate or are eligible to participate, as determined by the Committee. Your service will "terminate for retirement" if your employment for the Company and its Affiliates is terminated after you have attained age fifty-five (55) and completed at least three (3) years of service with the Company or any of its Affiliates.

(d) Rights in the Event of Termination for Cause. If your service for the Company or an Affiliate terminates for Cause (as defined under the Plan and set forth below), any Option exercisable on or before such termination shall remain exercisable for a period of 30 days from the date of such termination (but may not be exercised later than the last day of the original

Option Term). As of the date of this Agreement, the Plan defines “Cause” as (i) your willful failure to substantially perform your duties, other than any such failure resulting from a Disability; or (ii) your gross negligence or willful misconduct which results in a significantly adverse effect upon the Company or an Affiliate; or (iii) your willful violation or disregard of the Company’s or an Affiliate’s code of business conduct or other published policy of the Company or an Affiliate; or (iv) your conviction of a crime involving an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company or an Affiliate. The Company may change the definition of Cause under the Plan at any time.

7. Notices. All notices to the Company or to the Committee must be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices become effective upon their receipt by the Company if delivered as described in this section. To give notice of exercise of an Option and receive instructions on payment of the Option Price, contact Fidelity at http://netbenefits.fidelity.com or by telephone at 800-544-9354.

8. Securities Law Compliance. The Company may, without liability for its good faith actions, place legend restrictions upon Shares obtained by exercising this Option and issue “stop transfer” instructions requiring compliance with applicable securities laws and the terms of this Option.

9. No Right to Employment or Service. Nothing in the Option Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate your employment or service at any time, nor confer upon you the right to continue in the employ of the Company and/or Affiliate.

10. Domestic Relations Orders. You hereby acknowledge that nothing in this Agreement shall be construed as requiring the Committee to allow a Domestic Relations Order with respect to this Option grant.

11. Forfeiture and Clawback. Notwithstanding any other provision of the Plan or this Option Agreement to the contrary, by signing this Agreement, you acknowledge that any incentive-based compensation paid to you hereunder may be subject to recovery by the Company under any clawback policy that the Company may adopt from time to time, including without limitation any policy that the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the U.S. Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Shares may be listed. You further agree to promptly return any such incentive-based compensation which the Company determines it is required to recover from you under any such clawback policy.

12. Tax Consultation. You understand you will incur tax consequences as a result of purchase or disposition of the Shares. You agree to consult with any tax consultants you think advisable in connection with the purchase of the Shares and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

13. Confidentiality. The Participant acknowledges that this Award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

THE WILLIAMS COMPANIES, INC.

By ______________________________

Alan S. Armstrong
President and CEO

EXHIBIT 10.7
1/5/11

TO: **<@Name@>**

FROM: **Alan S. Armstrong**

SUBJECT: 2011 Restricted Stock Unit Award

You have been granted a restricted stock unit award. This award, which is subject to adjustment under the 2011 Restricted Stock Unit Agreement (the "Agreement"), is granted to you in recognition of your role as a non-management director for The Williams Companies, Inc. It is granted and subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time, and the Agreement.

Subject to all of the terms of the Agreement, you will become entitled to payment of this award three years after the date on which this award is made.

If you have any questions about this award, you may contact a dedicated Fidelity Stock Plan Representative at 1-800-544-9354.

2011 RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement"), which contains the terms and conditions for the Restricted Stock Units ("Restricted Stock Units" or "RSUs") referred to in the 2011 Restricted Stock Unit Award Letter delivered in hard copy or electronically to Participant ("2011 Award Letter"), is by and between **THE WILLIAMS COMPANIES, INC.,** a Delaware corporation (the "Company") and the individual identified on the last page hereof (the "Participant").

1. Grant of RSUs. Subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended and restated from time to time (the "Plan"), this Agreement and the 2011 Award Letter, the Company hereby grants an award (the "Award") to the Participant of **<@Num+C @>** RSUs effective **<@GrDt+C@>** (the "Effective Date"). The Award gives the Participant the right to receive the number of shares of the Common Stock of the Company equal to the number of RSUs shown in the prior sentence, subject to adjustment under the terms of this Agreement. These shares are referred to in this Agreement as the "Shares." Until the Participant receives payment of the Shares under the terms of Paragraph 4, the Participant shall have no rights as a stockholder of the Company with respect to the Shares.

2. Incorporation of Plan and Acceptance of Documents. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the respective meanings set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan and hereby automatically accepts the RSUs subject to all the terms and provisions of the Plan and this Agreement. The Participant hereby further agrees that he or she has received a copy of, or has online access to, the prospectus and hereby acknowledges his or her automatic acceptance and receipt of such prospectus electronically.

3. Board Decisions and Interpretations. The Participant hereby agrees to accept as binding, conclusive and final all actions, decisions and/or interpretations of the Board, its delegates, or agents, upon any questions or other matters arising under the Plan or this Agreement.

4. Payment of Shares.

(a) Except as otherwise provided in Subparagraph 4(b) below, the Participant shall receive payment of all Shares on the date that is three years after the Effective Date (not including the Effective Date) (the "Maturity Date"). For example, if the Effective Date of the Participant's award under this Agreement is May ______, 2011, the Maturity Date will be May ______, 2014.

(b) If the Participant dies prior to the Maturity Date while serving as a Non-Management Director of the Company or his or her service as a Non-Management Director of the Company terminates for any other reason prior to the Maturity Date and such termination constitutes a "separation from service" as defined under Treasury Regulation § 1.409A-1, as amended, the Participant shall receive payment of all Shares at the time of such death or separation from service. In this regard, if at the time a Non-Management Director's service as a Non-Management Director terminates, such Non-Management Director is also providing services to the Company or an Affiliate (as defined below) as an independent contractor, no separation from service by such Non-Management Director shall occur and no Shares shall be payable to such Non-Management Director until the date on which such Non-Management Director has a Separation from Service as an Independent Contractor (as defined below) from the Company and its Affiliates.

(c) All Shares that are paid pursuant to the Participant's death or separation from service Subparagraph 4(b) above shall be paid to the Participant upon occurrence of the event giving rise to the right to payment or, in the case of Participant's death, to the beneficiary of the Participant under the Plan or, if no beneficiary has been designated, to the Participant's estate, *provided that*, except as otherwise required under Federal securities laws or other applicable law, all Shares that are paid pursuant to Subparagraph 4(b) above shall be paid not more than 90 days following the occurrence of the event giving rise to the right to payment.

(d) Shares that become payable under this Agreement will be paid by the Company by the delivery to the Participant, or, in the case of the Participant's death, to the Participant's beneficiary or legal representative, of one or more certificates (or other indicia of ownership) representing shares of Williams Common Stock equal in number to the number of Shares otherwise payable under this Agreement.

(e) Upon conversion of RSUs into Shares under this Agreement, such RSUs shall be cancelled.

5. Definitions. As used in this Agreement, the following terms shall have the definitions set forth below.

(a) "Affiliate" means all persons with whom the Company would be considered a single employer under Section 414(b) of the Code, and all persons with whom such person would be considered a single employer under Section 414(c) of the Code.

(b) "Separation from Service as an Independent Contractor" will occur upon the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed by a Non-Management Director for the Company or an Affiliate, but only if the expiration constitutes a good-faith and complete termination of the contractual relationship. An expiration of a contract shall not constitute a good faith and complete termination of the contractual relationship if the Company or an Affiliate anticipates either a renewal of a contractual relationship or the Non-Management Director's becoming an employee. The determination of whether a Separation from Service as an Independent Contractor has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended.

6. Other Provisions.

(a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.

(b) The Participant agrees and understands that, upon payment of Shares under this Agreement, stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its Affiliates, including but not limited to personal loan(s) or Company credit card debt.

(c) RSUs, Shares and the Participant's interest in RSUs and Shares may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to the Participant's becoming entitled to payment of Shares under this Agreement.

(d) With respect to the right to receive payment of the Shares under this Agreement, nothing contained herein shall give the Participant any rights that are greater than those of a general creditor of the Company.

(e) The obligations of the Company under this Agreement are unfunded and unsecured. Each Participant shall have the status of a general creditor of the Company with respect to amounts due, if any, under this Agreement.

(f) The parties to this Agreement intend that this Agreement meet the applicable requirements of Section 409A of the Code and recognize that it may be necessary to modify this Agreement and/or the Plan to reflect guidance under Section 409A of the Code issued by the Internal Revenue Service. Participant agrees that the Board shall have sole discretion in determining (i) whether any such modification is desirable or appropriate and (ii) the terms of any such modification.

(g) The Participant hereby automatically becomes a party to this Agreement whether or not he or she accepts the Award electronically or in writing in accordance with procedures of the Board, its delegates or agents.

(h) Nothing in this Agreement or the Plan shall confer upon the Participant the right to continue to serve as a director of the Company.

(i) The Participant hereby acknowledges that nothing in this Agreement shall be construed as requiring the Board or Committee to allow a Domestic Relations Order with respect to this Award.

7. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner. To direct the sale of any Shares issued under this Agreement, the Participant must contact Fidelity at http://netbenefits.fidelity.com or by telephone at 800-544-9354.

8. Tax Consultation. You understand you will incur tax consequences as a result of acquisition or disposition of the Shares. You agree to consult with any tax consultants you think advisable in connection with the acquisition of the Shares and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By: ______________________________

Alan S. Armstrong
President and CEO

Participant: **<@Name@>**
SSN: **<@SSN@>**

EXHIBIT 10.12

The Williams Companies, Inc.

2007 Incentive Plan

Effective as of March 14, 2007, as subsequently amended

Amended and restated effective as of January 19, 2012

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THE WILLIAMS COMPANIES, INC.
2007 INCENTIVE PLAN

(Effective as of March 14, 2007, as subsequently amended)
(Amended and restated effective as of January 19, 2012)

Article 1.—Effective Date, History, Objectives, and Duration

1.1 Effective Date. The Williams Companies, Inc., a Delaware corporation (the "Company"), established an incentive compensation plan known as The Williams Companies, Inc. 2007 Incentive Plan (the "Plan") effective March 14, 2007 (the "Effective Date"). From and after the Effective Date, no further grants or awards shall be made under The Williams Companies, Inc. 2002 Incentive Plan, as amended from time to time, The Williams Companies, Inc. Stock Plan for Nonofficer Employees, The Williams International Stock Plan, The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors or The Williams Companies, Inc. 1996 Stock Plan, as amended. The Company previously amended and restated the Plan (the "Restatement") effective as of February 23, 2010 (the "Restatement Effective Date").

1.2 Objectives of the Plan. The Plan is intended (a) to allow selected employees and officers of the Company and its Affiliates to acquire or increase equity ownership in the Company, thereby strengthening their commitment to the success of the Company and stimulating their efforts on behalf of the Company, and to assist the Company and its Affiliates in attracting new employees and officers and retaining existing employees and officers, (b) to provide Non-Equity Incentive Award (as defined below) opportunities to employees in the Designated 162(m) Group (as defined below) that are competitive with those of other major corporations, (c) to optimize the profitability and growth of the Company and its Affiliates through incentives which are consistent with the Company's goals, (d) to provide Grantees with an incentive for excellence in individual performance, (e) to promote teamwork among employees, officers, and Non-Management Directors (as defined below), and (f) to attract and retain highly qualified persons to serve as Non-Management Directors and to promote ownership by such Non-Management Directors of a greater proprietary interest in the Company, thereby aligning such Non-Management Directors' interests more closely with the interests of the Company's stockholders.

1.3 Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board of Directors of the Company (the "Board") to amend or terminate the Plan at any time pursuant to Article 15 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions, or, if earlier, May 17, 2017, the tenth (10th) anniversary of the date the Plan was originally approved by the stockholders of the Company. Termination of the Plan will not affect the rights and obligations of the Grantees and the Company arising under Awards theretofore granted and then in effect.

Article 2.—Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below:

2.1 "Acquired Entity Award" has the meaning set forth in Section 5.6.

2.2 "Affiliate" means any Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by or is under common control with the Company.

2.3 "Annual Meeting of Company Stockholders" has the meaning set forth in Section 14.1.

2.4 "Award" means Options (including Non-Qualified Stock Options and Incentive Stock Options), Shares of Restricted Stock, Restricted Stock Units, Performance Units (which may be paid in cash), Performance Shares, Stock Appreciation Rights, Other Stock-Based Awards, Non-Equity Incentive Awards or Director Annual Grants granted under the Plan.

2.5 "Award Agreement" means the written agreement or other instrument as may be approved from time to time by the Committee or Management Committee (as applicable) by which an Award shall be evidenced. An Award Agreement may be in the form of either (a) an agreement to be either executed by both the Grantee and the Company (or an authorized representative of the Company) or delivered and acknowledged electronically as the Committee shall determine or (b) certificates, notices or similar instruments as approved by the Committee or Management Committee (as applicable).

2.6 "Base Amount" means with respect to a Stock Appreciation Right, the amount with respect to which the appreciation in the value of a Share shall be measured over the period beginning with the Grant Date and ending on the date of exercise of such Stock Appreciation Right.

2.7 "Board" has the meaning set forth in Section 1.3.

2.8 "CEO" means the Chief Executive Officer of the Company.

2.9 "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to a particular section of the Code include references to regulations and rulings thereunder and to successor provisions.

2.10 "Committee" and "Management Committee" have the respective meanings set forth in Article 3.

2.11 "Common Stock" means the common stock, $1.00 par value, of the Company.

2.12 "Controlled Affiliate" means any Person that directly or indirectly, through one or more intermediaries, is controlled by the Company.

2.13 "Covered Employee" means a Grantee who, as of the date that the value of an Award is recognizable as income, is one of the group of "covered employees," within the meaning of Section 162(m) of the Code, with respect to the Company.

2.14 “Designated 162(m) Group” means that group of persons whom the Committee believes may be Covered Employees with respect to a current or future fiscal year of the Company.

2.15 “Director Annual Grant” means an Award made to a Non-Management Director under Section 14.1.

2.16 “Director Fees” has the meaning set forth in Section 14.2.

2.17 “Disability” means, unless otherwise defined in an Award Agreement, or as otherwise determined under procedures established by the Committee for purposes of the Plan, for purposes of the exercise of an Incentive Stock Option, a disability within the meaning of Section 22(e)(3) of the Code, and for all other purposes, disability as defined in the Company’s long-term disability plan in which the Grantee participates or is eligible to participate, as determined by the Committee.

2.18 “Dividend Equivalent” means a right to receive or accrue, to the extent provided under the respective Award Agreement, payments equal to dividends or property on a specified number of Shares.

2.19 “Eligible Person” means any employee (including any officer) of the Company or an Affiliate, except that only employees in the Designated 162(m) Group shall be Eligible Persons with respect to Non-Equity Incentive Awards.

2.20 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time. References to a particular section of the Exchange Act include references to successor provisions.

2.21 “Equity Election” has the meaning set forth in Section 14.2.

2.22 “Fair Market Value” means (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee, and (b) with respect to Shares, unless otherwise determined in the good faith discretion of the Committee, as of any date: (i) the closing price on the date of determination reported in *The Wall Street Journal* (or an equivalent alternate or successor) (or, if no sale of Shares was reported for such date, on the most recent trading day prior to such date on which a sale of Shares was reported); (ii) if the Shares are not listed on the New York Stock Exchange, the closing price of the Shares on such other national exchange on which the Shares are principally traded or as reported by the Nasdaq Global Select or Global Market System, or similar securities market, or if no such quotations are available, the average of the high bid and low asked quotations in the over-the-counter market as reported by the Nasdaq Capital Market or similar securities market; or (iii) in the event that there shall be no public market for the Shares, the fair market value of the Shares as determined (which determination shall be conclusive) in good faith by the Committee.

2.23 “Grant Date” means the date on which an Award is granted or, in the case of a grant to an Eligible Person, such later date as specified in advance by the Committee.

2.24 “Grantee” means an Eligible Person who has been granted an Award.

2.25 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code.

2.26 "including" or "includes" means "including, without limitation," or "includes, without limitation," respectively.

2.27 "Non-Equity Incentive Award" means an Award granted to a person in the Designated 162(m) Group that is not granted or payable in Shares.

2.28 "Non-Management Director" means a member of the Board who is not an employee of the Company or any Affiliate.

2.29 "Non-Qualified Stock Option" means an Option that is not an Incentive Stock Option.

2.30 "Option" means an option granted under Article 6 of the Plan.

2.31 "Option Price" means the price at which a Share may be purchased by a Grantee pursuant to the exercise of an Option.

2.32 "Option Term" means the period beginning on the Grant Date of an Option and ending on the date such Option expires, terminates or is cancelled.

2.33 "Other Stock-Based Award" means a right, granted under Article 11 of the Plan, that relates to or is valued by reference to Shares or other Awards relating to Shares.

2.34 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Section 162(m) of the Code contained in Section 162(m)(4)(C) of the Code (including the special provisions for options thereunder).

2.35 "Performance Measures" has the meaning set forth in Section 4.4.

2.36 "Performance Period" means the time period over which performance goals shall be determined.

2.37 "Performance Share" and "Performance Unit" have the respective meanings set forth in Article 9.

2.38 "Period of Restriction" means the period during which Shares of Restricted Stock or Restricted Stock Units are subject to forfeiture if the conditions specified in the Award Agreement are not satisfied.

2.39 "Person" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

2.40 "Restricted Stock Unit" means a right, granted in accordance with Article 8 hereof, to receive a Share or cash payment equal to the value thereof, subject to such Period of Restriction as the Committee shall determine.

2.41 “Rule 16b-3” means Rule 16b-3 promulgated by the SEC under the Exchange Act, as amended from time to time, together with any successor rule.

2.42 “SEC” means the United States Securities and Exchange Commission, or any successor thereto.

2.43 “Section 16 Non-Management Director” means a Non-Management Director who satisfies the requirements to qualify as a “non-employee director” under Rule 16b-3.

2.44 “Section 16 Person” means a person who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.45 “Share” means a share of Common Stock, and such other securities of the Company as may be substituted or resubstituted for Shares pursuant to Section 4.2 hereof.

2.46 “Shares of Restricted Stock” or “Restricted Stock” means Shares that are subject to forfeiture if the Grantee does not satisfy the conditions specified in the Award Agreement applicable to such Shares.

2.47 “Stock Appreciation Right” or “SAR” has the meaning set forth in Section 10.1 hereof.

2.48 “Termination of Affiliation” occurs on the first day on which an individual is for any reason no longer providing services to the Company or any Affiliate in the capacity of an employee or officer, or with respect to an individual who is solely an employee or officer of an Affiliate, the first day on which such entity ceases to be an Affiliate of the Company. Notwithstanding the foregoing, except as otherwise provided in the Award Agreement with respect to such Award, with respect to an Award subject to Section 409A of the Code, “Termination of Affiliation” means a “separation from service” as defined in Section 409A of the Code and guidance thereunder.

Article 3.—Administration

3.1 Committee.

(a) Subject to Articles 14 and 15, and to Section 3.2, the Plan shall be administered by a committee (the "Committee"). Except to the extent the Board reserves administrative powers to itself or appoints a different committee to administer the Plan, the Committee shall be (i) the Board, with respect to all Non-Management Directors, (ii) the Compensation Committee of the Board, with respect to all executive officers of the Company (which term shall have the same meaning as the term "officer" as defined in Rule 16a-1(f) promulgated under the Exchange Act and shall in any event include all of the members of the Company's Executive Officer Team ("EOT")) and any other Eligible Person with respect to whom it elects to act as the Committee, and (iii) except as the Committee may provide, if the CEO is a member of the Board, a committee consisting of the CEO, with respect to any Eligible Person other than an executive officer of the Company. In addition, to the extent the Board considers it desirable to comply with Rule 16b-3 or meet the Performance-Based Exception, the Committee shall consist of two or more directors of the Company, all of whom qualify both as "outside directors" within the meaning of Section 162(m) of the Code and as Section 16 Non-Management Directors (the "Independent Committee"). The number of members of the Committee shall from time to time be increased or decreased, and shall be subject to such conditions, in each case as the Board deems appropriate to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3 and the Performance-Based Exception as then in effect.

(b) The Board or the Compensation Committee may, by resolution, appoint and delegate to another committee of one or more officers of the Company (including the CEO) (a "Management Committee") any or all of the authority of the Board or the Committee, as applicable, with respect to Awards to Grantees other than Grantees who are executive officers of the Company, Non-Management Directors, or are persons in the Designated 162(m) Group for whom the Board or the Compensation Committee desires to have the Performance-Based Exception apply and/or are Section 16 Persons at the time any such delegated authority is exercised; provided, however, that the resolution so authorizing such Management Committee shall specify the total number of Shares that may be subject to Awards (if any) such Management Committee may award pursuant to such delegated authority, and any such Award shall be subject to the form(s) of Award Agreement theretofore approved by the Compensation Committee. Any delegation of authority pursuant to this Section 3.1(b) shall comply with the requirements of applicable law, including Section 157(c) of the General Corporation Law of the State of Delaware to the extent applicable.

(c) Unless the context requires otherwise, any references herein to "Committee" include references to the Board, the Compensation Committee of the Board, the Management Committee, the Independent Committee (if distinct from any of the foregoing) or the CEO, as applicable. For avoidance of doubt, notwithstanding any provision of the Plan to the contrary, any action taken by the Compensation Committee of the Board shall be treated as a valid action of the Committee, except as limited by the terms of the Board's delegation of authority to the Compensation Committee of the Board or in the event that such action would violate applicable law.

3.2 Powers of Committee. Subject to and consistent with the provisions of the Plan (including Article 14 and any limitations in scope of authority established in accordance with Section 3.1 above), the Committee has full and final authority and sole discretion as follows:

(a) to determine when, to whom and in what types and amounts Awards should be granted;

(b) to grant Awards in any number and amount to Eligible Persons, and to determine the terms and conditions applicable to each Award (including the number of Shares or the amount of cash or other property to which an Award will relate, any exercise price, grant price, Base Amount or purchase price, any limitation or restriction, any schedule for or performance conditions relating to the earning of the Award or the lapse of limitations, forfeiture restrictions, restrictions on exercisability or transferability, any performance goals including those relating to the Company and/or an Affiliate and/or any division thereof and/or an individual, and/or vesting based on the passage of time, based in each case on such considerations as the Committee shall determine);

(c) to determine the benefit payable under any Performance Unit, Performance Share, Other Stock-Based Award or Non-Equity Incentive Award and to determine whether any performance or vesting conditions have been satisfied;

(d) to determine whether or not specific Awards shall be granted in connection with other specific Awards, and if so, whether they shall be exercisable cumulatively with, or alternatively to, such other specific Awards and all other matters to be determined in connection with an Award;

(e) to determine the Option Term;

(f) to determine the amount, if any, that a Grantee shall pay for Shares of Restricted Stock, when Shares of Restricted Stock shall be forfeited and whether such Shares shall be held in escrow;

(g) to determine whether, to what extent and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards or other property, or an Award may be accelerated, vested, canceled, forfeited or surrendered or any terms of the Award may be waived, and to accelerate the exercisability of, and to accelerate or waive any or all of the terms and conditions applicable to, any Award or any group of Awards for any reason and at any time;

(h) to determine with respect to Awards whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award will be deferred either automatically (whether to limit loss of deductions pursuant to Section 162(m) of the Code or otherwise), at the election of the Committee or at the election of the Grantee;

(i) to offer to exchange or buy out any previously granted Award for a payment in cash, Shares or one or more other Awards, subject to Section 6.3 and Section 10.5;

(j) to construe and interpret the Plan and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;

(k) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan;

(l) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(m) to determine the terms and conditions of all Award Agreements applicable to Eligible Persons (which need not be identical) and, with the consent of the Grantee, to amend any such Award Agreement at any time, among other things, to permit transfers of such Awards to the extent permitted by the Plan; *provided* that the consent of the Grantee shall not be required for any amendment (i) which does not materially adversely affect the rights of the Grantee, or (ii) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new applicable law or change in an existing applicable law, or (iii) to the extent the Award Agreement specifically permits amendment without consent, or (iv) provided for or specifically contemplated in the Plan (such as Section 6.4 or Article 13);

(n) to cancel, with the consent of the Grantee, outstanding Awards and to grant new Awards in substitution therefor, subject to Section 6.3 and Section 10.5;

(o) to make such adjustments or modifications to Awards or to adopt such sub-plans for Grantees working outside the United States as are advisable to fulfill the purposes of the Plan (including to comply with local law);

(p) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including, as applicable, limiting the percentage of Awards which may from time to time be exercised by a Grantee;

(q) to make adjustments in the terms and conditions of, and the criteria in, Awards in recognition of unusual or nonrecurring events (including events described in Section 4.2) affecting the Company or an Affiliate or the financial statements of the Company or an Affiliate, or in response to changes in applicable laws, regulations or accounting principles; *provided* that in no event shall such adjustment increase the value of an Award for a person included in the Designated 162(m) Group for whom the Committee desires to have the Performance-Based Exception apply so as to cause the Performance-Based Exception to be unavailable;

(r) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and Award Agreement or any other instrument entered into or relating to an Award under the Plan; and

(s) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, its Affiliates, any Grantee, any person claiming any rights under the Plan from or through any Grantee, and stockholders, except to the extent the Committee may subsequently modify, or take further action not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Affiliate the authority, subject to such terms as the Committee shall determine, to perform specified functions under the Plan (subject to Sections 3.1(b), 4.3, 4.4 and 5.7(b)).

Article 4.—Shares Subject to the Plan, Maximum Awards, and 162(m) Compliance

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.2, the number of Shares hereby reserved for delivery under the Plan shall be thirty million (30,000,000). The number of Shares available for delivery pursuant to stock-based Awards other than Options shall not exceed sixty percent (60%) of the total number of Shares deliverable under the Plan (determined as of the date of stockholder approval of the Restatement). The number of Shares available for delivery pursuant to Incentive Stock Options shall be the number set forth in the first sentence of this Section 4.1.

The Committee shall from time to time determine the appropriate methodology for calculating the number of Shares to which an Award relates pursuant to the Plan.

If any Shares subject to an Award granted hereunder are forfeited or such Award is settled in cash or otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture, settlement or termination, shall again be available for grant under the Plan. Notwithstanding the foregoing, Shares subject to an Award under the Plan may not again be made available for issuance under the Plan if such Shares are: (a) Shares used to pay the exercise price of an Option, (b) Shares delivered to or withheld by the Company to pay the withholding taxes related to an Award, or (c) Shares repurchased by the Company on the open market with the proceeds of an Award paid to the Company by or on behalf of the Grantee. Shares delivered pursuant to the Plan may be, in whole or in part, authorized and unissued Shares, or treasury Shares, including Shares repurchased by the Company for purposes of the Plan.

Notwithstanding the foregoing, an unlimited number of Shares may be issued under the Plan pursuant to Acquired Entity Awards granted in assumption of, or in substitution for, an outstanding award previously granted by an Acquired Entity, so long as the terms of the acquisition of such awards previously granted by an Acquired Entity do not expressly provide for the issuance of Shares authorized under this Section 4.1.

4.2 Adjustments in Authorized Shares and Awards. In the event of any dividend or other distribution (whether in the form of cash, Shares, or other property, but excluding regular, quarterly cash dividends), recapitalization, forward or reverse stock split, subdivision, consolidation or reduction of capital, reorganization, merger, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares or other securities of the Company or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event that affects the Shares, provided that any such transaction or event referred to heretofore does not involve the receipt of consideration by the Company, then the Committee shall, in such manner as it deems equitable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, adjust (a) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (b) the number and type of Shares (or other securities or property) subject to outstanding Awards, (c) the grant or exercise price or Base Amount with respect to any applicable Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award, (d) the number and kind of outstanding Shares of Restricted Stock or relating to any other outstanding Award in connection with which Shares are issued or otherwise subject, (e) the number of Shares with respect to which Awards may be granted to a Grantee, as set forth in Section 4.3, (f) the number and type of Shares (or other securities or property) as to which Awards may be settled, and (g) the number of Shares subject to outstanding Restricted Stock or Restricted Stock Units granted under Article 14; *provided*, in each case, that with respect to Awards of Incentive Stock Options intended as of their Grant Date to qualify as Incentive Stock Options, no such adjustment shall be authorized to the extent that such adjustment would cause the Plan to violate Section 422(b)(1) of the Code; and *provided further* that the number of Shares subject to any Award denominated in Shares shall always be a whole number. By way of example and not limitation, neither the conversion of any convertible securities of the Company nor any open market purchase of Shares by the Company shall be treated as a transaction that “does not involve the receipt of consideration” by the Company.

4.3 Compliance with Section 162(m) of the Code. To the extent the Committee determines that compliance with the Performance-Based Exception is desirable, the following shall apply:

(a) Section 162(m) Compliance. All Awards granted to persons included in the Designated 162(m) Group shall comply with the requirements of the Performance-Based Exception; *provided* that to the extent Section 162(m) of the Code requires periodic shareholder approval of performance measures, such approval shall not be required for the continuation of the Plan or as a condition to grant any Award hereunder after such approval is required. In addition, in the event that changes are made to Section 162(m) of the Code to permit flexibility with respect to the Award or Awards available under the Plan, the Committee may, subject to this Section 4.3, make any adjustments to such Awards as it deems appropriate.

(b) Annual Individual Limitations. During any calendar year, no Grantee may be granted Awards (other than Awards that cannot be satisfied in Shares) with respect to more than three million five hundred thousand (3,500,000) Shares, subject to adjustment as provided in Section 4.2. The maximum potential value of Awards to be settled in cash or property (other than Shares) that may be granted with respect to any calendar year (or the Company’s fiscal year, if the Company’s fiscal year is not the calendar year) to any Grantee included in the Designated 162(m) Group (regardless of when such Award is settled) shall not exceed Fifteen Million Dollars ($15,000,000.00). (Thus, Awards to be settled in cash or property (other than Shares) with a Performance Period (or other period of time explicitly or implicitly utilized to determine the value to be provided to the Grantee) over more than one calendar year (or fiscal year) may exceed the one-year grant limit in the prior sentence at the time of payment or settlement so long as the total maximum potential value does not exceed the one-year limit multiplied by the number of calendar years (or fiscal years) or portions thereof over which the value of such Award is determined.)

4.4 Performance-Based Exception Under Section 162(m). Unless and until the Committee proposes for stockholder vote and stockholders approve a change in the general performance measures set forth in this Section 4.4, for Awards (other than Options or SARs) designed to qualify for the Performance-Based Exception, the objective Performance Measure(s) shall be chosen from among the following:

(a) Earnings (either in the aggregate or on a per-share basis);

(b) Net income;

(c) Operating income;

(d) Operating profit;

(e) Cash flow;

(f) Stockholder returns (including return on assets, investments, equity, or gross sales) (including income applicable to common stockholders or other class of stockholders);

(g) Return measures (including return on assets, equity, or sales);

(h) Earnings before or after either, or any combination of, interest, taxes, depreciation or amortization (EBITDA);

(i) Gross revenues;

(j) Share price (including growth measures and total stockholder return or attainment by the Shares of a specified value for a specified period of time);

(k) Reductions in expense levels in each case, where applicable, determined either on a Company-wide basis or in respect of any one or more business units;

(l) Net economic value;

(m) Market share;

(n) Annual net income to common stock;

(o) Earnings per share;

(p) Annual cash flow provided by operations;

(q) Changes in annual revenues;

(r) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;

(s) Economic value added;

(t) Sales;

(u) Costs;

(v) Results of customer satisfaction surveys;

(w) Aggregate product price and other product price measures;

(x) Safety record;

(y) Service reliability;

(z) Operating and maintenance cost management;

(aa) Energy production availability performance measures;

(bb) Debt rating;

and/or

(cc) Achievement of objective business or operational goals such as market share and/or business development;

provided that subsections (a) through (g) may be measured on a pre- or post-tax basis; and *provided further* that the Committee may, on the Grant Date of an Award intended to comply with the Performance-Based Exception, and in the case of other grants, at any time, provide that the formula for such Award may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss. For Awards intended to comply with the Performance-Based Exception, the Committee shall set the Performance Measures within the time period prescribed by Section 162(m) of the Code. The levels of performance required with respect to Performance Measures may be expressed in absolute or relative levels and may be based upon a set increase, set positive result, maintenance of the status quo, set decrease or set negative result, and may be measured annually, cumulatively over a period of years or over such other period determined by the Committee. Performance Measures may differ for Awards to different Grantees. The Committee shall specify the weighting (which may be the same or different for multiple objectives) to be given to each Performance Measure for purposes of determining the final amount payable with respect to any such Award. Any one or more of the Performance Measures may apply to the Grantee, to a department, unit, division or function within the Company or any one or more Affiliates; or to the Company and/or any one or more Affiliates; and may apply either alone or relative to the performance of other businesses or individuals (including industry or general market indices).

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals; *provided* that Awards which are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward) so as to cause the Performance-Based Exception to be unavailable. The Committee may not delegate any responsibility with respect to Awards intended to qualify for the Performance-Based Exception. All determinations by the Committee as to the achievement of the Performance Measure(s) shall be in writing prior to payment of the Award.

In the event that applicable laws change to permit Committee discretion to alter the governing performance measures without obtaining stockholder approval of such changes, and still qualify for the Performance-Based Exception, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

For purposes of Section 4.3 and this Section 4.4 (and any other provisions of the Plan for which compliance with Section 162(m) of the Code is intended), references to “Committee” means the Compensation Committee of the Board or, if a separate body, the Independent Committee.

Article 5.—Eligibility and General Conditions of Awards

5.1 Eligibility. Awards may be granted to any Eligible Person or Non-Management Director, whether or not he or she has previously received an Award; *provided* that only persons included in the Designated 162(m) Group shall be Eligible Persons with respect to Non-Equity Incentive Awards made under the Plan and Non-Management Directors may only receive Awards granted under Article 14 of the Plan. A prospective employee of the Company or an Affiliate may be granted an Award so long as the Grant Date does not occur prior to the date that such Person commences employment or the performance of services for the Company or an Affiliate.

5.2 Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement.

5.3 General Terms and Termination of Affiliation. The Committee may impose on any Award or the exercise or settlement thereof, at the Grant Date or, subject to the provisions of Section 15.2, thereafter, such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine, including terms requiring forfeiture, acceleration or pro-rata acceleration of Awards in the event of a Termination of Affiliation by the Grantee. Except as may be required under the Delaware General Corporation Law, Awards may be granted for no consideration other than prior and future services. Except as otherwise determined by the Committee pursuant to this Section 5.3, all Awards that have not been exercised and that are subject to (a) a risk of forfeiture, (b) deferral by the Committee (and not voluntary deferral by the Grantee), (c) vesting or (d) unexpired Performance Periods at the time of a Termination of Affiliation, shall be forfeited to the Company.

5.4 Nontransferability of Awards.

(a) Each Award and each right under any Award shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under applicable law, by the Grantee's guardian or legal representative or by a transferee receiving such Award pursuant to a domestic relations order ("DRO").

(b) No Award (prior to the time, if applicable, Shares are delivered in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee otherwise than by will or by the laws of descent and distribution (or in the case of Shares of Restricted Stock, to the Company) or pursuant to a DRO, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company and any Affiliate; *provided* that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Notwithstanding subsections (a) and (b) above, to the extent provided in the Award Agreement, Director Annual Grants, Restricted Stock Units, Stock Appreciation Rights and Awards other than Incentive Stock Options and Non-Equity Incentive Awards, may be transferred to one or more trusts or persons during the lifetime of the Grantee in connection with the Grantee's estate planning, and may be exercised by such transferee in accordance with the terms of such Award. If so determined by the Committee, a Grantee may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Grantee, and to receive any distribution with respect to any Award upon the death of the Grantee. A transferee, beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Grantee shall be subject to and consistent with the provisions of the Plan and any applicable Award Agreement, except to the extent the Plan and Award Agreement otherwise provide with respect to such persons, and to any additional restrictions or limitations deemed necessary or appropriate by the Committee.

(d) Nothing herein shall be construed as requiring the Committee to honor a DRO except as required under the respective Award Agreement or to the extent required under applicable law.

5.5 Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold, or otherwise limit or restrict any unexercised Award at any time if the Grantee is not in compliance with all applicable provisions of the Award Agreement and the Plan or if the Grantee has a Termination of Affiliation.

5.6 Stand-Alone, Tandem and Substitute Awards.

(a) Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan or any other plan of the Company or any Affiliate; *provided* that if the stand-alone, tandem or substitute Award is intended to qualify for Performance-Based Exception, it must separately satisfy the requirements of the Performance-Based Exception. In connection with the Company's acquisition, however effected, of another corporation or entity (the "Acquired Entity") or the assets thereof, the Committee may, at its discretion, grant Awards ("Substitute Awards") associated with the stock or other equity interest in such Acquired Entity ("Acquired Entity Award") held by a Grantee immediately prior to such Acquisition in order to preserve for Grantee the economic value of all or a portion of such Acquired Entity Award on such terms as the Committee determines necessary to achieve preservation of economic value. If an Award is granted in substitution for another Award or any non-Plan award or benefit, the Committee shall require the surrender of such other Award or non-Plan award or benefit in consideration for the grant of the new Award. Awards granted in addition to or in tandem with other Awards or non-Plan awards or benefits may be granted either at the same time as or at a different time from the grant of such other Awards or non-Plan awards or benefits. The Option Price of any Option or the purchase price of any other Award conferring a right to purchase Shares:

(i) If granted in substitution for an outstanding Award or non-Plan award or benefit, shall be either not less than the Fair Market Value of Shares at the date such substitute Award is granted or not less than such Fair Market Value at that date reduced to reflect the Fair Market Value of the Award or award required to be surrendered by the Grantee as a condition to receipt of a substitute Award; or

(ii) If granted in tandem with an already outstanding Award or an award granted under another plan, shall be either not less than the Fair Market Value of Shares at the date of grant of the later Award or the Fair Market Value of Shares at the date of grant of the earlier Award or award granted under such other plan.

(b) The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate in the circumstances, grant Awards under the Plan in substitution for stock and stock-based Awards held by employees of another corporation who become employees of the Company or an Affiliate as the result of a merger or consolidation or other combination of the employing corporation with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the employing corporation.

5.7 Compliance with Rule 16b-3.

(a) Reformation to Comply with Exchange Act Rules. To the extent the Committee determines that a grant or other transaction by a Section 16 Person should comply with applicable provisions of Rule 16b-3 (except for transactions exempted under alternative Exchange Act rules), the Committee shall take such actions as necessary to make such grant or other transaction so comply, and if any provision of this Plan or any Award Agreement relating to a given Award does not comply with the requirements of Rule 16b-3 as then applicable to any such grant or transaction, such provision will be construed or deemed amended, if the Committee so determines, to the extent necessary to conform to the then applicable requirements of Rule 16b-3 without the consent of or notice to the affected Section 16 Person.

(b) Rule 16b-3 Administration. Any function relating to a Section 16 Person shall be performed solely by the Committee or the Board if necessary to ensure compliance with applicable requirements of Rule 16b-3, to the extent the Committee determines that such compliance is desired. Each member of the Committee or person acting on behalf of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer, manager or other employee of the Company or any Affiliate, the Company's independent certified public accountants or any executive compensation consultant or attorney or other professional retained by the Company to assist in the administration of the Plan. For purposes of Section 5.7(a) and this Section 5.7(b), references to "Committee" means the Compensation Committee of the Board or, if a separate body, the Independent Committee.

5.8 Deferral of Award Payouts. The Committee may permit or require a Grantee to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due by virtue of the lapse or waiver of restrictions with respect to Shares of Restricted Stock, the satisfaction of any requirements or goals with respect to Performance Units or Performance Shares, the lapse or waiver of the Period of Restriction for Restricted Stock Units, or the lapse or waiver of restrictions with respect to Other Stock-Based Awards. The Committee may also require such a deferral of receipt in order to avoid non-deductibility of any amounts associated with such Award or to comply with the requirements of applicable law. If any such deferral is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals. Except as otherwise provided in an Award Agreement or this Section 5.8, any payment of any Shares that are subject to such deferral shall be made or delivered to the Grantee upon the Grantee's Termination of Affiliation. Notwithstanding anything herein to the contrary, in no event will any deferral or payment of a deferred number of Shares or any other payment with respect to any Award be allowed if the Committee determines, in its sole discretion, that the deferral would result in the imposition of the additional tax under Section 409A(a)(1)(B) of the Code.

Article 6.—Stock Options

6.1 Grant of Options. Subject to and consistent with the provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the Option Term (which shall be for a period of not more than ten (10) years from its Grant Date), the number of Shares to which the Option pertains, the time or times at which such Option shall be exercisable and such other provisions as the Committee shall determine.

6.3 Option Price; No Repricing. The Option Price of an Option under this Plan shall be determined in the sole discretion of the Committee, and, except with respect to an Option granted as an Acquired Entity Award, shall be at least equal to 100% of the Fair Market Value of a Share on the Grant Date. Subject to the adjustment under Section 4.2, neither the Committee nor the Board shall have the authority or discretion to reduce, directly or indirectly, the Option Price of any outstanding Option without stockholder approval, including, without limitation, by (a) canceling previously awarded Options and regranting them with a lower Option Price or (b) exchanging or buying out any previously granted Option for a payment in cash, Shares or other Award, notwithstanding any authority otherwise granted the Committee or the Board under the Plan.

6.4 Grant of Incentive Stock Options. At the time of the grant of any Option, the Committee may in its discretion designate that such Option (or portion thereof) shall be made subject to additional restrictions to permit it to qualify as an Incentive Stock Option. Any Option (or portion thereof) designated as an Incentive Stock Option:

(a) shall be granted only to an employee of the Company or a Subsidiary Corporation (as defined below);

(b) shall have an Option Price of not less than 100% of the Fair Market Value of a Share on the Grant Date, and, if granted to a person who owns capital stock (including stock treated as owned under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of capital stock of the Company or any Subsidiary Corporation (a "10% Owner"), have an Option Price not less than 110% of the Fair Market Value of a Share on its Grant Date;

(c) shall be for a period of not more than 10 years (five years if the Grantee is a 10% Owner) from its Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;

(d) shall not have an aggregate Fair Market Value (as of the Grant Date) of the Shares with respect to which Incentive Stock Options (whether granted under the Plan or any other stock option plan of the Grantee's employer or any parent or Subsidiary Corporation ("Other Plans")) are exercisable for the first time by such Grantee during any calendar year ("Current Grant"), determined in accordance with the provisions of Section 422 of the Code, which exceeds $100,000 (the "$100,000 Limit");

(e) shall require the Grantee to notify the Committee of any disposition of any Shares delivered pursuant to the exercise of the Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to holding periods and certain disqualifying dispositions) (a "Disqualifying Disposition"), within 10 days of such a Disqualifying Disposition; and

(f) shall by its terms not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the Grantee's lifetime, only by the Grantee; *provided* that the Grantee may, to the extent provided in the Plan in any manner specified by the Committee, designate in writing a beneficiary to exercise his or her Incentive Stock Option after the Grantee's death.

For purposes of this Section 6.4, "Subsidiary Corporation" means a corporation other than the Company in an unbroken chain of corporations beginning with the Company if, at the time of granting the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. Notwithstanding the foregoing and Section 3.2, the Committee may, without the consent of the Grantee, at any time before the exercise of an Option (whether or not an Incentive Stock Option), take any action necessary to prevent such Option from being treated as an Incentive Stock Option.

Notwithstanding anything in this Section 6.4 to the contrary, Options designated as Incentive Stock Options shall not be eligible for treatment under the Code as Incentive Stock Options (and will be deemed to be Non-Qualified Stock Options) to the extent that either (a) the aggregate Fair Market Value of the Shares (determined on the Grant Date) with respect to the Current Grant and all Incentive Stock Options previously granted under the Plan and any Other Plans which are exercisable for the first time during a calendar year would exceed the $100,000 Limit, or (b) such Options otherwise remain exercisable but are not exercised within three (3) months of Termination of Affiliation (or such other period of time provided in Section 422 of the Code).

6.5 Payment. Except as otherwise provided by the Committee in an Award Agreement or otherwise, Options shall be exercised by the delivery of a written notice of exercise to the Company or its designee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares made by any one or more of the following means, subject to the approval of the Committee:

(a) cash, personal check or wire transfer;

(b) Shares, valued at their Fair Market Value on the date of exercise;

(c) withholding of Shares otherwise deliverable upon exercise valued at their Fair Market Value on the date of exercise; or

(d) subject to applicable law, pursuant to procedures previously approved by the Company, in cash through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Company, the mandatory amount of federal, state, local and foreign withholding taxes payable by Grantee by reason of such exercise.

Article 7.—Shares of Restricted Stock

7.1 Grant of Shares of Restricted Stock. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to any Eligible Person in such amounts as the Committee shall determine.

7.2 Award Agreement. Each grant of Shares of Restricted Stock shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine. The Committee may impose such conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable, including restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, and/or restrictions under applicable securities laws; *provided* that such conditions and/or restrictions may lapse, if so determined by the Committee, in the event of the Grantee's Termination of Affiliation due to death, Disability, normal or approved early retirement, or involuntary termination by the Company or an Affiliate without "cause." Except as otherwise determined by the Committee, upon Termination of Affiliation during the applicable Period of Restriction, Shares of Restricted Stock that are at that time subject to forfeiture shall be forfeited and automatically reacquired by the Company.

7.3 Consideration for Shares of Restricted Stock. The Committee shall determine the amount, if any, that a Grantee shall pay for Shares of Restricted Stock, subject to the following sentence. Except with respect to Shares of Restricted Stock that are treasury shares, for which no payment need be required, the Committee shall require the Grantee to pay at least the par value of a Share for each Share of Restricted Stock. Such payment shall be made in full in cash and/or other consideration permissible by applicable law (including prior and/or future services, which shall be considered a "benefit to the corporation" within the meaning of Section 152 of the Delaware General Corporation Law) by the Grantee before the delivery of the Shares under terms determined by the Committee.

7.4 Effect of Forfeiture. If Shares of Restricted Stock are forfeited, and if the Grantee was required to pay for such Shares with cash or property, the Grantee shall be deemed to have resold such Shares to the Company at a price equal to the lesser of (a) the amount paid in cash or property by the Grantee for such Shares, or (b) the Fair Market Value of such Shares at the close of business on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as is administratively practical. Such Shares shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Shares.

7.5 Escrow; Legends. The Committee may provide that any certificates for any Shares of Restricted Stock (a) shall be held (together with one or more stock powers executed in blank by the Grantee) in escrow by the Secretary of the Company until such Shares become nonforfeitable or are forfeited and/or (b) shall bear an appropriate legend restricting the transfer of such Shares. If any Shares of Restricted Stock become nonforfeitable, the Company shall cause certificates for such Shares to be delivered without such legend, except as may be required under applicable law.

7.6 Voting Rights; Dividends and Distributions. Unless otherwise determined by the Committee, individuals holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those shares during the Period of Restriction. Individuals in whose name Shares of Restricted Stock are granted shall be entitled to receive all dividends and other distributions paid with respect to those Shares. Unless otherwise determined by the Committee, such dividends and other distributions shall be paid once the Period of Restriction has ended.

Article 8.—Restricted Stock Units

8.1 Grant of Restricted Stock Units. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock Units to any Eligible Person, in such amount and upon such terms as the Committee shall determine.

8.2 Delivery and Limitations. Delivery of Shares will occur upon expiration of the Period of Restriction specified for the Award of Restricted Stock Units by the Committee. In addition, an Award of Restricted Stock Units shall be subject to such limitations as the Committee may impose, which limitations may lapse at the end of the Period of Restriction of such Restricted Stock Units or at other specified times, separately or in combination, in installments or otherwise, as the Committee shall determine at the time of grant or thereafter. A Grantee awarded Restricted Stock Units will have no voting rights in respect of such Restricted Stock Units. The Committee may award a Grantee Dividend Equivalents in respect of Restricted Stock Units that are the subject of an Award Agreement, as specified in and according to the terms of such Award Agreement. Unless otherwise determined by the Committee, such Dividend Equivalents shall be paid once the Period of Restriction or other applicable limitations or restrictions have ended.

8.3 Forfeiture. Except as otherwise determined by the Committee, upon Termination of Affiliation during the applicable Period of Restriction, Restricted Stock Units that are at that time subject to forfeiture shall be forfeited.

Article 9.—Performance Units and Performance Shares

9.1 Grant of Performance Units and Performance Shares. Subject to and consistent with the provisions of the Plan, Performance Units or Performance Shares may be granted to any Eligible Person in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

9.2 Value/Performance Goals. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid to the Grantee. With respect to Covered Employees and to the extent the Committee deems it appropriate to comply with Section 162(m) of the Code, all performance goals shall be objective Performance Measures as set forth in Section 4.4 satisfying the requirements for the Performance-Based Exception, and shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

(a) Performance Unit. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant.

(b) Performance Share. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share at the close of business on the Grant Date.

9.3 Earning of Performance Units and Performance Shares. After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to payment based on the level of achievement of performance goals set by the Committee. If a Performance Unit or Performance Share Award is intended to comply with the Performance-Based Exception, the Committee shall certify the level of achievement of the performance goals in writing before the Award is settled.

At the discretion of the Committee, the settlement of Performance Units or Performance Shares may be in cash, Shares of equivalent value, or in some combination thereof, as set forth in the Award Agreement or otherwise determined by the Committee.

If a Grantee is promoted, demoted or transferred to a different business unit of the Company during a Performance Period, then, to the extent the Committee determines the performance goals or Performance Period are no longer appropriate, the Committee may adjust, change, eliminate or cancel the performance goals or the applicable Performance Period as it deems appropriate in order to make them appropriate and comparable to the initial performance goals or Performance Period.

The Committee may award a Grantee Dividend Equivalents in respect of Performance Units that are the subject of an Award Agreement, as specified in and according to the terms of such Award Agreement. Any such Dividend Equivalents shall not be paid except with respect to those Performance Units that have been earned based on the level of achievement of applicable performance goals. Grantees to whom Performance Shares are granted shall be entitled to receive all dividends and other distributions paid with respect to those Shares that have been earned based on the level of achievement of performance goals. In addition, a Grantee may, at the discretion of the Committee, be entitled to exercise his or her voting rights with respect to such Shares to the extent such Shares have been issued to the Grantee.

9.4 Forfeiture. Except as otherwise determined by the Committee, upon Termination of Affiliation any unvested and/or unearned Performance Units and Performance Shares shall be forfeited.

Article 10.—Stock Appreciation Rights

10.1 Grant of SARs. Subject to and consistent with the provisions of the Plan, stock appreciation rights ("Stock Appreciation Rights" or "SARs") may be granted to any Eligible Persons in such numbers and upon such terms, and at any time and from time to time, as shall be determined by the Committee. Each SAR shall represent the right of the Grantee to receive upon exercise of the SAR an amount equal to the amount described in Section 10.3, subject to such terms and conditions as the Committee shall determine.

10.2 Award Agreement. Each grant of SARs shall be evidenced by an Award Agreement that shall specify, as the Committee shall determine, the number of Shares as to which the SAR relates, the Base Amount, the term and such other terms and conditions as the Committee shall determine, including without limitation vesting and forfeiture, *provided* that as to each SAR:

(a) except with respect to a SAR granted as an Acquired Entity Award, the Base Amount shall never be less than the Fair Market Value of a Share on the Grant Date; and

(b) the term shall not exceed ten years from the Grant Date.

10.3 Payment of SAR Amount. Upon exercise of an SAR, the Grantee shall be entitled to receive payment of an amount determined by multiplying (a) the difference between the Base Amount of the SAR and the Fair Market Value of a Share at the close of business on the date the SAR is exercised by (b) the number of Shares with respect to which the SAR is exercised. In the discretion of the Committee, payment of the SAR amount by the Company may be in cash, Shares or a combination of cash and Shares.

10.4 Forfeiture. Except as otherwise determined by the Committee, upon Termination of Affiliation any unvested SARs shall be forfeited.

10.5 No Repricing. Subject to the adjustment under Section 4.2, neither the Committee nor the Board shall have the authority or discretion to reduce, directly or indirectly, the Base Amount of any outstanding SAR without stockholder approval, including, without limitation, by (a) canceling previously awarded SARs and regranting them with a lower Base Amount or (b) exchanging or buying out any previously granted SARs for a payment in cash, Shares or other Award, notwithstanding any authority otherwise granted the Committee under the Plan.

Article 11.—Other Stock-Based Awards

The Committee is authorized, subject to limitations under applicable law, to grant to any Eligible Persons such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or other securities, as deemed by the Committee to be consistent with the purposes of the Plan, including Shares awarded which are not subject to any restrictions or conditions, convertible or exchangeable debt securities or other rights convertible or exchangeable into Shares, Awards valued by reference to the value of securities of or the performance of specified Affiliates, and Awards payable in securities of Affiliates. Subject to and consistent with the provisions of the Plan, the Committee shall determine the terms and conditions of such Awards. Except as provided by the Committee, Shares or other securities delivered pursuant to a purchase right granted under this Article 11 shall be purchased for such consideration, paid for by such methods and in such forms, including cash, Shares, outstanding Awards or other property or other consideration permitted by applicable law, as the Committee shall determine.

Article 12.—Non-Equity Incentive Awards

The Committee is authorized to grant Non-Equity Incentive Awards alone or in conjunction with other Awards to individuals who are at the time of the grant of such Non-Equity Incentive Award, included in the Designated 162(m) Group. All terms, conditions and limitations applicable to any Non-Equity Incentive Award shall be determined by the Committee, subject to and consistent with the provisions of the Plan.

Article 13.—Change in Control

13.1 Acceleration of Exercisability and Lapse of Restrictions. If, upon or within two (2) years following a Change in Control a Grantee has a Termination of Affiliation with the Company and the Company's Affiliates (excluding any transfer to the Company or its Affiliates) voluntarily for Good Reason, or involuntarily (other than due to Cause, death, Disability, or Retirement) the following acceleration provisions shall apply to Awards other than Awards granted under Article 14:

(a) All outstanding Awards pursuant to which the Grantee may have rights, the exercise of which is restricted or limited, shall become fully exercisable; unless the right to lapse restrictions or limitations is waived or deferred by a Grantee prior to such lapse, all restrictions or limitations (including risks of forfeiture) on outstanding Awards subject to restrictions or limitations under the Plan shall lapse; and all performance criteria and other conditions to payment of Awards under which payments of cash, Shares or other property are subject to conditions shall be deemed to be achieved or fulfilled (at the target level, to the extent applicable) and shall be waived by the Company; and

(b) Notwithstanding any other provision of the Plan or any outstanding Award Agreement, Awards in the form of Non-Qualified Stock Options which are accelerated under this Section 13.1 shall be exercisable after a Grantee's Termination of Affiliation for a period equal to the lesser of (i) the remaining term of each nonqualified option; or (ii) eighteen (18) months.

13.2 Definitions. For purposes of this Article 13, the following terms shall have the meanings set forth below:

(a) "Cause" means, from and after the occurrence of a Change in Control, unless otherwise defined in an Award Agreement or individual employment, change in control, or other severance agreement, the occurrence of any one or more of the following, as determined in the good faith and reasonable judgment of the Committee:

(i) willful failure by a Grantee to substantially perform his or her duties (as they existed immediately prior to a Change in Control), other than any such failure resulting from a Disability; or

(ii) Grantee's conviction of or plea of *nolo contendere* to a crime involving fraud, dishonesty or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company or an Affiliate; or

(iii) Grantee's willful or reckless material misconduct in the performance of his duties which results in an adverse effect on the Company, the Subsidiary or an Affiliate; or

(iv) Grantee's willful or reckless violation or disregard of the code of business conduct or other published policy of the Company or an Affiliate; or

(v) Grantee's habitual or gross neglect of duties.

(b) “Change Date” means, with respect to an Award, the date on which a Change in Control first occurs while the Award is outstanding.

(c) “Change in Control” means, unless otherwise defined in an Award Agreement or individual Change in Control severance agreement, the occurrence of any one or more of the following:

(i) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than a Controlled Affiliate or any employee benefit plan (or any related trust) sponsored or maintained by the Company or any of its Controlled Affiliates (a “Related Party”), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of 20% or more of the common stock of the Company or of Voting Securities representing 20% or more of the combined voting power of all Voting Securities of the Company, except that no Change in Control shall be deemed to have occurred solely by reason of such beneficial ownership by a Person with respect to which both more than 75% of the common stock of such Person and Voting Securities representing more than 75% of the combined voting power of the Voting Securities of such Person are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the common stock and Voting Securities of the Company immediately before such acquisition, in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of the Company, as the case may be; or

(ii) the Company’s Incumbent Directors (determined using the date of the Award as the baseline date) cease for any reason to constitute at least a majority of the directors of the Company then serving; or

(iii) consummation of a merger, reorganization, recapitalization, consolidation, or similar transaction (any of the foregoing, a “Reorganization Transaction”), other than a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both at least 65% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing at least 65% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons’ ownership of the common stock and Voting Securities of the Company immediately before such Reorganization Transaction; or

(iv) consummation of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of the Company or a plan of complete liquidation of the Company, other than any such transaction that would result in (A) a Related Party owning or acquiring more than 50% of the assets owned by the Company immediately prior to the transaction or (B) the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such transaction becoming, immediately after the consummation of such transaction, the direct or indirect owners, of more than 50% of the assets owned by the Company immediately prior to the transaction.

Notwithstanding the occurrence of any of the foregoing events and subject to Section 17.18, a Change in Control shall not occur with respect to a Grantee if, in advance of such event, the Grantee agrees in writing that such event shall not constitute a Change in Control.

(d) "Good Reason" means, unless otherwise defined in an Award Agreement or individual employment, change in control or other severance agreement, the occurrence, upon or within two years following a Change in Control and without a Grantee's prior written consent, of any one or more of the following:

(i) a material adverse reduction in the nature or scope of the Grantee's duties from the most significant of those assigned at any time in the 90-day period prior to a Change in Control; or

(ii) a significant reduction in the authority and responsibility assigned to the Grantee; or

(iii) any reduction in or failure to pay Grantee's base salary; or

(iv) a material reduction of Grantee's aggregate compensation and/or aggregate benefits from the amounts and/or levels in effect on the Change Date, unless such reduction is part of a policy applicable to peer employees of the Employer and of any successor entity; or

(v) a requirement by the Company or an Affiliate that the Grantee's principal duties be performed at a location more than fifty (50) miles from the location where the Grantee was employed immediately preceding the Change in Control, without the Grantee's consent (except for travel reasonably required in the performance of the Grantee's duties); provided such new location is farther from Grantee's residence than the prior location; or

(vi) the failure of the Surviving Corporation following a Reorganization Transaction to assume all Awards previously made under the Plan or to provide equivalent awards of substantially the same value.

Notwithstanding anything in this Article 13 to the contrary, no act or omission shall constitute grounds for "Good Reason":

(i) Unless, at least 30 days prior to his termination, Grantee gives a written notice to the Company or the Affiliate that employs Grantee of his intent to terminate his employment for Good Reason which describes the alleged act or omission giving rise to Good Reason;

(ii) Unless such notice is given within 90 days of Grantee's first actual knowledge of such act or omission; and

(iii) Unless the Company or the Affiliate that employs Grantee fails to cure such act or omission within the 30 day period after receiving such notice.

Further, no act or omission shall be "Good Reason" if Grantee has consented in writing to such act or omission.

(e) **"**Incumbent Directors" means, determined as of any date by reference to any baseline date:

(i) the members of the Board on the date of such determination who have been members of the Board since such baseline date; and

(ii) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds of the directors comprising the Company's Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (A) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board or (B) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act).

(f) "Retirement" shall have the meaning ascribed to such term in the Company's governing tax-qualified retirement plan applicable to the Grantee, or if no such plan is applicable to the Grantee, in the good faith determination of the Committee.

(g) "Surviving Corporation" means the corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate voting power of all Voting Securities of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

(h) "Voting Securities" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

13.3 Flexibility to Amend. The provisions of this Article 13 and any similar or related provisions of any Award Agreement may be modified at any time prior to a Change in Control, without the consent of the Grantee or the Company's stockholders.

Article 14.—Non-Management Director Awards

14.1 Director Annual Grant.

(a) Automatic Grant of Director Annual Grant. Subject to adjustment as provided in Section 4.2, annually each Non-Management Director shall be granted an annual Award payable, as determined by the Board, in the form of one or a combination of Restricted Stock or Restricted Stock Units (determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares) having a Fair Market Value at the close of business on the Grant Date of up to Three Hundred Thousand Dollars ($300,000) ("Director Annual Grant"). The Grant Date for such Director Annual Grant shall be the date of the annual meeting of company stockholders ("Annual Meeting of Company Stockholders") commencing with the Annual Meeting of Company Stockholders in 2010. If no Annual Meeting of Company Stockholders is held prior to June 1 of any calendar year, the Grant Date for the Director Annual Grant shall be May 31. Notwithstanding the foregoing, the Board may, in its discretion exercised at any time prior to the date a Director Annual Grant is granted for a year, provide that the Director Annual Grant for such year shall be granted in installments, so that only a portion (which portion shall be the same for each Non-Management Director) of the Director Annual Grant shall be granted on the date of the Annual Meeting of Company Stockholders (or May 31, as applicable) of such year, and the remaining portion or portions shall be granted at such time or times in such year as the Board may specify at the time it determines to grant the Director Annual Grant in installments. A person who first becomes a Non-Management Director after the conclusion of the Annual Meeting of Company Stockholders and prior to August 1 of any year shall be granted the full Director Annual Grant for such year as of December 15.

(b) Prorated Director Annual Grant.

(i) Subject to adjustment as provided in Section 4.2, a person who first becomes a Non-Management Director on or after August 1 of any year and prior to the first Annual Meeting of Company Stockholders following the date the person becomes a Non-Management Director shall be granted a prorated Director Annual Grant for such first year with a Grant Date following the date such person becomes a Non-Management Director determined as follows:

(A) The Grant Date shall be December 15 if the person first becomes a Non-Management Director on or before December 15 of the year.

(B) The Grant Date shall be the date of the next Annual Meeting of Company Stockholders if the person first becomes a Non-Management Director on or after December 16 of the year. If no Annual Meeting of Company Stockholders is held prior to the next following June 1, the Grant Date shall be May 31 of the year following the date the person becomes a Non-Management Director.

(ii) The prorated portion of the Director Annual Grant shall be determined by multiplying the value of such Director Annual Grant by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Management Director and the date of the first Annual Meeting of Company Stockholders following the date the person becomes a Non-Management Director and the denominator of which is twelve; *provided* that with respect to any component of a Director Annual Grant denominated in Shares, including but not limited to Shares of Restricted Stock or Restricted Stock Units, only whole numbers of Shares shall be granted, determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares. If no Annual Meeting of Company Stockholders is scheduled as of a December 15 Grant Date or held as of a May 31 Grant Date, such prorated Director Annual Grant shall be determined by multiplying each component of such Director Annual Grant by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Management Director and May 31 of the year following the date such person becomes a Non-Management Director and the denominator of which is twelve. As to any component denominated in Shares, including without limitation Shares of Restricted Stock or Restricted Stock Units, only whole numbers of Shares shall be granted, determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares.

(iii) In the event the Board has determined that the Director Annual Grant for a year shall be granted in installments, the Board shall make appropriate provisions for prorating installments with respect to Non-Management Directors entitled to a prorated Director Annual Grant, consistent with the preceding provisions of this Section 14.1(b).

(c) Non-Management Director Status. A person must be a Non-Management Director on the Grant Date of a Director Annual Grant (or any installment thereof) in order to be granted such Director Annual Grant (or installment thereof). For a Director Annual Grant granted on the date of the Annual Meeting of Company Stockholders, other than a prorated Director Annual Grant, the person must be a Non-Management Director at the conclusion of the Annual Meeting of Company Stockholders.

(d) Vesting and Payment. Each Director Annual Grant shall vest and be paid out in Shares as determined by the Committee.

14.2 Election to Receive Director Fees in Shares or Restricted Stock Units in Lieu of Cash.

(a) Payment of Director Fees in Shares. A Non-Management Director may elect ("Equity Election") to be paid all or a portion of cash fees, if any, earned in his or her capacity as a Non-Management Director (including any retainer fees, fees for service as chairman of a Board committee and any other cash fees paid to directors ("Director Fees")), in the form of Shares in lieu of cash. An Equity Election may be made at any time prior to the date Director Fees would otherwise have been paid in cash, subject to such restrictions and advance filing requirements as the Company may impose, including, but not limited to, restrictions designed to comply with the requirements of Section 409A of the Code. Equity Elections made pursuant to The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors or The Williams Companies, Inc. 2002 Incentive Plan, as amended from time to time, that were in effect on the date stockholders approve this Plan shall remain in effect under this Plan, subject to the remainder of this Section 14.2(a). Each Equity Election shall be irrevocable, shall specify the portion of the Director Fees to be paid in the form of Shares and shall remain in effect with respect to future Director Fees until the Non-Management Director revokes or changes such Equity Election. Any such revocation or change shall have prospective application only. Shares delivered pursuant to an Equity Election shall be that whole number of Shares (determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares), determined by dividing the amount of Director Fees to be paid in Shares by the Fair Market Value of a Share at the close of business on the date such Director Fees would otherwise be paid.

(b) Payment of Director Fees in Restricted Stock Units. A Non-Management Director who makes a Deferral Election in accordance with Section 14.3 shall receive all or part (as he or she elects) of his or her Director Fees in the form of a number of Restricted Stock Units equal to the quotient of the amount of Director Fees to be paid in the form of Restricted Stock Units divided by the Fair Market Value of a Share at the close of business on the date such Director Fees would otherwise be paid in cash.

14.3 Deferral Elections. To the extent permitted by the Committee from time to time, each member of the Board who is a Non-Management Director may make an election ("Deferral Election") to be paid any or all of the following ("Deferrable Amounts") in the form of Restricted Stock Units in lieu of cash or Shares, as applicable: (a) Director Annual Grants as provided in Section 14.1; or (b) Director Fees as provided in 14.2(a).

(a) Timing of Deferral Elections. An initial Deferral Election must be filed with the Human Resources Department of the Company no later than December 31 of the year preceding the calendar year in which the Deferrable Amounts to which the Deferral Election applies would otherwise be paid or delivered, subject to such restrictions and advance filing requirements as the Company may impose; *provided* that any newly elected or appointed Non-Management Director may file a Deferral Election not later than 30 days after the date such person first becomes a Non-Management Director. A Deferral Election shall be irrevocable as of the filing deadline and shall only apply with respect to Deferrable Amounts otherwise payable after the filing of such election. Each Deferral Election (including a deferral election filed under The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors or The Williams Companies, Inc. 2002 Incentive Plan that was in effect on the date stockholders approved this Plan) shall remain in effect with respect to subsequently earned Deferrable Amounts unless the Non-Management Director revokes or changes such Deferral Election. Any such revocation or change shall have prospective application only and shall in no event apply with respect to compensation earned in the calendar year in which the revocation or change is made.

(b) Content of Deferral Elections. A Deferral Election must specify the following:

(i) (A) The number of shares (including shares subject to Restricted Stock Units granted under Section 14.1(a) or Section 14.1(b)) subject to the Director Annual Grant to be deferred and paid in Restricted Stock Units under this Section 14.3 and/or (B) the dollar amount of Director Fees to be deferred and paid in Restricted Stock Units under this Section 14.3, as applicable; and

(ii) the date such Restricted Stock Units shall be paid (subject to such Period of Restriction and other limitations as may be specified by counsel to the Company).

(c) Deferral Account. The Company shall establish an account ("Deferral Account") on its books for each Non-Management Director who makes a Deferral Election. A number of Restricted Stock Units (determined in the case of a Deferrable Amount otherwise payable in cash by dividing the amount of cash to be deferred by the Fair Market Value of a Share at the close of business on the date such cash would otherwise be paid) shall be credited to the Non-Management Director's Deferral Account as of each date a Deferrable Amount subject to a Deferral Election would otherwise be paid. Deferral Accounts shall be maintained for recordkeeping purposes only and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to Deferral Accounts. The obligation to make distributions of securities or other amounts credited to Deferral Accounts shall be an unfunded unsecured obligation of the Company.

(d) Settlement of Deferral Accounts. The Company shall settle a Non-Management Director's Deferral Account by delivering to the holder thereof (which may be the Non-Management Director or his or her beneficiary) a number of Shares equal to the number of Restricted Stock Units then credited to such Deferral Account (or a specified portion in the event of any partial settlement); provided that if less than the value of a whole Share remains in the Deferral Account at the time of any such distribution, the number of Shares distributed shall be rounded up to the next higher whole number of Shares if the fractional portion of a Share remaining is equal to or in excess of one-half Share, and otherwise shall be rounded down to the next lower whole number of Shares. Such settlement shall be made at the time or times specified in the applicable Deferral Election.

14.4 Insufficient Number of Shares. If at any date insufficient Shares are available under the Plan for the automatic grant of Director Annual Grants, or the delivery of Shares in lieu of cash payment of Director Fees, or crediting Restricted Stock Units pursuant to a Deferral Election, (a) Director Annual Grants under Section 14.1 automatically shall be granted proportionately to each Non-Management Director eligible for such a grant to the extent Shares are then available (*provided* that no Director Annual Grant shall be granted with respect to a fractional number of Shares), and (b) then, if any Shares remain available, Director Fees elected to be received in Shares shall be paid in the form of Shares or Restricted Stock Units proportionately among Non-Management Directors then eligible to participate to the extent Shares are then available and otherwise in the form of cash.

14.5 Non-Forfeitability. The interest of each Non-Management Director in Director Annual Grants granted or delivered under the Plan at all times shall be non-forfeitable, except to the extent the Board provides otherwise.

14.6 No Duplicate Payments. No payments or Awards shall be made or granted under this Plan with respect to any services as a Non-Management Director if a payment or award has been or will be made for the same services under The Williams Companies, Inc. 1996 Stock Plan for Non Employee Directors or The Williams Companies, Inc. 2002 Incentive Plan, as amended from time to time.

Article 15.—Amendment, Modification, and Termination

15.1 Amendment, Modification, and Termination. Subject to Section 15.2, the Board may, at any time and from time to time, alter, amend, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders, except that (a) any amendment or alteration shall be subject to the approval of the Company's stockholders if such stockholder approval is required by any federal or state law or regulation or the rules of any securities exchange or other form of securities market on which the Shares may then be listed or quoted, (b) the Board may otherwise, in its discretion, determine to submit other such amendments or alterations to stockholders for approval and (c) no amendment or alteration of Section 6.3 or Section 10.5 (except to correct a scrivener's error) shall be made without the approval of the Company's stockholders.

15.2 Awards Previously Granted. Except as otherwise specifically permitted in the Plan or an Award Agreement, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Grantee of such Award; *provided* that Article 13 may be removed, amended or modified at any time prior to a Change in Control without the consent of any Grantee.

Article 16.—Withholding

16.1 Mandatory Tax Withholding

(a) Whenever, under the Plan, (i) Shares are to be delivered upon payment of an Award, (ii) Shares of Restricted Stock become nonforfeitable, (iii) a cash payment is made for any Award, or (iv) any other payment event occurs with respect to rights and benefits hereunder, the Company or any Affiliate shall be entitled to require (A) that the Grantee remit an amount in cash, or in the Company's discretion, in Shares, valued at their Fair Market Value on the date the withholding obligation arises, sufficient to satisfy all of the employer's federal, state, and local tax withholding requirements related thereto but no more than the minimum amount necessary to satisfy such amounts ("Required Withholding"), (B) the withholding of such Required Withholding from compensation otherwise due to the Grantee or from any Shares valued at their Fair Market Value at the date the withholding obligation arises, or from any other payment due to the Grantee under the Plan or otherwise or (C) any combination of the foregoing.

(b) If any Grantee makes an election under Section 83(b) of the Code, the Company or any Affiliate shall be entitled to require (i) that the Grantee remit an amount in cash, or in the Company's discretion, in Shares, valued at their Fair Market Value on the date the withholding obligation arises, sufficient to satisfy the resulting Required Withholding, (ii) the withholding of such Required Withholding from compensation otherwise due to the Grantee or from any Shares or other payment due to the Grantee under the Plan or otherwise or (iii) any combination of the foregoing.

16.2 Notification under Code Section 83(b). If any Grantee makes the election permitted under Section 83(b) of the Code to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, then such Grantee shall notify the Company of such election within ten (10) days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. The Committee may, in connection with the grant of an Award or at any time thereafter, prohibit a Grantee from making the election described above.

Article 17.—Additional Provisions

17.1 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

17.2 Severability. If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

17.3 Requirements of Law. The granting of Awards and the delivery of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or securities exchanges as may be required. Notwithstanding any provision of the Plan or any Award, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company (and any Affiliate) shall not be obligated to deliver any Shares or deliver benefits to a Grantee, if such exercise or delivery would constitute a violation by the Grantee or the Company of any applicable law or regulation.

17.4 Securities Law Compliance.

(a) If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any securities exchange or other form of securities market upon which Shares may be listed, the Committee may impose any restriction on Shares acquired pursuant to Awards under the Plan as it may deem advisable. All certificates for Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the SEC, any securities exchange or other form of securities market upon which Shares are then listed, any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. If so requested by the Company, the Grantee shall make a written representation to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1933, as amended, and any applicable state or foreign securities law or unless he or she shall have furnished to the Company, in form and substance satisfactory to the Company, that such registration is not required.

(b) If the Committee determines that the exercise, nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any securities exchange or other form of securities market on which are listed any of the Company’s equity securities, then the Committee may postpone any such exercise, nonforfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date.

17.5 No Rights as a Stockholder. No Grantee shall have any rights as a stockholder of the Company with respect to the Shares (other than Shares of Restricted Stock) which may be deliverable upon exercise or payment of such Award until such Shares have been delivered to him or her. Shares of Restricted Stock, whether held by a Grantee or in escrow by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. At the time of a grant of Shares of Restricted Stock, the Committee may require the payment of cash dividends thereon to be deferred and, if the Committee so determines, reinvested in additional Shares of Restricted Stock. Stock dividends and deferred cash dividends issued with respect to Shares of Restricted Stock shall be subject to the same restrictions and other terms as apply to the Shares of Restricted Stock with respect to which such dividends are issued. The Committee may in its discretion provide for payment or crediting of interest on deferred cash dividends.

17.6 Nature of Payments. Unless otherwise specified in the Award Agreement, Awards shall be special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance or other employee benefit plan of the Company or any Affiliate, except as such plan shall otherwise expressly provide, or (b) any agreement between (i) the Company or any Affiliate and (ii) the Grantee, except as such agreement shall otherwise expressly provide.

17.7 Non-Exclusivity of Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for employees or Non-Management Directors as it may deem desirable.

17.8 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware, other than its laws respecting choice of law.

17.9 Share Certificates. Any certificates for Shares delivered under the terms of the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of any foreign securities laws, rules and regulations thereunder, and the rules of any national securities exchange or other form of securities market on which Shares are listed or quoted. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions or limitations that may be applicable to Shares. In addition, during any period in which Awards or Shares are subject to restrictions or limitations under the terms of the Plan or any Award Agreement, or during any period during which delivery or receipt of an Award or Shares has been deferred by the Committee or a Grantee, the Committee may require any Grantee to enter into an agreement providing that certificates representing Shares deliverable or delivered pursuant to an Award shall remain in the physical custody of the Company or such other person as the Committee may designate.

17.10 Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Grantee any rights that are greater than those of a general creditor of the Company; *provided* that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares or other property pursuant to any Award which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines.

17.11 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Grantee's employment at any time, for any reason or no reason, or shall confer upon any Grantee the right to continue in the employ or as an officer of the Company or any Affiliate.

17.12 Participation. No employee or officer shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award.

17.13 Military Service. Awards shall be administered in accordance with Section 414(u) of the Code and the Uniformed Services Employment and Reemployment Rights Act of 1994 to the extent required by law or as determined by the Committee.

17.14 Construction; Gender and Number. The following rules of construction will apply to the Plan: (a) the word "or" is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other neuter genders.

17.15 Headings. The headings of articles and sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

17.16 Obligations. Unless otherwise specified in an Award Agreement, the obligation to deliver, pay or transfer any amount of money or other property pursuant to Awards under this Plan shall be the sole obligation of a Grantee's employer; *provided* that the obligation to deliver or transfer any Shares pursuant to Awards under this Plan shall be the sole obligation of the Company.

17.17 No Right to Continue as Director. Nothing in the Plan or any Award Agreement shall confer upon any Non-Management Director the right to continue to serve as a director of the Company.

17.18 Code Section 409A Compliance. The Board intends that, except as may be otherwise determined by the Committee, any Awards under the Plan satisfy the requirements of Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A") to avoid the imposition of any taxes, including additional income taxes, thereunder. If the Committee determines that an Award, Award Agreement, payment, distribution, deferral election, transaction or any other action or arrangement contemplated by the provisions of the Plan would, if undertaken, cause a Grantee to become subject to Section 409A, unless the Committee expressly determines otherwise, such grant of Award, payment, distribution, deferral election, transaction or other action or arrangement shall not be undertaken and the related provisions of the Plan and/or Award Agreement will be amended or deemed modified in as close a manner as possible to give effect to the original terms of the Award, or, only if necessary because a modification or deemed modification would not be reasonably effective in avoiding the additional income tax under Section 409A(a)(1)(B) of the Code, rescinded in order to comply with the requirements of Section 409A to the extent determined by the Committee without the consent of or notice to the Grantee. Notwithstanding the foregoing, with respect to any Award intended by the Committee to be exempt from the requirements of Section 409A which is to be paid out when vested, such payment shall be made as soon as administratively feasible after the Award becomes vested, but in no event shall such payment be made later than 2-1/2 months after the end of the calendar year in which the Award became vested unless (a) deferred pursuant to Section 5.8 or 14.3 or (b) otherwise permitted under the exemption provisions of Section 409A.

END OF DOCUMENT

EXHIBIT 10.14

THE WILLIAMS COMPANIES, INC.

AMENDED AND RESTATED
CHANGE IN CONTROL SEVERANCE AGREEMENT

(TIER TWO EXECUTIVES)

THE WILLIAMS COMPANIES, INC.
AMENDED AND RESTATED
CHANGE IN CONTROL SEVERANCE AGREEMENT

(TIER TWO EXECUTIVES)

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THE WILLIAMS COMPANIES, INC.
AMENDED AND RESTATED CHANGE-IN-CONTROL SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT dated as of ___________, 20____(the "Agreement Date") is made by and between The Williams Companies, Inc., a corporation incorporated under the laws of the State of Delaware ("Williams", together with its subsidiaries, affiliates and successors thereto) and [INSERT EXECUTIVE NAME] ("Executive").

RECITALS

The Board of Directors of Williams (the "Board") has determined that it is in the best interests of Williams and its shareholders to encourage and motivate the Executive to devote his full attention to the performance of his assigned duties without the distraction of concerns regarding his involuntary or constructive termination of employment due to a Change in Control of Williams. The Executive is employed by Williams or a Subsidiary and may from time to time be employed by one or more Subsidiaries. Williams and its Subsidiaries believe that it is in the best interest of the Executive, their customers, the communities they serve, and the stockholders of Williams to provide financial assistance through severance payments and other benefits to Executive if Executive is involuntarily or constructively terminated upon or within a certain period after a Change in Control. This Agreement is intended to accomplish these objectives.

This Agreement supersedes and replaces all other written or oral exchanges, agreements, understandings, or arrangements between or among Executive and Williams and/or the Subsidiary entered into prior to the date hereof and relating to severance or benefits in relation to a Change in Control, including, but not limited to The Williams Companies, Inc. Change in Control Severance Protection Plan as effective January 1, 1990 and amended and restated June 1, 1999 and any prior Change-in-Control Severance Agreement by and between Williams and the Executive, but excluding The Williams Companies Retirement Restoration Plan and any agreements and plans awarding Stock Options and Restricted Shares. Each superseded agreement or understanding is void and of no further force and effect.

Article I.
Definitions

As used in this Agreement, the terms specified below shall have the following meanings:

1.1 "Accrued Annual Bonus" means the amount of any Annual Bonus earned but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.2 "Accrued Base Salary" means the amount of Executive's Base Salary that is accrued but not yet paid as of the Termination Date, other than amounts Executive has elected to defer.

1.3 "Accrued Obligations" means, as of the Termination Date, the sum of Executive's Accrued Base Salary, Accrued Annual Bonus, any accrued but unpaid Paid Time Off under

Williams' Paid Time Off Program, and any other amounts and benefits which are then due to be paid or provided to Executive by Williams, but have not yet been paid or provided (as applicable), provided no payments will be accelerated if such acceleration would violate Code Section 409A.

1.4 "Affiliate" means any Person (including a Subsidiary) that directly or indirectly, through one or more intermediaries, controls, or is controlled by or is under common control with Williams. For purposes of this definition the term "control" with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise.

1.5 "Agreement Date"—see the introductory paragraph of this Agreement.

1.6 "Agreement Term" means the period commencing on the Agreement Date and ending on the second anniversary of the Agreement Date or, if later, such later date to which the Agreement Term is extended under the following sentence, unless earlier terminated as provided herein. The Agreement Term shall automatically be extended by one year on the first anniversary of the Agreement Date and then each day thereafter by one day to create a new two-year term. The Agreement Term may be terminated at any time (regardless of whether before or after the first anniversary of the Agreement Date), by Williams delivering written notice (an "Expiration Notice") to Executive, given in accordance with Section 9.7, that the Agreement shall expire on a date specified in the Expiration Notice (the "Expiration Date") that is not less than 12 months after the date the Expiration Notice is delivered to Executive; provided, however, that if a Change Date occurs before the Expiration Date specified in the Expiration Notice, then such Expiration Notice shall be void and of no further effect. Notwithstanding anything herein to the contrary, with respect to a Post-Change Period, the Agreement Term shall end at the end of the Severance Period (as defined in Section 2.1(c)) if applicable, or if there is no such Severance Period, the earliest of the following: (a) the second anniversary of the Change Date, or (b) the Termination Date; provided that (i) the obligations, if any, of Williams to make payments under this Agreement due to a Separation from Service which occurred during the Agreement Term shall continue beyond the Agreement Term until all such obligations are fully satisfied, and (ii) the obligations of Executive under this Agreement shall continue beyond the Agreement Term until all such obligations are fully satisfied. Notwithstanding anything herein to the contrary, the Agreement shall automatically terminate upon the occurrence of a Disqualifying Disaggregation pursuant to Section 1.22(a).

1.7 "Annual Bonus" means the opportunity to receive payment of a cash annual incentive.

1.8 "Article" means an article of this Agreement.

1.9 "Base Salary" means annual base salary in effect on the Termination Date, disregarding any reduction that would qualify as Good Reason.

1.10 "Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act.

1.11 "Beneficiary"—see Section 9.3.

1.12 "Board" means the Board of Directors of Williams or, from and after the Change Date that gives rise to a Surviving Corporation other than Williams, the Board of Directors of such Surviving Corporation.

1.13 "Cause" means any one or more of the following:

(a) Executive's conviction of or plea of nolo contendere to a felony or other crime involving fraud, dishonesty or moral turpitude;

(b) Executive's willful or reckless material misconduct in the performance of his duties which results in an adverse effect on Williams, the Subsidiary or an Affiliate;

(c) Executive's willful or reckless violation or disregard of the code of business conduct;

(d) Executive's material willful or reckless violation or disregard of a Williams or Subsidiary policy; or

(e) Executive's habitual or gross neglect of duties;

provided, however, that for purposes of clauses (b) and (e), Cause shall not include any one or more of the following:

(i) bad judgment or negligence, other than Executive's habitual neglect of duties or gross negligence;

(ii) any act or omission believed by Executive in good faith, after reasonable investigation, to have been in or not opposed to the interest of Williams, the Subsidiary or an Affiliate (without intent of Executive to gain, directly or indirectly, a profit to which Executive was not legally entitled);

(iii) any act or omission with respect to which a determination could properly have been made by the Board that Executive had satisfied the applicable standard of conduct for indemnification or reimbursement under Williams' by-laws, any applicable indemnification agreement, or applicable law, in each case as in effect at the time of such act or omission; or

(iv) during a Post-Change Period, failure to meet performance goals, objectives or measures following good faith efforts to meet such goals, objectives or measures; and

further provided that, for purposes of clauses (b) through (e) if an act, or a failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief, after reasonable investigation, that Executive's act, or failure to act, was in the best interests of Williams, the Subsidiary or an Affiliate or was required by applicable law or administrative regulation, such breach shall not constitute Cause if, within 10 business days after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable. With respect to the above definition of "cause", no act or conduct by Executive will constitute "cause" if Executive acted: (i) in accordance with the instructions or advice of counsel representing Williams or there was a conflict such that Executive could not consult with counsel representing Williams other qualified counsel, or (ii) as required by legal process.

1.14 "Cause Determination"—see Section 2.2(b)(iv)

1.15 "Change Date" means the date on which a Change in Control first occurs during the Agreement Term.

1.16 "Change in Control" means, except as otherwise provided below, the occurrence of any one or more of the following during the Agreement Term:

(a) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than an Affiliate of Williams or any employee benefit plan (or any related trust) sponsored or maintained by Williams or any of its Affiliates (a "Related Party"), becomes the Beneficial Owner of 20% or more of the common stock of Williams or of Voting Securities representing 20% or more of the combined voting power of all Voting Securities of Williams, except that no Change in Control shall be deemed to have occurred solely by reason of such beneficial ownership by a Person (a "Similarly Owned Company") with respect to which both more than 75% of the common stock of such Person and Voting Securities representing more than 75% of the combined voting power of the Voting Securities of such Person are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the common stock and Voting Securities of Williams immediately before such acquisition, in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of Williams, as the case may be; or

(b) Williams Incumbent Directors (determined using the Agreement Date as the baseline date) cease for any reason to constitute at least a majority of the directors of Williams then serving; or

(c) consummation of a merger, reorganization, recapitalization, consolidation, or similar transaction (any of the foregoing, a "Reorganization Transaction"), other than a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of Williams immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both at least 65% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing at least 65% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of Williams immediately before such Reorganization Transaction; or

(d) approval by the stockholders of Williams of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of Williams or a plan of complete liquidation of Williams, other than any such transaction that would result in (i) a Related Party owning or acquiring more than 50% of the assets owned by Williams immediately prior to the transaction or (ii) the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of Williams immediately before such transaction becoming, immediately after the consummation of such transaction, the direct or indirect owners, of more than 50% of the assets owned by Williams immediately prior to the transaction.

Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to Executive if, in advance of such event, Executive agrees in writing that such event shall not constitute a Change in Control. Upon the Board's determination that a sale or other disposition of all or substantially all of the consolidated assets of Williams or a plan of complete liquidation of Williams that was approved by stockholders, as described in Section 1.16(d), will not occur, a Change in Control shall be deemed not to have occurred from such date of determination forward, and this Agreement shall continue in effect as if no Change in Control had occurred except to the extent termination requiring payments under this Agreement occurs prior to such Board determination.

1.17 "Code" means the Internal Revenue Code of 1986, as amended.

1.18 "Competitive Business" means, as of any date, any energy business and any individual or entity (and any branch, office, or operation thereof) which engages in, or proposes to engage in (with Executive's assistance) any of the following in which the Executive has been engaged in the twelve (12) months preceding the Termination Date (i) the harnessing, production, transmission, distribution, marketing or sale of oil, gas or other energy product or the transmission or distribution thereof through pipelines, wire or cable or similar medium (ii) any other business actively engaged in by Williams which represents for any calendar year or is projected by Williams (as reflected in a business plan adopted by Williams before Executive's Termination Date) to yield during any year during the first three-fiscal year period commencing on or after Executive's Termination Date, more than 5% of the gross revenue of Williams, and, in either case, which is located (x) anywhere in the United States, or (y) anywhere outside of the United States where Williams is then engaged in, or proposes as of the Termination Date to engage in to the knowledge of the Executive, any of such activities.

1.19 "Confidential Information" means any non-public information of any kind or nature in the possession of Williams or any of its Affiliates, including without limitation, ideas, processes, methods, designs, innovations, devices, inventions, discoveries, know-how, data, techniques, models, customer lists, marketing, business or strategic plans, financial information, research and development information, trade secrets or other subject matter relating to Williams' or its Affiliates' products, services, businesses, operations, employees, customers or suppliers, whether in tangible or intangible form, including (i) any information that gives Williams or any of its Affiliates a competitive advantage in the harnessing, production, transmission, distribution, marketing or sale of oil, gas or other energy or the transmission or distribution thereof through pipelines, wire or cable or similar medium or in the energy services or energy trading industry and other businesses in which Williams or an Affiliate is engaged, or (ii) any information obtained by Williams or any of its Affiliates from third parties to which Williams or an Affiliate owes a duty of confidentiality, or (iii)any information that was learned, discovered, developed, conceived, originated or prepared during or as a result of Executive's performance of any services on behalf of Williams or any Affiliate. Notwithstanding the foregoing, "Confidential Information" shall not include: (i) information that is or becomes generally known to the public through no fault of Executive; (ii) information obtained on a non-confidential basis from a third party other than Williams or any Affiliate, which third party disclosed such information without breaching any legal, contractual or fiduciary obligation; or (iii) information approved for release by written authorization of Williams.

1.20 "Consummation Date" means the date on which a Reorganization transaction is consummated.

1.21 "Disability" means any medically determinable physical or mental impairment of Executive where he or she (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of Executive's employer. Notwithstanding the forgoing, all determinations of whether an Executive is Disabled shall be made in accordance with Section 409A of the Code.

1.22 "Disqualifying Disaggregation" means

(a) The cessation of Executive's employment with Williams and/or its Affiliates prior to the Change Date for any reason, including but not limited to a cessation of employment with Williams and/or its Affiliates which is effected by a sale, spin-off, or other disaggregation ("Disaggregation") by Williams or an Affiliate of the business unit (including, but not limited to, a sale, spin-off or other disaggregation of a Subsidiary) which employed Executive immediately prior to such Disaggregation; or

(b) The cessation of Executive's employment with Williams and/or its Affiliates during the Post-Change Period due to a Disaggregation solely where Executive is employed by the successor in substantially the same position as the position held prior to the Disaggregation, provided the successor assumes all of Williams' obligations under this Agreement.

1.23 "Employer" means Williams or, if Executive is not employed directly by Williams, the Subsidiary that from time to time employs Executive on or after the Agreement Date, and the successor of either (provided, in the case of a Subsidiary, that such successor is also a Subsidiary).

1.24 “ERISA” means the Employee Retirement Income security Act of 1974, as amended.

1.25 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

1.26 “Good Reason” means a Separation from Service by Executive in accordance with the substantive and procedural provisions of this Section.

(a) Separation from Service by Executive for “Good Reason” means a Separation from Service initiated by Executive on account of any one or more of the following actions or omissions that, unless otherwise specified, occurs during a Post-Change Period:

(i) a material adverse reduction in the nature or scope of Executive’s office, position, duties, functions, responsibilities or authority (including reporting responsibilities and authority) during a Post-Change Period from the most significant of those held, exercised and assigned at any time during the 90-day period immediately before the Change Date;

(ii) any reduction in or failure to pay Executive’s annual Base Salary at an annual rate not less than 12 times the highest monthly base salary paid or payable to Executive by his Employer in respect of the 12-month period immediately before the Change Date;

(iii) any reduction in the Target Annual Bonus which Executive may earn determined as of the Change Date or failure to pay Executive’s Annual Bonus on terms substantially equivalent to those provided to peer executives of the Employer;

(iv) a material reduction of Executive’s aggregate compensation and/or aggregate benefits from the amounts and/or levels in effect on the Change Date, unless such reduction is part of a policy applicable to peer executives of the Employer and of any successor entity;

(v) required relocation during a Post-Change Period of more than 50 miles of (A) Executive’s workplace, or (B) the principal offices of the Employer or its successor (if such offices are Executive’s workplace), in each case without the consent of Executive; provided, however, in both cases of (A) and (B) of this subsection (v), such new location is farther from Executive’s residence than the prior location;

(vi) the failure at any time of a successor to Executive’s Employer explicitly to assume and agree to be bound by this Agreement; or

(vii) the giving of a Notice of Consideration pursuant to Section 2.2(b)(ii) and the subsequent failure to terminate Executive for Cause and within a period of 90 days thereafter in compliance with all of the substantive and procedural requirements of Section 2.2.

(b) Notwithstanding anything in this Agreement to the contrary, no act or omission shall constitute grounds for "Good Reason":

(i) Unless Executive gives a Notice of Termination to Williams and the Employer 30 days prior to his intent to terminate his employment for Good Reason which describes the alleged act or omission giving rise to Good Reason; and

(ii) Unless such Notice of Termination is given within 90 days of Executive's first actual knowledge of such act or omission; and

(iii) Unless Williams or the Employer fails to cure such act or omission within the 30 day period after receiving the Notice of Termination.

(c) No act or omission shall constitute grounds for "Good Reason", if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section.

1.27 "Gross-Up Payment"—see Section 3.1.

1.28 "including" means including without limitation.

1.29 "IRS" means the Internal Revenue Service of the United States of America.

1.30 "Legal and Other Expenses"—see Section 4.1.

1.31 "Notice of Consideration"—see Section 2.2(b)(ii).

1.32 "Notice of Termination" means a written notice of a Separation from Service, if applicable, given in accordance with Section 9.7 that sets forth (a) the specific termination provision in this Agreement relied on by the party giving such notice, (b) in reasonable detail the specific facts and circumstances claimed to provide a basis for such Separation from Service, and (c) if the Termination Date is other than the date of receipt of such Notice of Termination, the Termination Date.

1.33 "Person" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

1.34 "Post-Change Period" means the period commencing on the Change Date and ending on the earlier of the Termination Date or the second anniversary of the Change Date.

1.35 "Potential Parachute Payment"—see Section 3.1.

1.36 "Pro-rata Annual Bonus" means, in respect of an Employer's fiscal year during which the Termination Date occurs, an amount equal to the product of Executive's Target Annual Bonus (determined as of the Termination Date) multiplied by a fraction, the numerator of which equals the number of days from and including the first day of such fiscal year through and including the Termination Date, and the denominator of which equals 365.

1.37 "Reorganization Transaction"—see clause (c) of the definition of "Change in Control".

1.38 "Restricted Shares" means shares of restricted stock, restricted stock units, deferred stock or similar awards.

1.39 "SEC" means the United States Securities and Exchange Commission.

1.40 "Section" means, unless the context otherwise requires, a section of this Agreement.

1.41 "Separation from Service" means an Executive's termination or deemed termination from employment with Williams and its Subsidiaries. For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Executive is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Executive retains a right to reemployment with his or her employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Executive will return to perform services for his or her employer. If the period of leave exceeds six (6) months and the Executive does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six (6) month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, and such impairment causes the Executive to be unable to perform the duties of the Executive's position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Executive and Williams reasonably anticipate the Executive will perform no further services for Williams and its Subsidiaries (whether as an employee or an independent contractor or (B) that the level of bona fide services the Executive will perform for Williams and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than twenty (20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period or, if the Executive has been providing services to Williams and its Subsidiaries for less than thirty-six (36) months, the full period over which the Executive has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Executive after a certain date.

1.42 “Stock Options” means stock options, stock appreciation rights or similar awards.

1.43 “Subsidiary” means a corporation, trade or business, if it and The Williams Companies, Inc. are members of a controlled group of corporations as defined in Code Section 414(b) or under common control as defined under Code Section 414(c); the standard of control under Code Sections 414(b) and 414(c) shall be deemed to be “at least 80%” and all determinations shall be made in accordance with Code Section 409A and the applicable guidance thereunder.

1.44 “Surviving Corporation” means the parent corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate voting power of all Voting Securities of a corporation effected by a Change in Control which is not a Reorganization Transaction are directly or indirectly owned by another corporation, such other corporation.

1.45 “Target Annual Bonus” means, as of any date, the amount equal to the product of Executive’s Base Salary determined as of such date multiplied by the percentage of such Base Salary to which Executive would have been entitled immediately prior to such date under any Annual Bonus arrangement for the fiscal year for which the Annual Bonus is awarded if the performance goals established pursuant to such Annual Bonus were achieved at the 100% level as of the end of the fiscal year; provided, however, that if Executive’s Annual Bonus is discretionary and no 100% target level is formally established either under the Annual Bonus arrangement or otherwise, Executive’s “Target Annual Bonus” shall mean the amount equal to the 100% of Executive’s Base Salary.

1.46 “Taxes” means federal, state, local and other income, employment and other taxes.

1.47 “Termination Date” means the date of the receipt of the Notice of Termination by Executive (if such notice is given by Executive’s Employer) or by Executive’s Employer (if such notice is given by Executive), or any later date, not more than 30 days after the giving of such notice, specified in such notice; provided, however, that:

(a) Executive’s employment is terminated by reason of death or Disability, the Termination Date shall be the date of Executive’s death or the date of deemed termination of employment due to Disability, as applicable, regardless of whether a Notice of Termination has been given; and

(b) if no Notice of Termination is given, the Termination Date shall be the last date on which Executive is employed by an Employer; and

(c) for purposes of Article VI (Restrictive Covenants) if the Executive does not have a Separation from Service, the Termination Date shall be the later of the date the entity that employs Executive ceases to be a Subsidiary, or, after a Disaggregation (as defined in Section 1.22), the date Executive’s employment with the successor business unit terminates, whether such termination is initiated by such successor or by Executive.

1.48 “Voting Securities” of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

1.49 “Williams”—see the introductory paragraph of this Agreement.

1.50 “Williams Incumbent Directors” means, determined as of any date by reference to any baseline date:

(a) the members of the Board on the date of such determination who have been members of the Board since such baseline date, and

(b) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of Williams or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds of the directors comprising the Williams Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a “tender offer” (as such term is used in Section 14(d) of the Exchange Act), or (iii) a proposed Reorganization Transaction.

1.51 “Williams Parties” means Williams and Executive’s Employer.

1.52 “Work Product” means any and all work product, including, but not limited to, documentation, tools, templates, processes, procedures, discoveries, inventions, innovations, technical data, concepts, know-how, methodologies, methods, drawings, prototypes, trade secrets, notebooks, reports, findings, business plans, recommendations and memoranda of every description, that Executive makes, conceives, discovers or develops alone or with others during the course of Executive’s employment with Williams or during the one year period following Executive’s Termination Date (whether or not protectable upon application by copyright, patent, trademark, trade secret or other proprietary rights).

Article II.

Williams’ Obligations Upon Separation from Service

2.1 If By Executive for Good Reason or By an Employer Other Than for Cause, Disability, Death or Disqualifying Disaggregation. If Executive has a Separation from Service for Good Reason or there is an Employer-initiated Separation from Service of the Executive for any reason other than Cause, Disability, Death or a Disqualifying Disaggregation during the Post-Change Period, then in addition to payment of all Accrued Obligations, which shall be payable no later than ten (10) business days after the Termination Date, Williams’ and the Employer’s sole obligations to Executive under this Article II shall be as follows:

(a) Severance Payments. Executive shall be paid a lump-sum cash amount equal to the sum of the following, on the first business day following six (6) months after Executive's Separation from Service:

(i) Prorated Annual Bonus for Year of Termination. Executive's Pro-rata Annual Bonus reduced (but not below zero) by the amount of any Annual Bonus paid to Executive with respect to the Employer's fiscal year during which the Termination Date occurs;

(ii) Retirement Enhancements. The sum of:

(A) an amount equal to the sum of the value of the unvested portion of Executive's accounts or accrued benefits under any defined contribution plan qualified under Section 401(a) of the Code maintained by the Williams Parties as of the Termination Date and forfeited by Executive due to Separation from Service; and

(B) an amount equal to two (2) times the total of the allocations made by Williams for Executive under The Williams Companies Retirement Restoration Plan (or any successor plan) during the calendar year preceding the calendar year in which the Change Date occurs.

(iii) Multiple of Salary and Bonus. An amount equal to two (2) times the sum of (A) Base Salary plus (B) the Target Annual Bonus, each determined as of the Termination Date; provided, however, that any reduction in Executive's Base Salary or Target Annual Bonus that would qualify as Good Reason shall be disregarded for this purpose.

(b) Stock Incentive Awards. To the extent provided in the applicable award agreements and the applicable plan, all of Executive's Stock Options then outstanding shall immediately become fully vested and remain exercisable until the 18-month anniversary of the Termination Date (or such later date as may be set forth in the applicable award agreement, including, but not limited to, a later exercise date under an award agreement if Executive has met the age and service requirements for retirement) or, if earlier, the option expiration date for any such Stock Option. All of Executive's Restricted Shares then outstanding shall only vest and payout in accordance with the applicable award agreements for such Restricted Shares.

(c) Continuation of Welfare Benefits. During the lesser of the period during which Executive or a qualifying beneficiary (as defined in Section 607 of the Employee Retirement Income Security Act of 1974, as amended) has in effect an election for post-termination continuation coverage or conversion rights to welfare benefits under applicable law, including Section 4980 of the Code ("COBRA"), or the period ending on the 18-month anniversary of the Termination Date ("Severance Period"), Executive (or, if applicable, the qualifying beneficiary) shall be entitled to such coverage at an out-of-pocket premium cost that does not exceed the out-of-pocket premium cost applicable to similarly situated active employees (and their eligible dependents); provided, however, that if Executive is eligible to retiree benefits provided under any welfare benefit plan, program, policy, practice or procedure of the Williams Parties, Executive shall be entitled to receive such retiree benefits in lieu of the COBRA coverage provided by this Section 2.1(c).

(d) Outplacement. Executive shall be reimbursed for reasonable fees and costs for outplacement services incurred by Executive within six (6) months after the Separation from Service, promptly upon presentation of reasonable documentation of such fees and costs, subject to a maximum of $10,000. All requests of Executive for reimbursement must be submitted to Williams within one (1) year of Separation from Service and Williams shall make the reimbursement of reasonable requests no later than thirty (30) days after such request, but in all events within fifteen (15) months of Separation from Service.

(e) Indemnification. Executive shall be indemnified and held harmless by Williams and the Employer on the same terms as other peer executives and to the greatest extent permitted under applicable law as the same now exists or may hereafter be amended and the Employer's and Williams' by-laws as such exist on the Agreement Date, or such greater rights that may be provided by amendment to such by-laws from time to time, if Executive was, is, or is threatened to be, made a party to any pending, completed or threatened action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, and whether formal or informal, by reason of the fact that Executive is or was, or had agreed to become, a director, officer, employee, agent or fiduciary of the Employer or any other entity which Executive is or was serving at the request of the Employer or Williams ("Proceeding"), against all expenses (including reasonable attorneys' fees) and all claims, damages, liabilities and losses incurred or suffered by Executive or to which Executive may become subject for any reason, and (ii) shall be entitled to advancement of any such indemnifiable expenses in accordance with the Employer's and Williams' by-laws as such exist on the Agreement Date, or such greater rights that may be provided by amendment to such by-laws from time to time. A Proceeding shall not include any proceeding to the extent it concerns or relates to a matter described in Section 4.1 (concerning reimbursement of certain costs and expenses).

(f) Directors' and Officers' Liability Insurance. For a period of six years after the Termination Date (or for any known longer applicable statute of limitations period), the Executive shall be entitled to coverage under a directors' and officers' liability insurance policy in an amount no less than, and on the same terms as those provided to peer executive officers and directors of the Employer.

2.2 If by the Employer for Cause.

(a) Termination for Cause. If the Executive has a Separation from Service for Cause during the Post-Change Period, the Williams Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

(b) Change in Control: Procedural Requirements for Termination for Cause. For any Separation from Service for Cause during any part of a Post-Change Period, the Williams Parties shall strictly observe each of the following substantive and procedural provisions:

(i) The Board shall call a meeting for the stated purpose of determining whether Executive's acts or omissions satisfy the requirements of the definition of "Cause" and, if so, whether to terminate Executive's employment for Cause.

(ii) Not less than 15 days prior to the date of such meeting, the Board shall provide or cause to be provided Executive and each member of the Board written notice (a "Notice of Consideration") of (A) a detailed description of the acts or omissions alleged to constitute Cause, (B) the date of such meeting of the Board, and (C) Executive's rights under clauses (iii) and (iv) below.

(iii) Executive shall have the opportunity to present to the Board a written response to the Notice of Consideration, but shall not have the right to appear in person or by counsel before the Board.

(iv) Executive's employment may be terminated for Cause only if (A) the acts or omissions specified in the Notice of Consideration did in fact occur and such actions or omissions do constitute Cause as defined in this Agreement, (B) the Board, by affirmative vote of a simple majority of its members, makes a specific determination to such effect and to the effect that Executive's employment should be terminated for Cause ("Cause Determination"), and (C) Williams thereafter provides Executive with a Notice of Termination that specifies in specific detail the basis of such Separation from Service for Cause and which Notice shall be consistent with the reasons set forth in the Notice of Consideration.

(v) In the event that the existence of Cause shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the Williams Parties, on the other hand, the Cause Determination shall be final and binding on all parties, except as provided in Section 2.2(c) below.

Nothing in this Section 2.2(b) shall preclude the Board, by majority vote, from suspending Executive from his duties, with pay, at any time.

(c) Change in Control: Standard of Review. In the event that the existence of Cause during a Post-Change Period shall become an issue in any action or proceeding between Executive, on the one hand, and any one or more of the Williams Parties on the other hand, the Williams Parties, as applicable, shall, notwithstanding the Cause Determination, have the burden of establishing that the actions or omissions specified in the Notice of Consideration did in fact occur and do constitute Cause and that the Williams Parties have satisfied all applicable substantive and procedural requirements of this Section.

2.3 If by an Executive Other Than for Good Reason. If Executive has a Separation from Service initiated by the Executive during the Post-Change Period other than for Good Reason, Disability or death, the sole obligation of the Williams Parties to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.4 If by Death or Disability. If Executive dies during the Post-Change Period or if Executive has a Separation from Service during the Post-Change Period by reason of Executive's Disability, the Williams Parties' sole obligation to Executive under this Article II shall be to pay Executive a lump-sum cash amount equal to all Accrued Obligations determined as of the Termination Date.

2.5 Waiver and Release. Notwithstanding anything herein to the contrary, in the event that Executive's employment terminates pursuant to Section 2.1, no Williams Party shall have any obligation to Executive under Section 2.1(a) Sections 2.1(c)-(f) and Article III unless and until Executive executes and delivers to Williams within sixty (60) days after Separation from Service a release and waiver of Williams, the Employer and Affiliates, in substantially the same form as attached hereto as Exhibit A, or as otherwise mutually acceptable.

2.6 Breach of Covenants. If a court determines that Executive has breached any non-competition, non-solicitation, non-disparagement, confidential information or intellectual property covenant entered into at any time between Executive (on the one hand) and Williams, the Employer, or any Affiliate (on the other hand), including the Restrictive Covenants in Article VI, (a) no Williams Party shall have any obligation to pay or provide any severance or benefits under Articles II and/or III, (b) all of Executive's unexercised Stock Options shall terminate as of the date of the breach, (c) all of Executive's Restricted Stock shall be forfeited as of the date of the breach, (d) Executive shall reimburse a Williams Party for any amount already paid under Articles II and/or III, and (e) Executive shall repay to Williams an amount equal to the aggregate "spread" (as defined below) on all Stock Options exercised in the one year period prior to the first date on which Executive breached any such covenant ("Breach Date"). For purposes of this Section 2.6, "spread" in respect of any Stock Option shall mean the product of the number of shares as to which such Stock Option has been exercised during the one year period prior to the Breach Date multiplied by the difference between the closing price of the common stock on the exercise date (or if the common stock did not trade on the New York Stock Exchange or other exchange, if any, on which common stock had a higher trading volume at the time, on the exercise date, the most recent date on which the common stock did so trade) and the exercise price of the Stock Options.

Article III.

Certain Potential Benefit Adjustments by Williams

3.1 Potential Benefit Adjustment on Account of "Golden Parachute" Excise Taxes. If at any time or from time to time, it shall be determined by independent tax professionals selected by Williams ("Tax Professional")that any payment or other benefit to Executive pursuant to Article II of this Agreement or otherwise ("Potential Parachute Payment") is or will, but for the provisions of this Article III, become subject to the excise tax imposed by Section 4999 of the Code or any similar tax payable under any state, local, foreign or other law, but expressly excluding any income taxes and penalties or interest imposed pursuant to Section 409A of the Code ("Excise Taxes"), then the Executive's Potential Parachute Payment shall be either (a) provided to the Executive in full, or (b) provided to the Executive as to such lesser extent which would result in no portion of such benefits being subject to the Excise Taxes, whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Taxes ("Payments").

3.2 Implementation of Calculations and Any Benefit Reduction Under Section 3.1. In the event of a reduction of benefits pursuant to Section 3.1, the Tax Professional shall determine which benefits shall be reduced so as to achieve the principle set forth in Section 3.1. For purposes of making the calculations required by Section 3.1, the Tax Professional may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code and other applicable legal authority. Williams and Executive shall furnish to the Tax Professional such information and documents as the Tax Professional may reasonably request in order to make a determination under Section 3.1. Williams shall bear all costs the Tax Professional may reasonably incur in connection with any calculations contemplated by Section 3.1.

3.3 Potential Subsequent Adjustments.

(a) If, notwithstanding any calculations performed or reduction in benefits imposed as described in Section 3.1, the IRS determines that Executive is liable for Excise Taxes as a result of the receipt of any payments made pursuant to Article II of this Agreement or otherwise, then Executive shall be obligated to pay back to Williams, within thirty (30) days after a final IRS determination or in the event that the Executive challenges the final IRS determination, a final judicial determination, a portion of the Payments equal to the "Repayment Amount." The Repayment Amount shall be the smallest such amount, if any, as shall be required to be paid to Williams so that the Executive's net after-tax proceeds with respect to the Payments (after taking into account the payment of the Excise Taxes and all other applicable taxes imposed on such benefits) shall be maximized. The Repayment Amount shall be zero if a Repayment Amount of more than zero would not result in the Executive's net after-tax proceeds with respect to the Payments being maximized. If the Excise Taxes are not eliminated pursuant to this Section 3.3, the Executive shall pay the Excise Taxes.

(b) Notwithstanding any other provision of this Article III, if (i) there is a reduction in the payments to an Executive as described above in this Article III, (ii) the IRS later determines that the Executive is liable for Excise Taxes, the payment of which would result in the maximization of the Executive's net after-tax proceeds (calculated based on the full amount of the Potential Parachute Payment and as if the Executive's benefits had not previously been reduced), and (iii) the Executive pays the Excise Tax, then Williams shall pay to the Executive those payments which were reduced pursuant to Section 3.1 or 3.3(a) as soon as administratively possible after the Executive pays the Excise Taxes to the extent that the Executive's net after-tax proceeds with respect to the payment of the Payments are maximized.

Article IV.

Expenses and Interest

4.1 Legal and Other Expenses.

(a) If Executive incurs legal fees or other expenses (including expert witness and accounting fees) in an effort to determine, secure, preserve, establish entitlement to, or obtain benefits under this Agreement (a, "Proceeding") (collectively, "Legal and Other Expenses"), Executive shall, only if Executive is successful in the outcome of such effort, be entitled to payment of or reimbursement for such Legal and Other Expenses in accordance with Section 4.1(b).

(b) The Company shall pay or reimburse all Legal and Other Expenses within thirty (30) days following the Resolution Date of such contest or dispute after presentation of Executive's written request for reimbursement accompanied by reasonable evidence that (i) such Legal and Other Expenses were incurred and (ii) Executive substantially prevailed in the outcome of the Proceeding with regard to which such Legal and Other Expenses were incurred, and Executive shall make such written request within thirty (30) days following the Resolution Date of the Proceeding, provided, however, that any such payment or reimbursement shall be made no later than the 2 1/2 months following the close of the calendar year in which the Resolution Date occurred. For purposes of this provision, "Resolution Date" means the date of settlement, entry of final judgment or other adjudication of the Proceeding (whether or not appealed).

4.2 Interest. If an amount due is not paid to Executive under this Agreement within five business days after such amount first became due and owing, interest shall accrue on such amount from the date it became due and owing until the date of payment at a annual rate equal to 200 basis points above the base commercial lending rate published in *The Wall Street Journal* in effect from time to time during the period of such nonpayment.

Article V.

No Set-off or Mitigation

5.1 No Set-off by Williams. Executive's right to receive when due the payments and other benefits provided for under this Agreement is absolute, unconditional and subject to no setoff, counterclaim, recoupment, or other claim, right or action that any Williams Party may have against Executive or others, except as expressly provided in this Section. Notwithstanding the prior sentence, any Williams Party shall have the right to deduct any amounts outstanding on any loans or other extensions of credit to Executive from a Williams Party from Executive's payments and other benefits (if any) provided for under this Agreement. Time is of the essence in the performance by the Williams Parties of their respective obligations under this Agreement.

5.2 No Mitigation. Executive shall not have any duty to mitigate the amounts payable by any Williams Party under this Agreement by seeking new employment or self-employment following termination. Except as specifically otherwise provided in this Agreement, all amounts payable pursuant to this Agreement shall be paid without reduction regardless of any amounts of salary, compensation or other amounts which may be paid or payable to Executive as the result of Executive's employment by another employer or self-employment.

Article VI.

Restrictive Covenants

6.1 Confidential Information. The Executive acknowledges that in the course of performing services for Williams and its Affiliates, Executive may create (alone or with others), learn of, have access to, or receive Confidential Information. The Executive recognizes that all such Confidential Information is the sole and exclusive property of Williams and its Affiliates or of third parties to which Williams or an Affiliate owes a duty of confidentiality, that it is Williams' policy to safeguard and keep confidential all such Confidential Information, and that disclosure of Confidential Information to an unauthorized third party would cause irreparable damage to Williams and its Affiliates. Executive agrees that, except as required by the duties of Executive's employment with Williams or any of its Affiliates and except in connection with enforcing Executive's rights under this Agreement or if compelled by a court or governmental agency, in each case provided that prior written notice is given to Williams, Executive will not, without the written consent of Williams, willfully disseminate or otherwise disclose, directly or indirectly, any Confidential Information disclosed to Executive or otherwise obtained by Executive during his employment with Williams or its Affiliates, and will take all necessary precautions to prevent disclosure, to any unauthorized individual or entity (whether or not such individual or entity is employed or engaged by, or is otherwise affiliated with, Williams or any Affiliate), and will use the Confidential Information solely for the benefit of Williams and its Affiliates and will not use the Confidential Information for the benefit of any other Person nor permit its use for the benefit of Executive. These obligations shall continue during and after the termination of Executive's employment for any reason and for so long as the Confidential Information remains Confidential Information.

6.2 Non-Competition. During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive agrees that without the written consent of Williams Executive shall not at any time, directly or indirectly, in any capacity:

(a) engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business; provided, however, that after Executive's Separation from Service, this Section 6.2 shall not preclude Executive from (i) being an employee of, or consultant to, any business unit of a Competitive Business if (A) such business unit does not qualify as a Competitive Business in its own right and (B) Executive does not have any direct or indirect involvement in, or responsibility for, any operations of such Competitive Business that cause it to qualify as a Competitive Business, or (ii) with the approval of Williams, being a consultant to, an advisor to, a director of, or an employee of a Competitive Business; or

(b) make or retain any financial investment, whether in the form of equity or debt, or own any interest, in any Competitive Business. Nothing in this subsection (b) shall, however, restrict Executive from making an investment in any Competitive Business if such investment does not (i) represent more than 1% of the aggregate market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions or management of such Competitive Business, or (iii) create a conflict of interest between Executive's duties to Williams and its Affiliates or under this Agreement and his interest in such investment.

6.3 Non-Solicitation. During the period beginning on the Agreement Date and ending on the first anniversary of the Termination Date, regardless of the reason for Executive's Separation from Service, Executive shall not, directly or indirectly:

(a) other than in connection with the good-faith performance of his duties as an officer of Williams or its Affiliates, cause or attempt to cause any employee, director or consultant of Williams or an Affiliate to terminate his or her relationship with Williams or an Affiliate;

(b) employ, engage as a consultant or adviser, or solicit the employment or engagement as a consultant or adviser, of any employee of Williams or an Affiliate (other than by Williams or its Affiliates), or cause or attempt to cause any Person to do any of the foregoing;

(c) establish (or take preliminary steps to establish) a business with, or cause or attempt to cause others to establish (or take preliminary steps to establish) a business with, any employee of Williams or an Affiliate, if such business is or will be a Competitive Business; or

(d) interfere with the relationship of Williams or an Affiliate with, or endeavor to entice away from Williams or an Affiliate, any Person who or which at any time during the period commencing one year prior to the Termination Date was or is, to Executive's knowledge, a material customer or material supplier of, or maintained a material business relationship with, Williams or an Affiliate.

6.4 Intellectual Property.

(a) During the period of Executive's employment with Williams or any Affiliate, and thereafter upon Williams' request, regardless of the reason for Executive's Separation from Service, Executive shall disclose immediately to Williams all Work Product that: (i) relates to the business of Williams or any Affiliate or any customer or supplier to Williams or an Affiliate or any of the products or services being developed, manufactured, sold or otherwise provided by

Williams or an Affiliate or that may be used in relation therewith; or (ii) results from tasks or projects assigned to Executive by Williams or an Affiliate; or (iii) results from the use of the premises or personal property (whether tangible or intangible) owned, leased or contracted for by Williams or an Affiliate. Executive agrees that any Work Product shall be the property of Williams and, if subject to copyright, shall be considered a "work made for hire" within the meaning of the Copyright Act of 1976, as amended. If and to the extent that any such Work Product is not a "work made for hire" within the meaning of the Copyright Act of 1976, as amended, Executive hereby assigns, and agrees to assign, to Williams all right, title and interest in and to the Work Product and all copies thereof, and all copyrights , patent rights, trademark rights, trade secret rights and all other proprietary and intellectual property rights in the Work Product, without further consideration, free from any claim, lien for balance due, or rights of retention thereto on the part of Executive.

(b) Notwithstanding the foregoing, Williams agrees and acknowledges that the provisions of Section 6.4(a) relating to ownership and disclosure of Work Product do not apply to any inventions or other subject matter for which no equipment, supplies, facility, or trade secret information of Williams or an Affiliate was used and that are developed entirely on Executive's own time, unless: (i) the invention or other subject matter relates (a) to the business of Williams or an Affiliate, or (b) to the actual or demonstrably anticipated research or development of Williams or any Affiliate, or (ii) the invention or other subject matter results from any work performed by Executive for Williams or any Affiliate.

(c) Executive agrees that, upon disclosure of Work Product to Williams, Executive will, during his employment by Williams or an Affiliate and at any time thereafter, at the request and cost of Williams, execute all such documents and perform all such acts as Williams or an Affiliate (or their respective duly authorized agents) may reasonably require: (i) to apply for, obtain and vest in the name of Williams alone (unless Williams otherwise directs) letters patent, copyrights or other intellectual property protection in any country throughout the world, and when so obtained or vested to renew and restore the same; and (ii) to prosecute or defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other intellectual property protection, or otherwise in respect of the Work Product.

(d) In the event that Williams is unable, after reasonable effort, to secure Executive's execution of such documents as provided in Section 6.4(c), whether because of Executive's physical or mental incapacity or for any other reason whatsoever, Executive hereby irrevocably designates and appoints Williams and its duly authorized officers and agents as his agent and attorney-in-fact, to act for and on his behalf to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution, issuance and protection of letters patent, copyright and other intellectual property protection with the same legal force and effect as if personally executed by Executive.

6.5 Non-Disparagement.

(a) Executive agrees not to make, or cause to be made, any statement, observation or opinion, or communicate any information (whether oral or written, directly or indirectly) that (i) accuses or implies that Williams and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns, engaged in any wrongful, unlawful or improper conduct, whether relating to Executive's employment (or the termination thereof), the business or operations of Williams, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the business or reputation of Williams and/or any of its Affiliates, together with their respective present or former officers, directors, partners, stockholders, employees and agents, and each of their predecessors, successors and assigns.

(b) Williams agrees not to authorize any statement, observation or opinion, or communicate any information (whether oral or written, direct or indirect) that (i) accuses or implies that Executive engaged in any wrongful, unlawful or improper conduct relating to Executive's employment or termination thereof with Williams, or otherwise; or (ii) disparages, impugns or in any way reflects adversely upon the reputation of Executive.

(c) Notwithstanding anything contained herein to the contrary, nothing herein shall be deemed to preclude Executive or Williams from providing truthful testimony or information pursuant to subpoena, court order or other similar legal or regulatory process, provided, that to the extent permitted by law, Executive will promptly inform Williams of any such obligation prior to participating in any such proceedings.

6.6 Reasonableness of Restrictive Covenants.

(a) Executive acknowledges that the covenants contained in this Agreement are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect Williams' legitimate interests in its Confidential Information, its proprietary work, and in its relationships with its employees, customers, suppliers and agents.

(b) Williams has, and Executive has had an opportunity to, consult with their respective legal counsel and to be advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained herein will not deprive Executive of the ability to earn a livelihood or to support his or her dependents.

(c) Executive understands he is bound by the terms of this Article VI, whether or not he receives severance payments under the Agreement or otherwise.

6.7 Right to Injunction: Survival of Undertakings.

(a) In recognition of the confidential nature of the Confidential Information, and in recognition of the necessity of the limited restrictions imposed by this Agreement, Executive and Williams agree that it would be impossible to measure solely in money the damages which Williams would suffer if Executive were to breach any of his obligations hereunder. Executive acknowledges that any breach of any provision of this Agreement would irreparably injure Williams. Accordingly, Executive agrees that if he breaches any of the provisions of this Agreement, Williams shall be entitled, in addition to any other remedies to which Williams may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of any provision of this Agreement without the necessity of posting a bond or other security therefor, and Executive hereby waives any right to assert any claim or defense that Williams has an adequate remedy at law for any such breach.

(b) If a court determines that any covenant included in this Article VI is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to modify the duration or scope of such provision, as the case may be, so as to cause such covenant as so modified to be enforceable.

(c) All of the provisions of this Agreement shall survive any Separation from Service of Executive, without regard to the reasons for such termination. Notwithstanding Section 2.6, in addition to any other rights it may have, neither Williams nor any Affiliate shall have any obligation to pay or provide severance or other benefits (except as may be required under the Employee Retirement Income Security Act of 1974, as amended) after the Termination Date if Executive has materially breached any of Executive's obligations under this Agreement.

Article VII.

Non-Exclusivity of Rights

7.1 Waiver of Certain Other Rights. To the extent that Executive shall have received severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any Williams Party prior to receiving severance payments or other severance benefits pursuant to Article II, the severance payments or other severance benefits under such other plan, program, policy, practice or procedure or agreement shall reduce (but not below zero) the corresponding severance payments or other benefits to which Executive shall be entitled under Article II. To the extent that Executive accepts payments made pursuant to Article II, he shall be deemed to have waived his right to receive a corresponding amount of future severance payments or other severance benefits under any other plan, program, policy, practice or procedure or agreement of any Williams Party.

7.2 Other Rights. Except as expressly provided in Section 7.1 and as provided in the Recitals to this Agreement, this Agreement shall not prevent or limit Executive's continuing or future participation in any benefit, bonus, incentive or other plan, program, policy, practice or procedure provided by a Williams Party and for which Executive may qualify, nor shall this Agreement limit or otherwise affect such rights as Executive may have under any other agreements with a Williams Party. Amounts that are vested benefits or that Executive is otherwise entitled to receive under any plan, program, policy, practice or procedure and any other payment or benefit required by law at or after the Termination Date shall be payable in accordance with such plan, program, policy, practice or procedure or applicable law except as expressly modified by this Agreement.

7.3 No Right to Continued Employment. Nothing in this Agreement shall guarantee the right of Executive to continue in employment, and Williams and the Employer retain the right to terminate Executive's employment at any time for any reason or for no reason.

Article VIII.

Claims Procedure

8.1 Filing a Claim.

(a) Each individual eligible for benefits under this Agreement ("Claimant") may submit his application for benefits ("Claim") to Williams (or to such other person as may be designated by Williams) in writing in such form as is provided or approved by Williams. A Claimant shall have no right to seek review of a denial or benefits, or to bring any action in any court to enforce a Claim, prior to his filing a Claim and exhausting his rights to review under Sections 8.1 and 8.2.

(b) When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within 30 days after the receipt of such Claim. A Claimant shall be given a written notice in which the Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (i) the specific reasons for the denial, (ii) references to pertinent provisions of this Agreement on which the denial is based, (iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, (iv) the Claimant's right to seek review of the denial and a description of the procedures for such review and (v) a statement regarding Claimant's right to bring a civil action under section 502(a) of ERISA following an adverse decision on appeal.

8.2 Review of Claim Denial. If a Claim is denied, in whole or in part, or if a Claim is neither approved nor denied within the 30-day period specified Section 8.1(b), the Claimant (or his or her authorized representative) shall have the right at any time to (a) request that Williams (or such other person as shall be designated in writing by Williams) review the denial or the failure to approve or deny the Claim, (b) review pertinent documents, and (c) submit issues and comments in writing. Within 30 days after such a request is received, Williams shall complete its review and give the Claimant written notice of its decision. Upon request and without charge, the Claimant will be provided reasonable access to and copies of all documents, records and other information relevant to the claim. Williams shall include in its notice to Claimant (i) the specific reasons for its decision, (ii) references to provisions of this Agreement on which its decision is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim; and (iv) a statement regarding the Claimant's right to bring a civil action under ERISA Section 502(a) within 180 days of receipt of notice of denial on appeal.

Article IX.
Miscellaneous

9.1 No Assignability. This Agreement is personal to Executive and without the prior written consent of Williams shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

9.2 Successors. This Agreement shall inure to the benefit of and be binding upon Williams and its successors and assigns. Williams will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Williams (or the Employer during any Post-Change Period) to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Williams (or, if applicable, the Employer) would be required to perform it if no such succession had taken place. Any successor to the business or assets of Williams (or any Employer) which assumes or agrees to perform this Agreement by operation of law, contract, or otherwise shall be jointly and severally liable with Williams (or the Employer) under this Agreement as if such successor were Williams (or the Employer). If Executive's employment is transferred from Williams to a Subsidiary, or from a Subsidiary to Williams or another Subsidiary, the rights and obligations of the Employer (determined prior to such transfer) shall automatically become the rights and obligations of the Employer (determined immediately following such transfer), without requiring the consent of Executive.

9.3 Payments to Beneficiary. If Executive dies before receiving amounts to which Executive is entitled under this Agreement, such amounts shall be paid in a lump sum to one or more beneficiaries designated in writing by Executive (each, a "Beneficiary"). If none is so designated, Executive's estate shall be his or her Beneficiary.

9.4 Non-Alienation of Benefits. Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by Executive, and any such attempt to dispose of any right to benefits payable under this Agreement shall be void.

9.5 Severability. If any one or more Articles, Sections or other portions of this Agreement are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

9.6 Amendments. This Agreement shall not be amended or modified except by written instrument executed by Williams and Executive; provided however that notwithstanding the terms of this Agreement to the contrary, the terms of this Agreement shall be administered in such a way to comply with Code Section 409A as reasonably deemed appropriate by Williams; provided further however that notwithstanding anything to the contrary herein, Williams shall have the unilateral right to modify or amend this Agreement as it reasonably deems appropriate related to compliance with Code Section 409A. The parties to this Agreement intend that this Agreement meet the requirements of Internal Revenue Code Section 409A and recognize that it may be necessary to modify this Agreement to reflect guidance under Code Section 409A issued by the Internal Revenue Service.

9.7 Notices. All notices and other communications under this Agreement shall be in writing and delivered by hand, by nationally-recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive, to Executive at his most recent home address on file with Williams.

If to Williams or the Employer:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing. Williams may also deliver notice and other communications under this Agreement in writing by email transmission to the work email address of the Executive.

Notice and communications shall be effective when received by the addressee. An email notice under this Agreement will be deemed received when sent. All other notices or communications will be deemed received when delivered if delivery is confirmed by a delivery service or return receipt.

9.8 Joint and Several Liability. In the event that the Employer incurs any obligation to Executive pursuant to this Agreement, such Employer, Williams and each Subsidiary, if any, of which such Employer is a subsidiary shall be jointly and severally liable with such Employer for such obligation.

9.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

9.10 Governing Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Oklahoma, without regard to its choice of law principles, except to the extent preempted by federal law.

9.11 Captions. The captions of this Agreement are not a part of the provisions hereof and shall have no force or effect.

9.12 Rules of Construction. Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

9.13 Number and Gender. Wherever appropriate, the singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine.

9.14 Tax Withholding. Williams may withhold from any amounts payable under this Agreement or otherwise payable to Executive any Taxes Williams determines to be required under applicable law or regulation and may report all such amounts payable to such authority as is required by any applicable law or regulation.

9.15 No Rights Prior to Change Date. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall not entitle Executive to any compensation, severance or other payments or benefits of any kind prior to a Change Date.

9.16 Entire Agreement. This Agreement and the documents expressly referred to herein contain the entire understanding of Williams and Executive with respect to severance or benefits in relation to a Change in Control.

IN WITNESS WHEREOF, Executive and a duly authorized representative of The Williams Companies, Inc. have executed this Amended and Restated Change in Control Severance Agreement ______, 20____.

[INSERT EXECUTIVE NAME]

____

Date: ______________________________

THE WILLIAMS COMPANIES, INC., acting on behalf of itself and its Subsidiaries and Affiliates

By: ______________________________

Title: ______________________________

Date: ______________________________

EXHIBIT A

THE WILLIAMS COMPANIES, INC.
WAIVER AND RELEASE
CHANGE IN CONTROL SEVERANCE AGREEMENT (TIER TWO)

This agreement, release and waiver (the “Agreement”), made as of the ______ day of ______, 20 ____ (the “Effective Date”), is made by and among The Williams Companies, Inc. (together with all successors thereto, “Company”) and **[INSERT EXECUTIVE NAME]** (“Executive”).

WHEREAS, the Executive and the Company have entered into The Williams Companies, Inc. Change in Control Severance Agreement (Tier Two) (“Severance Agreement”);

NOW THEREFORE, in consideration for receiving benefits and severance under the Severance Agreement and in consideration of the representations, covenants and mutual promises set forth in this Agreement, the parties agree as follows:

1. Release. Except with respect to all of the Company’s obligations under the Severance Agreement, the Executive, and Executive’s heirs, executors, assigns, agents, legal representatives, and personal representatives, hereby releases, acquits and forever discharges the Company, its agents, subsidiaries, affiliates, and their respective officers, directors, agents, servants, employees, attorneys, shareholders, successors, assigns and affiliates, of and from any and all claims, liabilities, demands, causes of action, costs, expenses, attorneys fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, known and unknown, suspected and unsuspected, disclosed and undisclosed, arising out of or in any way related to agreements, events, acts or conduct at any time prior to the day prior to execution of this Agreement that arose out of or were related to the Executive’s employment with the Company or the Executive’s termination of employment with the Company including, but not limited to, claims or demands related to wages. salary, bonuses, commissions, stock, stock options, or any other ownership interests in the Company, vacation pay, fringe benefits, expense reimbursements, sabbatical benefits, severance benefits, or any other form of compensation or equity or thing of value whatsoever; claims pursuant to under Title VII of the Civil Rights Act of 1964 as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000e, *et seq.*; 42 U.S.C. § 1981; 42 U.S.C. § 1983; 42 U.S.C. § 1985; 42 U.S.C. § 1986; the Equal Pay Act of 1963, 29 U.S.C. § 206(d); the National Labor Relations Act, as amended, 29 U.S.C. § 160, *et seq*.; the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101, *et seq*.; the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), 29 U.S.C. § 1001, *et seq*.; the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, 29 U.S.C.§ 621, *et seq*.; the Family and Medical Leave Act of 1993, 29 U.S.C.§ 2601 *et seq*.; the Equal Pay Act; the Rehabilitation Act of 1973; the federal Worker Adjustment and Retraining Notification Act (as amended) and similar laws in other jurisdictions; the Oklahoma Anti-Discrimination Act, Okla. Stat., tit. 25, §§ 1101, *et seq.*, and any claims for wrongful discharge, breach of contract, breach of the implied covenant of good faith and fair dealing, fraud, discrimination, harassment, defamation, infliction of emotional distress, termination in violation of public policy, retaliation, including workers’ compensation retaliation under state statutes, tort

law; contract law; wrongful discharge; discrimination; fraud; libel; slander; defamation; harassment; emotional distress; breach of the implied covenant of good faith and fair dealing; or claims for whistle-blowing, or other claims arising under any local, state or federal regulation, statute or common law. This Release does not apply to the payment of any and all benefits and/or monies earned, accrued, vested or otherwise owing, if any, to the Executive under the terms of a Company sponsored tax qualified retirement or savings plan and/or The Williams Companies Retirement Restoration Plan, except that the Executive hereby releases and waives any claims that his termination was to avoid payment of such benefits or payments, and that, as a result of his termination, he is entitled to additional benefits or payments. Additionally, this Release does not apply to the indemnification provided pursuant to the Severance Agreement. This Release does not apply to any claim or rights which might arise out of the actions of the Company after the date the Executive signs this Agreement.

2. No Inducement. Executive agrees that no promise or inducement to enter into this Agreement has been offered or made except as set forth in this Agreement, that the Executive is entering into this Agreement without any threat or coercion and without reliance or any statement or representation made on behalf of the Company or by any person employed by or representing the Company, except for the written provisions and promises contained in this Agreement.

3. Damages. The parties agree that damages incurred as a result of a breach of this Agreement will be difficult to measure. It is, therefore, further agreed that, in addition to any other remedies, equitable relief will be available in the case of a breach of this Agreement. It is also agreed that, in the event Executive files a claim against the Company with respect to a claim released by Executive herein (other than a proceeding before the EEOC), the Company may withhold, retain, or require reimbursement of all or any portion of the benefits and severance payments under the Severance Agreement until such claim is withdrawn by Executive.

4. Advice of Counsel; Time to Consider; Revocation. Executive acknowledges the following:

(a) Executive has read this Agreement, and understands its legal and binding effect. Executive is acting voluntarily and of Executive's own free will in executing this Agreement.

(b) Executive has been advised to seek and has had the opportunity to seek legal counsel in connection with this Agreement.

(c) Executive was given at least 21 days to consider the terms of this Agreement before signing it.

Executive understands that, if Executive signs this Agreement, Executive may revoke it within seven days after signing it by delivering written notification of intent to revoke within that seven day period. Executive understands that this Agreement will not be effective until after the seven-day period has expired.

5. Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other portion of this Agreement. Any section or a part of a section declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of the section to the fullest extent possible while remaining lawful and valid.

6. Amendment. This Agreement shall not be altered, amended, or modified except by written instrument executed by the Company and the Executive. A waiver of any portion of this Agreement shall not be deemed a waiver of any other portion of this Agreement.

7. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

8. Headings. The headings of this Agreement are not part of the provisions hereof and shall not have any force or effect.

9. Rules of Construction. Reference to a specific law shall include such law, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

10. Applicable Law. The provisions of this Agreement shall be interpreted and construed in accordance with the laws of the State of Oklahoma without regard to its choice of law principles.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates specified below.

[INSERT EXECUTIVE NAME]

____

Date: ______________________________

THE WILLIAMS COMPANIES, INC.

By: ______________________________

Title: ______________________________

Date: ______________________________

ACKNOWLEDGMENT

I HEREBY ACKNOWLEDGE that The Williams Companies, Inc. ("the Company"), in accordance with the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, informed me in writing that:

(1) I should consult with an attorney before signing the Change in Control Severance Agreement ("Agreement") that was provided to me.

(2) I may review the Agreement for a period of up to twenty-one (21) days prior to signing the Agreement. If I choose to take less than twenty-one (21) days to review the Agreement, I do so knowingly, willingly and on advice of counsel.

(3) For a period of seven (7) days following the signing of the Agreement, I may revoke the Agreement, and that the Agreement will not become effective or enforceable until the seven (7) day revocation period has elapsed.

(4) Any Severance Benefits paid pursuant to the Agreement will be paid in accordance with the Company's normal pay cycle but will not be paid to me until the seven-day revocation period has elapsed.

(5) Company shall not accept my signed Agreement prior to the last day of my employment.

I HEREBY FURTHER ACKNOWLEDGE receipt of this Change in Control Severance Agreement on the ______ day of ______, 20____.

WITNESS:

____

____
[INSERT EXECUTIVE'S NAME]

EXHIBIT 10.19

SEPARATION AND DISTRIBUTION AGREEMENT

by and between

THE WILLIAMS COMPANIES, INC.,

and

WPX ENERGY, INC.

Dated as of December 30, 2011

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SEPARATION AND DISTRIBUTION AGREEMENT

SEPARATION AND DISTRIBUTION AGREEMENT, dated as of December 30, 2011 (this "Agreement"), by and between The Williams Companies, Inc., a Delaware corporation ("WMB"), and WPX Energy, Inc., a Delaware corporation ("WPX").

RECITALS

A. The WMB Board has determined that it would be appropriate, desirable and in the best interests of WMB and WMB's stockholders to separate WMB into two publicly traded companies: (i) WMB, which will continue to own and conduct, directly and indirectly, the WMB Business, and (ii) WPX, which will own and conduct, directly and indirectly, the WPX Business.

B. In connection with the separation of the WPX Business from WMB, WMB desires to contribute or otherwise transfer, and to cause certain of its Subsidiaries to contribute or otherwise transfer, certain Assets and Liabilities associated with the WPX Business, including the stock or other equity interests of certain of WMB's Subsidiaries dedicated to the WPX Business, to WPX and certain of WPX's Subsidiaries (collectively, the "Contribution").

C. On the Distribution Date, and subject to the terms and conditions of this Agreement, WMB will distribute to holders of shares of WMB Common Stock, on a *pro rata* basis, all the outstanding shares of common stock, par value $0.01 per share, of WPX ("WPX Common Stock") owned by WMB on the Distribution Date (the "Distribution").

D. WMB and WPX intend that the Contribution and Distribution, taken together, will qualify as a reorganization for U.S. federal income tax purposes pursuant to which no gain or loss will be recognized by WMB or its stockholders under Section 355, 361(b)(3), 368(a)(1)(D) and related provisions of the Code, and that this Agreement is intended to be, and is hereby adopted as, a plan of reorganization under Section 368 of the Code.

E. The parties intend this Agreement and the Ancillary Agreements to set forth the principal arrangements between them regarding the Contribution and Distribution.

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 **Table of Definitions**. The following terms have the meanings set forth on the pages referenced below:

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Section 1.2 Certain Defined Terms. For the purposes of this Agreement:

"Action" means any claim, demand, action, suit, countersuit, audit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or any United States or non-United States federal, state, local or international arbitration or mediation tribunal.

"Affiliate" of any Person means a Person that controls, is controlled by, or is under common control with such Person; provided, however, that for purposes of this Agreement and the Ancillary Agreements, none of the WMB Entities shall be deemed to be an Affiliate of any WPX Entity and none of the WPX Entities shall be deemed to be an Affiliate of any WMB Entity. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

"Agent" means the distribution agent to be appointed by the WMB Board to distribute to the Record Holders the shares of WPX Common Stock pursuant to the Distribution.

"Ancillary Agreements" means the Transition Services Agreement, Tax Sharing Agreement, Employee Matters Agreement and any other instruments, assignments, documents and agreements executed in connection with the implementation of the transactions contemplated by this Agreement.

"Assets" means assets, properties and rights (including goodwill and rights arising under Contracts), wherever located (including in the possession of vendors, other Persons or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the State of Oklahoma are authorized or required by law to close.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consents" means any consents, waivers or approvals from, or notification requirements to, any Person other than a member of either Group.

"Contract" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any Person or any part of its property under applicable law.

"Distribution Date" means the date on which the Distribution occurs.

"Distribution Ratio" means the number of shares of WPX Common Stock to be distributed in respect of each share of WMB Common Stock in the Distribution, which ratio shall be determined by the WMB Board prior to the Record Date.

"Effective Time" means 11:59 p.m., Eastern time, on the Distribution Date.

"Employee Matters Agreement" means the Employee Matters Agreement, dated as of the date hereof, between WMB and WPX, as may be amended or modified from time to time.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

"Form 10" means the registration statement on Form 10 filed by WPX with the SEC to effect the registration of WPX Common Stock pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time.

"GAAP" means U.S. generally accepted accounting principles.

"Governmental Approvals" means any notices, reports or other filings to be given to or made with, or any releases, Consents, substitutions, approvals, amendments, registrations, permits or authorizations to be obtained from, any Governmental Authority.

"Governmental Authority" means any United States or non-United States federal, state, local, territorial, tribal or international court, government, department, commission, board, bureau, agency, official or other legislative, judicial, regulatory, administrative or governmental authority.

"Group" means the WMB Group or the WPX Group, as the context requires.

"Information" means information, including books and records, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"Information Statement" means the Information Statement, attached as an exhibit to Form 10, to be sent to each holder of WMB Common Stock in connection with the Distribution, as such Information Statement may be amended or supplemented from time to time.

"Insurance Proceeds" means, with respect to any Liability to be reimbursed by an Indemnifying Party that may be covered, in whole or in part, by insurance policies written by third-party providers, the amount of insurance proceeds actually received in cash under such insurance policy with respect to such Liability, net of any costs in seeking such collection.

"IRS" means the U.S. Internal Revenue Service.

"Law" means any statute, law, regulation, ordinance, rule, judgment, rule of common law, order, decree, government approval, concession, grant, franchise, license, agreement, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, whether now or hereinafter in effect and, in each case, as amended.

"Liabilities" means any and all losses, claims, charges, debts, demands, Actions, damages, obligations, payments, costs and expenses, sums of money, bonds, indemnities and similar obligations, penalties, covenants, Contracts, controversies, agreements, promises, omissions, guarantees, make whole agreements and similar obligations, and other liabilities, including all contractual obligations, whether absolute or contingent, inchoate or otherwise, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any Law, Action, threatened or contemplated Action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys' fees and any and all costs and expenses (including allocated costs of in-house counsel and other personnel), whatsoever incurred in investigating, preparing or defending against any such Actions or threatened or contemplated Actions), order or consent decree of any Governmental Authority or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking, including those arising under this Agreement or any Ancillary Agreement or incurred by a party hereto or thereto in connection with enforcing its rights to indemnification hereunder or thereunder, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person.

"Person" means an individual, corporation, partnership, limited liability company, limited liability partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

"Record Date" means the close of business on the date to be determined by WMB's Board of Directors as the record date for determining the stockholders of WMB entitled to receive shares of WPX Common Stock pursuant to the Distribution.

"Record Holders" means the holders of WMB Common Stock on the Record Date.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Subsidiary" of any Person means any corporation or other organization, whether incorporated or unincorporated, of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

"Tax" or "Taxes" shall have the same meaning as ascribed to such term in the Tax Sharing Agreement.

"Tax Sharing Agreement" means the Tax Sharing Agreement, dated as of the date hereof, between WMB and WPX, as may be amended or modified from time to time.

"Transition Services Agreement" means the Transition Services Agreement, dated as of the date hereof, between WMB and WPX, as may be amended or modified from time to time, which provides for WMB's provision of certain services to WPX on and after the Distribution Date.

"WMB Board" means the Board of Directors of WMB or an authorized committee thereof.

"WMB Business" means the business and operations other than the WPX Business conducted by WMB and the WMB Entities (whether conducted independently or in association with one or more third parties through a partnership, joint venture or other mutual enterprise) at any time prior to, on or after the Effective Time.

"WMB Common Stock" means the common stock, par value $1.00 per share, of WMB.

"WMB Entities" means the members of the WMB Group.

"WMB Group" means WMB and each direct or indirect Subsidiary of WMB, other than Persons in the WPX Group.

"WMB Liabilities" means (without duplication): (a) any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement to be retained or assumed by WMB or any WMB Entity, and all agreements, obligations and Liabilities of any WMB Entity under this Agreement or any of the Ancillary Agreements; (b) all Liabilities to the extent relating to, arising out of or resulting from the operation of the WMB Business, as conducted at any time prior to, on or after the Effective Time; and (c) all other Liabilities of any member of the WMB Group that are not WPX Liabilities.

"WPX Assets" means all of WMB's and its Subsidiaries' right, title and interest in and to:

(a) any and all Assets of WMB and its Subsidiaries that are used exclusively or held for use exclusively in the WPX Business (other than WMB's direct or indirect equity interests in Williams Production Services, LLC and Williams Gas Marketing Services, LLC), including without limitation (i) all of WMB's direct or indirect stock or other equity interests in the entities set forth on Exhibit A which have been or are hereby contributed as part of the Contribution, and (ii) certain Assets of WMB that may have been previously contributed to WPX; and

(b) any and all Assets that are expressly listed, scheduled or otherwise clearly described in any Ancillary Agreement as Assets to be transferred to any WPX Entity.

"WPX Borrowing" means the indebtedness of WPX incurred pursuant to the issuance of the WPX Notes and the WPX Credit Facility.

"WPX Business" means the exploration and production business and any other business and operations conducted by WPX and the WPX Entities (whether conducted independently or in association with one or more third parties through a partnership, joint venture or other mutual enterprise) at any time prior to, on or after the Effective Time.

"WPX Credit Facility" means Credit Agreement, dated as of June 3, 2011, by and among WPX, the lenders named therein, and Citibank, N.A., as administrative agent and swingline lender.

"WPX Entities" means the members of the WPX Group.

"WPX Group" means WPX and each direct or indirect Subsidiary of WPX.

"WPX Liabilities" means (without duplication):

(a) any and all Liabilities to the extent arising out of or relating to the WPX Business or the WPX Assets, in each case whether such Liabilities arise or accrue prior to, on or after the Effective Time (other than Tax-related Liabilities, which are exclusively governed by the Tax Sharing Agreement);

(b) any and all Liabilities to the extent arising out of or relating to the operation of any business conducted by any WPX Entity at any time after the Effective Time;

(c) any and all Liabilities that are expressly listed, scheduled or otherwise clearly described in any Ancillary Agreement as Liabilities to be assumed by WPX or any WPX Entity; and

(d) all obligations of the WPX Group under or pursuant to this Agreement, any Ancillary Agreement or any other instrument entered into in connection herewith or therewith.

"WPX Notes" means up to $1.5 billion aggregate principal amount of senior unsecured notes issued by WPX prior to the Distribution on such terms and conditions as agreed to by WMB, WPX and the underwriters for the WPX Notes.

ARTICLE II
THE CONTRIBUTION

Section 2.1 Contribution of WPX Assets. Unless otherwise provided in this Agreement or in any Ancillary Agreement, on or before the Effective Time, WMB will (and WMB will cause its applicable Subsidiaries to) assign, transfer and convey to WPX and its applicable Subsidiaries, and WPX will receive and accept from WMB and its applicable Subsidiaries, all of WMB's and its applicable Subsidiaries' right, title and interest in and to the WPX Assets. Such assignments, transfers and conveyances will be effective at such times as provided in each respective Ancillary Agreement and will be subject to the terms and conditions of this Agreement and any applicable Ancillary Agreement.

Section 2.2 Assumption of Liabilities. Unless otherwise provided in this Agreement or in any Ancillary Agreement, on or before the Effective Time, WPX will (and WPX will cause its applicable Subsidiaries to) assume, and on a timely basis pay, perform, satisfy and discharge the WPX Liabilities in accordance with their respective terms. WPX and its applicable Subsidiaries will be responsible for all WPX Liabilities, regardless of (a) when or where such Liabilities arose or arise, (b) whether the facts on which they are based occurred on, prior to or subsequent to the Effective Time, (c) where or against whom such Liabilities are asserted or determined, (d) whether asserted or determined on, prior to or subsequent to the Effective Time, or (e) whether arising from or alleged to arise from negligence, recklessness, violation of law, fraud or misrepresentation (each, a "Bad Act") by any member of the WMB Group, the WPX Group or any of their respective past or present representatives; provided, however, that this Section 2.2 will not limit WPX's right to make a claim against a WMB Group member for Losses suffered by it to the extent that such Losses are a direct result of a Bad Act committed by a WMB Group member subsequent to the Effective Time. Such assumptions of WPX Liabilities will be effective at such times as provided in each respective Ancillary Agreement and will be subject to the terms and conditions of this Agreement and any applicable Ancillary Agreement.

Section 2.3 Effective Time; Deliveries. In furtherance of the assignment, transfer and conveyance of the WPX Assets and the assumption of the WPX Liabilities as set forth in this Agreement and the Ancillary Agreements, unless otherwise provided in this Agreement or in any Ancillary Agreement, on or before the Effective Time, the parties will execute and deliver, and they will cause their respective Subsidiaries and representatives, as applicable, to execute and deliver: (a) each of the Ancillary Agreements; (b) such bills of sale, stock powers, certificates of title, assignments of

Contracts, subleases and other instruments of transfer, conveyance and assignment as, and to the extent, necessary or convenient to evidence the transfer, conveyance and assignment to WPX (or, as applicable, its Subsidiaries) of all of WMB's (or, as applicable, its Subsidiaries') right, title and interest in and to the WPX Assets; and (c) such assumptions of Contracts and other instruments of assumption as, and to the extent, necessary or convenient to evidence the valid and effective assumption of the WPX Liabilities by WPX (or, as applicable, its Subsidiaries).

Section 2.4 Transfers Not Effected on or before the Effective Time.

(a) The parties acknowledge and agree that some of the transfers contemplated by this Article II may not be effected on or before the Effective Time due to the inability of the parties to obtain necessary Consents or approvals or the inability of the parties to take certain other actions necessary to effect such transfers on or before the Effective Time. To the extent any transfers contemplated by this Article II have not been fully effected on or before the Effective Time, WMB and WPX will cooperate and use commercially reasonable efforts (and will cause the applicable members of its respective Group to use such efforts) to obtain any necessary Consents or approvals or take any other actions necessary to effect such transfers as promptly as practicable following the Effective Time.

(b) Nothing in this Agreement will be deemed to require the transfer or assignment of any Contract or other Asset by any WMB Entity (an "Intended Transferor") to any WPX Entity (an "Intended Transferee") to the extent that such transfer or assignment would constitute a material breach of such Contract or cause forfeiture or loss of such Asset; provided, however, that even if such Contract or other Asset cannot be so transferred or assigned, such Contract or other Asset will be deemed a WPX Asset solely for purposes of determining whether any Liability is a WPX Liability.

(c) If an attempted assignment would be ineffective or would impair an Intended Transferee's rights under any such WPX Asset so that the Intended Transferee would not receive all such rights, then the parties will use commercially reasonable efforts to provide to, or cause to be provided to, the Intended Transferee, to the extent permitted by law, the rights of any such WPX Asset and take such other actions as may reasonably be requested by the other party in order to place the Intended Transferee, insofar as reasonably possible, in the same position as if such WPX Asset had been transferred as contemplated hereby. In connection therewith, (i) the Intended Transferor will promptly pass along to the Intended Transferee when received all benefits derived by the Intended Transferor with respect to any such WPX Asset, and (ii) the Intended Transferee will pay, perform and discharge on behalf of the Intended Transferor all of the Intended Transferor's obligations with respect to any such WPX Asset in a timely manner and in accordance with the terms thereof which it may do without breach. If and when such Consents or approvals are obtained or such other required actions have been taken, the transfer of the applicable WPX Asset will be effected in accordance with the terms of this Agreement and any applicable Ancillary Agreement.

Section 2.5 Termination of Agreements.

(a) Except as set forth in Section 2.5(b), the WMB Entities, on the one hand, and the WPX Entities, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings (including intercompany work orders), whether or not in writing, between or among any WMB Entity, on the one hand, and any WPX Entity, on the other hand, effective as of the Effective Time. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof that purports to survive termination) shall be of any further force or effect from and after the Effective Time. Each party shall, at the reasonable request of the other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.5(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof):

(i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by any WMB Entity or WPX Entity);

(ii) any agreements, arrangements, commitments or understandings to which any non-wholly owned Subsidiary or non-wholly owned Affiliate of WMB or WPX, as the case may be, is a party;

(iii) any other agreements, arrangements, commitments or understandings that this Agreement or any Ancillary Agreement expressly contemplates will survive the Effective Time;

(iv) any confidentiality or non-disclosure agreements among any members of either Group or employees of any member of either Group, including any obligation not to disclose proprietary or privileged information; and

(v) any agreements, arrangements, commitments or understandings listed or described on Schedule 2.5(b)(v).

(c) Except as otherwise expressly and specifically provided in this Agreement or any Ancillary Agreement, all intercompany receivables, payables, loans and other accounts between any WMB Entity, on the one hand, and any WPX Entity, on the other hand, in existence as of immediately prior to the Effective Time shall be satisfied and/or settled by the relevant members of the WMB Group and the WPX Group no later than the Effective Time by (i) forgiveness by the relevant obligor or (ii) one or a related series of repayments, distributions of and/or contributions to capital, in each case as determined by WMB.

Section 2.6 Governmental Approvals and Consents. To the extent that any of the transactions contemplated by this Agreement or any Ancillary Agreement requires any Governmental Approval or Consent, the parties will use their reasonable best efforts to obtain such Governmental Approval or Consent.

Section 2.7 Disclaimer of Representations and Warranties. Each of WMB (on behalf of itself and each other WMB Entity) and WPX (on behalf of itself and each other WPX Entity) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no party (including its Affiliates) to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement, any Ancillary Agreement or otherwise, is making any representations or warranties relating in any way to the Contribution, Distribution or WPX Assets.

ARTICLE III
ACTIONS PENDING THE DISTRIBUTION

Section 3.1 Actions Prior to the Distribution.

(a) Subject to the conditions specified in Section 3.2 and subject to Section 4.3, each of the parties shall use its reasonable best efforts to consummate the Distribution. Such actions shall include those specified in this Section 3.1.

(b) Prior to the Distribution, each of the parties will execute and deliver all Ancillary Agreements to which it is a party, and will cause the other WMB Entities and WPX Entities, as applicable, to execute and deliver any Ancillary Agreements to which such Persons are parties.

(c) Prior to the Distribution, WPX shall mail the Information Statement to the Record Holders.

(d) WPX shall prepare, file with the SEC and use its reasonable best efforts to cause to become effective any registration statements or amendments thereto required to effect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the transactions contemplated by this Agreement or any of the Ancillary Agreements.

(e) Each of the parties shall take all such actions as may be necessary or appropriate under the securities or blue sky Laws of the states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Distribution.

(f) WPX shall prepare and file, and shall use reasonable best efforts to have approved prior to the Distribution, an application for the listing on the NYSE or another national securities exchange of the WPX Common Stock to be distributed in the Distribution, subject to official notice of listing.

(g) Prior to the Distribution, the existing directors of WPX shall duly elect the individuals listed as members of the WPX board of directors in the Information Statement, and such individuals shall become the members of the WPX board of directors effective as of no later than immediately prior to the Distribution.

(h) Prior to the Distribution, WMB shall deliver or cause to be delivered to WPX the resignation from each applicable WPX Entity, effective as of no later than immediately prior to the Distribution, of each individual who will be an employee of any WMB Entity after the Distribution and who is an officer or director of any WPX Entity immediately prior to the Distribution.

(i) Immediately prior to the Distribution, the Restated Certificate of Incorporation and Restated Bylaws of WPX, each in substantially the form filed as an exhibit to the Form 10, shall be in effect.

(j) The parties shall, subject to Section 4.3, take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 3.2 to be satisfied and to effect the Distribution on the Distribution Date.

Section 3.2 Conditions to the Distribution. The obligations of the parties to consummate the Distribution shall be conditioned on the satisfaction, or waiver by the WMB Board, in its sole and absolute discretion, of the following conditions:

(a) The WMB Board shall, in its sole and absolute discretion, have authorized and approved the Contribution and Distribution and not withdrawn such authorization and approval.

(b) The WMB Board shall have declared the dividend of WPX Common Stock to the Record Holders.

(c) Each Ancillary Agreement shall have been executed by each party thereto.

(d) The SEC shall have declared the Form 10 effective, no stop order suspending the effectiveness of the Form 10 shall be in effect, and no proceedings for such purpose shall be pending before or threatened by the SEC.

(e) The WPX Common Stock shall have been accepted for listing on the NYSE or another national securities exchange approved by the WMB Board, subject to official notice of issuance.

(f) WMB shall have received an opinion from WMB's legal advisors regarding the tax consequences of the Contribution and Distribution and such other matters, as it will determine to be necessary or advisable in its sole and absolute discretion, each of which shall remain in full force and effect, that the Contribution and Distribution will not result in recognition for U.S. Federal income tax purposes, of income, gain or loss to WMB, or of income, gain or loss to its stockholders, except to the extent of cash received in lieu of fractional shares of WPX Common Stock.

(g) WPX shall have received the net proceeds from the Notes and shall have made a cash distribution of approximately $979 million to Williams;

(h) An independent firm acceptable to WMB, in its sole and absolute discretion, shall have delivered one or more opinions to the WMB Board confirming the solvency and financial viability of WMB and WPX, which opinions shall be in form and substance satisfactory to WMB, in its sole and absolute discretion, and shall not have been withdrawn or rescinded.

(i) No order, injunction or decree that would prevent the consummation of the Distribution shall be threatened, pending or issued (and still in effect) by any Governmental Authority of competent jurisdiction, no other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect, and no other event outside the control of WMB shall have occurred or failed to occur that prevents the consummation of the Distribution.

(j) No other events or developments shall have occurred prior to the Distribution Date that, in the judgment of the WMB Board, would result in the Distribution having a significant adverse effect on WMB or its stockholders.

(k) The actions set forth in Sections 3.1(c), (g), (h) and (i) shall have been completed.

The foregoing conditions may only be waived by the WMB Board, in its sole and absolute discretion, are for the sole benefit of WMB and shall not give rise to or create any duty on the part of the WMB Board to waive or not waive such conditions or in any way limit the right of termination of this Agreement set forth in Article VIII or alter the consequences of any such termination from those specified in Article VIII. Any determination made by the WMB Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 3.2 shall be conclusive.

ARTICLE IV
THE DISTRIBUTION

Section 4.1 <u>The Distribution</u>.

(a) WPX shall cooperate with WMB to accomplish the Distribution and shall, at the direction of WMB, use its reasonable best efforts to promptly take any and all actions necessary or desirable to effect the Distribution. Each of the parties will provide, or cause the applicable member of its Group to provide, to the Agent all documents and information required to complete the Distribution.

(b) Subject to the terms and conditions set forth in this Agreement, (i) on or prior to the Distribution Date, for the benefit of and distribution to the Record Holders, WMB will deliver to the Agent all of the issued and outstanding shares of WPX Common Stock then owned by WMB or any other WMB Entity and book-entry authorizations for such shares and (ii) on the Distribution Date, WMB shall instruct the Agent to distribute, by means of a *pro rata* **dividend, to each Record Holder (or such Record Holder's bank or brokerage firm on such Record Holder's behalf) electronically, by direct registration in book-entry form, the number of whole**

shares of WPX Common Stock to which such Record Holder is entitled based on the Distribution Ratio. The Distribution shall be effective at the Effective Time. On or as soon as practicable after the Distribution Date, the Agent will mail an account statement indicating the number of shares of WPX Common Stock that have been registered in book-entry form in the name of each Record Holder.

(c) With respect to the shares of WPX Common Stock remaining with the Agent 180 days after the Distribution Date, the Agent shall deliver any such shares as directed by WPX, with the consent of WMB (which consent shall not be unreasonably withheld or delayed).

Section 4.2 Fractional Shares. The Agent and WMB shall, as soon as practicable after the Distribution Date, (a) determine the number of whole shares and fractional shares of WPX Common Stock allocable to each Record Holder, (b) aggregate all such fractional shares into whole shares and sell the whole shares obtained thereby in open market transactions at then-prevailing trading prices on behalf of Record Holders that would otherwise be entitled to fractional share interests and (c) distribute to each such Record Holder, or for the benefit of each beneficial owner of fractional shares, such Record Holder's or beneficial owner's ratable share of the net proceeds of such sales, based upon the average gross selling price per share of WPX Common Stock after making appropriate deductions for any amount required to be withheld under applicable Tax Law and less any transfer Taxes. WPX will be responsible for payment of any brokerage fees associated with such sales. The Agent, in its sole discretion, will determine the timing and method of selling such shares, the selling price of such shares and the broker-dealer to which such shares will be sold; provided, however, that the designated broker-dealer is not an Affiliate of WMB or WPX. Neither WMB nor WPX will pay any interest on the proceeds from the sale of such shares.

Section 4.3 Sole Discretion of the WMB Board. The WMB Board shall, in its sole and absolute discretion, determine the Distribution Date and all terms of the Distribution, including the form, structure and terms of any transactions and/or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, and notwithstanding anything to the contrary set forth below, the WMB Board, in its sole and absolute discretion, may at any time and from time to time until the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution.

ARTICLE V
EXCHANGE OF INFORMATION; CONFIDENTIALITY

Section 5.1 Agreement for Exchange of Information.

(a) Except in the case of an adversarial Action or threatened adversarial Action related to a request hereunder by any member of either the WMB Group or the WPX Group against any member of the other Group (which shall be governed by such discovery rules as may be applicable thereto), and subject to

Section 5.1(b), each of WMB and WPX, on behalf of the members of its respective Group, shall use reasonable best efforts to provide (except as otherwise provided in this Agreement or any Ancillary Agreement, at the sole cost and expense of the requesting party), or cause to be provided, to the other Group, at any time before or after the Effective Time, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of the members of such respective Group that the requesting party reasonably requests (i) in connection with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities, defense contracting or Tax Laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any other judicial, regulatory, administrative, tax, insurance or other proceeding or in order to satisfy audit, accounting, claims, regulatory, investigation, litigation, tax or other similar requirements, or (iii) to comply with its obligations under this Agreement, any Ancillary Agreement or the WPX Borrowing. The receiving party shall use any Information received pursuant to this Section 5.1(a) solely to the extent reasonably necessary to satisfy the applicable obligations or requirements described in the immediately preceding sentence and shall otherwise take reasonable steps to protect such Information. Nothing in this Section 5.1 shall be construed as obligating a party to create Information not already in its possession or control.

(b) In the event that any party determines that the exchange of any Information pursuant to Section 5.1(a) is reasonably likely to violate any Law or binding agreement, or waive or jeopardize any attorney-client privilege, or attorney work product protection, such party shall not be required to provide access to or furnish such Information to the other party; <u>provided</u>, <u>however</u>, that the parties shall take all reasonable measures to permit compliance with Section 5.1(a) in a manner that avoids any such harm or consequence. WMB and WPX intend that any provision of access to or the furnishing of Information that would otherwise be within the ambit of any legal privilege shall not operate as a waiver of such privilege.

(c) After the Effective Time, each of WMB and WPX shall maintain in effect systems and controls reasonably intended to enable the members of the other Group to satisfy their respective known reporting, accounting, disclosure, audit and other obligations.

Section 5.2 <u>**Ownership of Information**</u>. Any Information owned by a member of one Group that is provided to a requesting party pursuant to Section 5.1 shall be deemed to remain the property of the providing party. Except as specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

Section 5.3 <u>**Compensation for Providing Information**</u>. The party requesting Information pursuant to Section 5.1 agrees to reimburse the party providing such Information for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting party. Except as may be otherwise specifically provided elsewhere in this Agreement or in any other agreement between the parties, such costs shall be computed in accordance with the providing party's standard methodology and procedures.

Section 5.4 **Record Retention**. To facilitate the possible exchange of Information pursuant to this Article V and other provisions of this Agreement from and after the Effective Time, each of the parties agrees to use reasonable best efforts to retain all Information in accordance with its record and retention policy as in effect immediately prior to the Effective Time or as modified in good faith thereafter.

Section 5.5 **Limitation of Liability**. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Agreement that is an opinion, estimate or forecast, or that is based on an opinion, estimate or forecast, is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed after reasonable best efforts by such party to comply with the provisions of Section 5.4.

Section 5.6 **Other Agreements Providing for Exchange of Information**. The rights and obligations granted under this Article V shall be subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in any Ancillary Agreement.

Section 5.7 Cooperation.

(a) From and after the Effective Time, except in the case of an adversarial Action or threatened adversarial Action by any member of either the WMB Group or the WPX Group against any member of the other Group (which shall be governed by such discovery rules as may be applicable thereto), each party, upon reasonable written request of the other party, shall use reasonable efforts to cooperate and consult in good faith with the other party to the extent such cooperation and consultation is reasonably necessary with respect to (i) any Action, (ii) this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby or (iii) any audit, investigation or any other legal requirement, and, upon reasonable written request of the other party, shall use reasonable efforts to make available to such other party the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group (whether as witnesses or otherwise). The requesting party shall bear all costs and expenses in connection therewith.

(b) Notwithstanding the foregoing, Section 5.7(a) shall not require a party to take any step that would significantly interfere, or that such party reasonably determines could significantly interfere, with its business.

Section 5.8 Confidentiality.

(a) Subject to Section 5.9, each of WMB and WPX, on behalf of itself and each member of its Group, shall hold, and shall cause its respective directors, officers, employees, agents, accountants, counsel and other advisors and

representatives to hold, in strict confidence and not release or disclose, with at least the same degree of care, but no less than a reasonable degree of care, that it applies to its own business sensitive and proprietary information, all Information concerning the other Group or its business that is either in its possession (including Information in its possession prior to the Distribution) or furnished by any member of such other Group or its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information is (i) in the public domain through no fault of such party or any member of such Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) later lawfully acquired from other sources by such party (or any member of such party's Group), which sources are not themselves bound by a confidentiality obligation, or (iii) independently generated without reference to any proprietary or confidential Information of the disclosing party or its Group.

(b) No receiving party shall release or disclose, or permit to be released or disclosed, any such Information concerning the other Group to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 5.9. Without limiting the foregoing, when any Information concerning the other Group or its business is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each disclosing party will, promptly after the request of the receiving party, either return to the disclosing party all Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the disclosing party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon).

Section 5.9 **Protective Arrangements**. In the event that any party or any member of its Group either determines on the advice of its counsel that it should disclose any Information pursuant to applicable Law or receives any demand under lawful process or from any Governmental Authority or properly constituted arbitral authority to disclose or provide Information of any other party (or any member of any other party's Group) that is subject to the confidentiality provisions hereof, the Person required to disclose the Information shall give the applicable Person prompt, and to the extent reasonably practicable, prior written notice of such disclosure and an opportunity to contest such disclosure, and shall use reasonable best efforts to cooperate, at the expense of the requesting Person, in seeking any reasonable protective arrangements requested by such Person. In the event that such appropriate protective arrangement or order or other remedy is not obtained, the Person that is required to disclose such Information shall furnish, or cause to be furnished, only that portion of such Information that is legally required to be disclosed and shall use reasonable best efforts to ensure that confidential treatment is accorded such Information. This Section 5.9 shall not apply to the disclosure of any Information to any Governmental Authority that is reasonably necessary to respond to any inquiry by any Governmental Authority.

ARTICLE VI
ADDITIONAL COVENANTS AND OTHER MATTERS

Section 6.1 Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties shall use its reasonable best efforts, prior to, on and after the Effective Time, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Law, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) On or prior to the Effective Time, WMB and WPX in their respective capacities as direct and indirect stockholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by WMB and WPX or any other Subsidiary of WMB or WPX, as the case may be, to effectuate the transactions contemplated by this Agreement.

Section 6.2 Use of Names, Logos and Information.

(a) No later than the Distribution Date, WPX shall cause to be filed with the Secretary of State (or other appropriate Governmental Authority) of the states in which its Subsidiaries are located or are doing business, an amendment to their certificates of incorporation or similar governing documents or qualification to do business to change the name of any Subsidiary with "Williams" in its name to a new name not confusingly similar to WMB's name.

(b) No later than the Distribution Date (or, with respect to any WPX Entity's wells, tanks, pipelines, and other field facilities, no later than the date that is six months after the Distribution Date), WPX shall use reasonable best efforts to remove, and WPX shall cause each member of the WPX Group to remove, from their websites, and any other publicly distributed material (other than material required to be submitted for the purpose of regulatory filings and other similar documentation), any reference to WMB, and its business lines and plans and any names, logos, or trademarks associated therewith. WPX and each other member of the WPX Group shall cease all use of the WMB name (and any name confusingly similar thereto) and all trademarks and service marks associated therewith no later than the Distribution Date (or, with respect to any WPX Entity's wells, tanks, pipelines, and other field facilities, no later than the date that is six months after the Distribution Date); provided that, if any member of the WPX Group is unable to comply with the foregoing requirements of this Section 6.2(b) for reasons outside of its reasonable control, WPX may request WMB to grant an extension of time beyond the Distribution Date, and WMB agrees not to unreasonably withhold or delay the granting of any such requested extension. Nothing in this Section 6.2(b) shall

preclude WPX or its Subsidiaries from using the WMB name to indicate that WPX and members of the WPX Group were formerly associated with WMB, or from referring to WMB by its name for non-trademark and non-branding purposes as is permitted by applicable Law.

(c) WPX shall not, and shall cause each member of the WPX Group not to, take any action, purport to take any action or otherwise hold itself out as having any authority to act on behalf of or represent in any way any member of the WMB Group. WPX shall indemnify, defend and hold harmless each of the WMB Indemnitees from and against any and all Liabilities of the WMB Indemnitees relating to, arising out of or resulting from a breach of this Section 6.2(c).

Section 6.3 Non-Solicitation.

(a) Without the prior consent of WMB, during the term of the Transition Services Agreement and for a period of one year thereafter, WPX will not (and will cause each other WPX Entity not to) solicit for employment, directly or indirectly, any employee or contractor (including any contractor employed by a third party) of the WMB Entities that (i) is providing services to any WMB Entity or WPX Entity in connection with this Agreement or any Ancillary Agreement, or (ii) with whom any WPX Entity has, or will have, more than incidental contact pursuant to this Agreement or any Ancillary Agreement.

(b) Without the prior consent of WPX, during the term of the Transition Services Agreement and for a period of one year thereafter, WMB will not (and will cause each other WMB Entity not to) solicit for employment, directly or indirectly, any employee of WPX involved in the performance of WPX obligations under this Agreement or any Ancillary Agreement.

(c) With respect to each of Sections 6.3(a) and 6.3(b) above, the prohibition on solicitation shall extend 90 days after the termination of any employee's employment or, in the case of WMB employees, 90 days after the cessation of such employee's involvement in the performance of all "Services" (as defined under the Transition Services Agreement). This provision shall not operate or be construed to prevent or limit any employee's right to practice his or her profession or to utilize his or her skills for another employer or to restrict any employee's freedom of movement or association.

(d) Neither the publication of classified advertisements in newspapers, periodicals, Internet bulletin boards, or other publications of general availability or circulation, nor the consideration and hiring of persons responding to such advertisements, shall be deemed a breach of this Section 6.3, unless the advertisement and solicitation is undertaken as a means to circumvent or conceal a violation of this provision and/or the hiring party acts with knowledge of this hiring prohibition.

(e) Each of the parties (i) acknowledges and agrees that money damages would not be a sufficient remedy for any breach of this Section 6.3 by such party (or any other member of such party's Group), (ii) consents to a court of competent jurisdiction entering an order finding that the non-breaching party has been irreparably harmed as a result of any such breach and (iii) consents to the granting of injunctive relief without proof of actual damages as a remedy for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach of this Section 6.3 but shall be in addition to all other remedies available at law or equity to the non-breaching party.

Section 6.4 Information Technology Transition Costs. Notwithstanding anything to the contrary in this Agreement, upon the completion of the Distribution WMB shall promptly contribute to WPX $20.1 million for certain information technology transition costs expected to be incurred by the WPX Entities in connection with the Distribution, less any amounts funded by WMB for such costs prior to the completion of the Distribution.

ARTICLE VII
MUTUAL RELEASES; INDEMNIFICATION

Section 7.1 Mutual Releases.

(a) Except (i) as provided in Section 7.1(c), (ii) as may be otherwise provided in this Agreement or any Ancillary Agreement and (iii) for any matter for which any WPX Indemnitee is entitled to indemnification pursuant to this Article VIII, effective as of the Effective Time, WPX does hereby, for itself and each other WPX Entity and their respective Affiliates, predecessors, successors and assigns, and, to the extent WPX legally may, all Persons that at any time prior or subsequent to the Effective Time have been stockholders, directors, officers, members, agents or employees of WPX or any other WPX Entity (in each case, in their respective capacities as such), remise, release and forever discharge each WMB Entity, their respective Affiliates, successors and assigns, and all Persons that at any time prior to the Effective Time have been stockholders, directors, officers, members, agents or employees of WMB or any other WMB Entity (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity, whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from or relating to any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, whether or not known as of the Effective Time.

(b) Except (i) as provided in Section 7.1(c), (ii) as may be otherwise provided in this Agreement or any Ancillary Agreement and (iii) for any matter for which any WMB Indemnitee is entitled to indemnification pursuant to this Article VIII, WMB does hereby, for itself and each other WMB Entity and their respective Affiliates, successors and assigns, and, to the extent WMB legally may, all

Persons that at any time prior to the Effective Time have been stockholders, directors, officers, members, agents or employees of WMB or any other WMB Entity (in each case, in their respective capacities as such), remise, release and forever discharge each WPX Entity, their respective Affiliates, successors and assigns, and all Persons that at any time prior to the Effective Time have been stockholders, directors, officers, members, agents or employees of WPX or any other WPX Entity (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity, whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, whether or not known as of the Effective Time.

(c) Nothing contained in Section 7.1(a) or 7.1(b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement, including the applicable Schedules hereto and thereto, or any arrangement that is not to terminate as of the Effective Time, as specified in Section 2.5(b). Nothing contained in Section 7.1(a) or 7.1(b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any WMB Entities and any WPX Entities that is not to terminate as of the Effective Time, as specified in Section 2.5(b), or any other Liability that is not to terminate as of the Effective Time, as specified in Section 2.5(b);

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement; or

(iii) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 7.1; provided that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any Person with respect to any Liability to the extent that such Person would be released with respect to such Liability by this Section 7.1 but for the provisions of this clause (iii).

(d) WPX shall not make, and shall not permit any other WPX Entity to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim for indemnification, against any WMB Entity, or any other Person released pursuant to Section 7.1(a), with respect to any Liabilities released pursuant to Section 7.1(a). WMB shall not, and shall not permit any other WMB Entity, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim for indemnification, against any WPX Entity, or any other Person released pursuant to Section 7.1(b), with respect to any Liabilities released pursuant to Section 7.1(b).

(e) At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases in form reasonably satisfactory to the other party reflecting the provisions of this Section 7.1.

Section 7.2 Indemnification by WPX. Subject to Section 7.4, WPX shall, and shall cause each of its Subsidiaries that is in the WPX Group as of the Effective Time to, jointly and severally indemnify, defend and hold harmless WMB, each WMB Entity and each of their respective current, former and future directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "WMB Indemnitees"), from and against any and all Liabilities of the WMB Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) any WPX Liability, including the failure of WPX or any other member of the WPX Group or any other Person to pay, perform or otherwise promptly discharge any WPX Liabilities in accordance with their respective terms, whether prior to, on or after the Effective Time;

(b) the WPX Business;

(c) any breach by any WPX Entity of this Agreement or any of the Ancillary Agreements; and

(d) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Form 10 or the Information Statement; provided, however, that the indemnity provided in this Section 7.2(d) shall not apply to any WMB Indemnitee with respect to any Liability to the extent arising out of any untrue statement or omission or alleged untrue statement or omission contained in any information furnished in writing to WPX by WMB expressly for use in such filing.

Notwithstanding the foregoing, no WMB Indemnitee shall be entitled to indemnification under this Section 7.2 for any Liability for which any WPX Indemnitee is entitled to be indemnified pursuant to Sections 7.3(d) and 7.3(e) below.

Section 7.3 Indemnification by WMB. Subject to Section 7.4, WMB shall, and shall cause each of its Subsidiaries that is in the WMB Group as of the Effective Time to, jointly and severally indemnify, defend and hold harmless WPX, each WPX Entity and each of their respective current, former and future directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "WPX Indemnitees"), from and against any and all Liabilities of the WPX Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) any WMB Liability, including the failure of WMB or any other member of the WMB Group or any other Person to pay, perform or otherwise promptly discharge any WMB Liabilities in accordance with their respective terms, whether prior to, on or after the Effective Time;

(b) the WMB Business;

(c) any breach by any WMB Entity of this Agreement or any of the Ancillary Agreements; and

(d) any cash payment determined to be owed by any WPX Entity in any of the pending proceedings set forth on Schedule 7.3(d) related to power marketing in California; provided, that WPX shall pay, or cause to be paid, to WMB any cash that a WPX Entity receives, or is entitled to receive, in connection with such proceedings, regardless of whether such amount exceeds any amount due from WMB to WPX pursuant to this clause; and

(e) the pending proceedings set forth on Schedule 7.3(e) related to published gas price indices, including, solely for purposes of this Section 7.3(e), any Liability for indirect, punitive or consequential damages relating to such proceeding; provided, that if all or any portion of the indemnification obligation set forth in this Section 7.3(e) is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, then the parties will, to the extent permitted by law, take such actions as may reasonably be necessary in order to place the WPX Entities in the same position as if such obligation were fully valid, legal and enforceable.

Notwithstanding the foregoing, no WPX Indemnitee shall be entitled to indemnification under this Section 7.3 for any Liability to the extent arising out of any of the Contracts set forth on Schedule 7.3.

Section 7.4 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) The parties intend that any Liability subject to indemnification or reimbursement pursuant to this Agreement will be net of Insurance Proceeds and other amounts received that actually reduce the amount of the Liability for which indemnification is sought. Accordingly, the amount which any party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification or reimbursement under this Agreement (an "Indemnitee") will be reduced by any Insurance Proceeds and other amounts theretofore actually recovered by or on behalf of the Indemnitee in reduction of the related Liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds or other amounts therefor, then the Indemnitee will promptly pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or other amounts had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer that would otherwise be obligated to defend or make payment in response to any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit it would not be entitled to receive in the absence of the indemnification provisions of this Agreement) by virtue of the indemnification provisions hereof. For the avoidance of doubt, in no event shall any party be obligated to seek recovery from any insurer as a condition to obtaining the benefit of the indemnification provisions of this Agreement or any Ancillary Agreement.

(c) If an indemnification claim is covered by the indemnification provisions of an Ancillary Agreement, the claim shall be made under the Ancillary Agreement to the extent applicable and the provisions thereof shall govern such claim. In no event shall any party be entitled to double recovery from the indemnification provisions of this Agreement and any Ancillary Agreement.

(d) Payments and reimbursements with respect to Tax-related Liabilities and Tax-related indemnities are governed exclusively by the Tax Sharing Agreement. To the extent of any inconsistency or conflict between this Agreement and the Tax Sharing Agreement with respect to any matter relating to WMB's and WPX's respective rights, responsibilities and obligations after the Distribution with respect to Taxes, the provisions of the Tax Sharing Agreement shall apply.

Section 7.5 Third-Party Claims.

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) that is not a WMB Entity or a WPX Entity of any claim (including environmental claims and demands or requests for investigation or remediation of contamination) or of the commencement by any such Person of any Action with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to this Agreement or any Ancillary Agreement (collectively, a "Third-Party Claim"), such Indemnitee shall give such Indemnifying Party written notice thereof as soon as promptly practicable, but no later than 30 days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail and contain written correspondence received from the third party that relates to the Third-Party Claim. Notwithstanding the foregoing, the failure of any Indemnitee to give notice as provided in this Section 7.5(a) shall not relieve the related Indemnifying Party of its obligations under this Article VII, except to the extent that such Indemnifying Party is prejudiced by such failure to give notice.

(b) With respect to any Third-Party Claim:

(i) Unless the parties otherwise agree, within 30 days after the receipt of notice from an Indemnitee in accordance with Section 7.5(a), an Indemnifying Party shall defend (and, unless the Indemnifying Party has specified

any reservations or exceptions, seek to settle or compromise), at such Indemnifying Party's own cost and expense and by such Indemnifying Party's own counsel, any Third-Party Claim. The applicable Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee. Notwithstanding the foregoing, the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnitee (A) for any period during which the Indemnifying Party has not assumed the defense of such Third-Party Claim (other than during any period in which the Indemnitee shall have failed to give notice of the Third-Party Claim in accordance with Section 7.5(a)) or (B) to the extent that such engagement of counsel is as a result of a conflict of interest, as reasonably determined by the Indemnitee acting in good faith.

(ii) No Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any Third-Party Claim without the consent of the applicable Indemnitee; provided, however, that such Indemnitee shall be required to consent to such entry of judgment or to such settlement that the Indemnifying Party may recommend if the judgment or settlement (A) contains no finding or admission of any violation of Law or any violation of the rights of any Person, (B) involves only monetary relief which the Indemnifying Party has agreed to pay and could not reasonably be expected to have a significant adverse impact (financial or non-financial) on the Indemnitee, including a significant adverse impact on the rights, obligations, operations, standing or reputation of the Indemnitee (or any of its Subsidiaries or Affiliates), and (C) includes a full and unconditional release of the Indemnitee. Notwithstanding the foregoing, in no event shall an Indemnitee be required to consent to any entry of judgment or settlement if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee.

(c) Whether or not the Indemnifying Party assumes the defense of a Third-Party Claim, no Indemnitee shall admit any liability with respect to, or settle, compromise or discharge, such Third-Party Claim without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld or delayed.

Section 7.6 Additional Matters.

(a) Any claim on account of a Liability that does not result from a Third-Party Claim shall be timely asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue remedies as specified by this Agreement and the Ancillary Agreements.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or the Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant, if reasonably practicable. If such substitution or addition cannot be achieved or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Agreement and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other personnel), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

Section 7.7 **Remedies Cumulative**. The remedies provided in this Article VII shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

Section 7.8 **Survival of Indemnities**. The rights and obligations of each of WMB and WPX and their respective Indemnitees under this Article VII shall survive the sale or other transfer by any party of any assets or businesses or the assignment by it of any Liabilities.

Section 7.9 **Limitation on Liability**. Except as may expressly be set forth in this Agreement, none of WMB, WPX, or any other member of either Group shall in any event have any Liability to the other or to any other member of the other's Group, or to any other WMB Indemnitee or WPX Indemnitee, as applicable, under this Agreement (a) to the extent that any such Liability resulted from any willful violation of Law or fraud by the party seeking indemnification or (b) subject to Section 7.3(e), for any indirect, punitive or consequential damages. Notwithstanding the foregoing, the provisions of this Section 7.9 shall not limit an Indemnifying Party's indemnification obligations with respect to any Liability that any Indemnitee may have to any third party not affiliated with any member of the WMB Group or the WPX Group.

ARTICLE VIII
TERMINATION

Section 8.1 **Termination**. This Agreement and any Ancillary Agreement may be terminated at any time prior to the Distribution in the sole discretion of WMB without the approval of WPX. The obligations of the parties under Article III (including the obligation to pursue or effect the Distribution) may be terminated by WMB if any time after the Distribution it determines, in its sole and absolute discretion, that the Distribution would not be in the best interests of WMB or its stockholders.

Section 8.2 **Effect of Termination**. In the event of any termination of this Agreement prior to the Distribution, no party (or any of its directors or officers) shall have any Liability or further obligation to any other party with respect to this Agreement.

ARTICLE IX
DISPUTE RESOLUTION

Section 9.1 **Disputes**. Except as otherwise specifically provided in any Ancillary Agreement, the procedures for discussion, negotiation and mediation set forth in this Article IX shall apply to all disputes, controversies or claims (whether arising in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the Effective Time), or the commercial or economic relationship of the parties relating hereto or thereto, between or among any Person in the WMB Group and the WPX Group.

Section 9.2 **Escalation; Mediation.**

(a) It is the intent of the parties to use their respective commercially reasonable efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, upon the written notice of either party, each party shall appoint a representative at an authority level above the level of the individuals who have been unable to resolve the dispute (the "Next Step Up Representatives"). The Next Step Up Representatives shall be appointed as determined in the discretion of each party considering the importance of the relationship, the complexity of the issues, and the size of the amounts in dispute. The parties shall allow for a period of 15 Business Days after the last representative is appointed and contact information provided to the other party for the Next Step Up Representatives to negotiate a resolution of the dispute before the parties are required to move to the mediation stage. This 15 Business Day period may be waived jointly in writing.

(b) If the parties are not able to resolve the dispute, controversy or claim (except those relating to Environmental Liabilities, which are addressed in Section 9.2(c) below) through the escalation process referred to above, then either party may submit the dispute to mediation by written notice to the other party. The parties shall jointly retain a mediator to aid the parties in their discussions and negotiations by informally providing advice to the parties. The mediator shall be selected by the parties. If the parties cannot agree on a mediator within 30 days after the notice to mediate, the International Institute for Conflict Prevention and

Resolution ("CPR") shall designate a mediator at the request of either party. Any mediator proposed by CPR must be reasonably acceptable to both parties. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the parties, nor shall any opinion expressed by the mediator be admissible in any other proceeding. Costs of the mediation shall be borne equally by the parties involved in the matter, except that each party shall be responsible for its own expenses. Mediation shall be a prerequisite to the commencement of any Proceeding (except those relating to Environmental Liabilities, which are addressed in Section 9.2(c) below) by either party.

(c) If the parties are not able to resolve any technical or factual dispute, controversy or claim relating to Environmental Liabilities through the escalation process referred to above, then either party may submit the dispute to mediation by written notice to the other party. The parties shall jointly retain a technical mediator, such as a third-party environmental consultant or other person with specific technical expertise in the matter involved in the dispute, controversy or claim to aid the parties in their discussions and negotiations. The technical mediator shall be selected by the parties. If the parties cannot agree on a technical mediator within 30 days after the notice to mediate, CPR shall designate a technical mediator at the request of either party. Any technical mediator proposed by CPR must be reasonably acceptable to both parties. The technical mediator shall provide informal advice to the parties and, if requested by both parties, shall also provide a written opinion letter or report summarizing the matter in dispute, identifying any significant assumptions or informational gaps underlying that summary, and setting forth the conclusions and recommendations of the technical mediator. Unless mutually agreed by the parties in writing, any opinion expressed by the technical mediator shall be strictly advisory and shall not be binding on the parties, nor shall any opinion expressed or delivered by the technical mediator be admissible in any other proceeding. Costs related to the technical mediator's work, including any investigation, data-gathering or sampling recommended by the technical mediator, shall be borne equally by the parties involved in the matter, except that each party shall be responsible for its own expenses. Technical mediation shall be a prerequisite to the commencement of any Proceeding relating to Environmental Liabilities by either party.

(d) For purposes of this Section 9.2:

(i) "Environmental Laws" means all federal, state, local and foreign Laws, including all judicial and administrative orders, determinations, and consent agreements or decrees, that relate, in whole or in part, to Hazardous Substances, pollution, contaminants, harmful substances, protection of the environment or human health, including those that regulate the use, manufacture, generation, handling, labeling, testing, transport, treatment, storage, processing, discharge, disposal, release, threatened release, control, or cleanup of harmful substances, pollutants, contaminants, Hazardous Substances or materials containing such substances, regardless of when enacted or effective;

(ii) "Environmental Liabilities" means any Liabilities arising out of or relating to the environment, human health, any Environmental Law, Hazardous Substances or exposure to Hazardous Substances, pollutants, contaminants or other harmful substances, including (A) fines, penalties, judgments, awards, settlements, losses, damages (including consequential damages), costs, fees (including attorneys' and consultants' fees), expenses and disbursements, (B) costs of defense and other responses to any administrative or judicial action (including notices, claims, complaints, suits and other assertions of liability), (C) responsibility for any investigation, remediation, monitoring or cleanup costs, injunctive relief, tort claims, natural resource damages, and any other environmental compliance or remedial measures, in each case known or unknown, foreseen or unforeseen, and (D) any claims, suits or actions (whether third-party or otherwise) for any Liability, including personal injury or property damage; and

(iii) "Hazardous Substances" means all materials, wastes or substances defined by, or regulated under, any Environmental Laws now or in the future and any substance that can give rise to any claim, suit or action (whether third-party or otherwise) for any Liabilities, including personal injury or property damage.

Section 9.3 Court Actions.

(a) In the event that any party, after complying with the provisions set forth in Section 9.2 above, desires to commence an Action, such party, subject to Section 10.11, may submit the dispute, controversy or claim (or such series of related disputes, controversies or claims) to any court of competent jurisdiction.

(b) Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement and the Ancillary Agreements during the course of dispute resolution pursuant to the provisions of this Article IX, except to the extent such commitments are the subject of such dispute, controversy or claim.

ARTICLE X
MISCELLANEOUS

Section 10.1 Corporate Power. WMB represents on behalf of itself and each other WMB Entity, and WPX represents on behalf of itself and each other WPX Entity, that:

(a) each such Person is a corporation or other entity duly incorporated or formed, validly existing and in good standing under the Laws of the state or other jurisdiction of its incorporation or formation, and has all material corporate or other similar powers required to carry on its business as currently conducted;

(b) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and each other Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(c) this Agreement and each Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of such Person enforceable in accordance with the terms hereof and thereof.

Section 10.2 **Coordination with Certain Ancillary Agreements; Conflicts**. In the event of any conflict or inconsistency between any provision of any of the Ancillary Agreements and any provision of this Agreement, the applicable Ancillary Agreement shall control over the inconsistent provisions of this Agreement as to the matters specifically addressed in such Ancillary Agreement.

Section 10.3 **Expenses**. Except as expressly set forth in this Agreement or in any Ancillary Agreement, all fees, costs and expenses paid or incurred in connection with the Separation and the performance of this Agreement and any Ancillary Agreement, whether performed by a third-party or internally, will be paid by the party incurring such fees or expenses, whether or not the Separation is consummated, or as otherwise agreed by the parties.

Section 10.4 **Amendment and Modification**. This Agreement and the Ancillary Agreements may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing specifically designated as an amendment hereto, signed on behalf of each party.

Section 10.5 **Waiver**. No failure or delay of any party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have hereunder. Any agreement on the part of any party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

Section 10.6 **Notices**. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, e-mail or otherwise, (b) on the first Business Day following the date of dispatch if delivered utilizing a next-day service by a recognized next-day courier or (c) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

(i) **if to WMB or any other WMB Entity, to:**

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172-0172
Attention: General Counsel
Facsimile: 918-573-1807
E-mail: craig.rainey@williams.com

(ii) **if to WPX or any other WPX Entity, to:**

WPX Energy, Inc.
One Williams Center
Tulsa, Oklahoma 74172-0172
Attention: General Counsel
Facsimile: 918-573-5942
E-mail: james.bender@williams.com

Section 10.7 **Interpretation**. When a reference is made in this Agreement to a Section, Article, or Exhibit such reference shall be to a Section, Article, or Exhibit of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement. All Schedules and Exhibits annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified. The word "day" when used in this Agreement shall mean "calendar day," unless otherwise specified.

Section 10.8 **Entire Agreement**. This Agreement and the Ancillary Agreements and the Exhibits, Schedules and Appendices hereto and thereto constitute the entire agreement, and supersede all prior written agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings among the parties with respect to the subject matter hereof. None of this Agreement or any of the Ancillary Agreements shall be deemed to contain or imply any restriction, covenant, representation, warranty, agreement or undertaking of any party with respect to the transactions contemplated hereby and thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder. Notwithstanding any oral agreement or course of action of the parties or their representatives to the contrary, no party to this Agreement shall be under any legal obligation to enter into or complete the transactions contemplated hereby unless and until this Agreement shall have been executed and delivered by each of the parties.

Section 10.9 **No Third Party Beneficiaries.** Except for the indemnification rights under this Agreement of any WMB Indemnitee or WPX Indemnitee in their respective capacities as such, nothing in this Agreement or the Ancillary Agreements, express or implied, is intended to or shall confer upon any Person other than the parties and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement or the Ancillary Agreements.

Section 10.10 **Governing Law.** This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal Laws of the State of Oklahoma, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of Oklahoma.

Section 10.11 **Submission to Jurisdiction.** Except as otherwise specifically provided in any Ancillary Agreement, with respect to any suit, action or proceeding relating to this Agreement or any Ancillary Agreement (a "Proceeding"), each party to this Agreement irrevocably (a) consents and submits to the exclusive jurisdiction of the state and federal courts located in Tulsa County, Oklahoma; (b) waives any objection which such party may have at any time to the laying of venue of any Proceeding brought in any such court, waives any claim that such Proceeding has been brought in an inconvenient forum and further waives the right to object, with respect to such Proceeding, that such court does not have jurisdiction over such party; and (c) consents to the service of process at the address set forth for notices in Section 10.6; provided, however, that such manner of service of process shall not preclude the service of process in any other manner permitted under applicable law.

Section 10.12 **Assignment.** Except as specifically provided in any Ancillary Agreement, none of this Agreement, any of the Ancillary Agreements, or any of the rights, interests or obligations hereunder or thereunder may be assigned or delegated, in whole or in part, by operation of law or otherwise, by any party without the prior written consent of the other parties, and any such assignment without such prior written consent shall be null and void. If any party (or any of its successors or permitted assigns) (a) shall consolidate with or merge into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (b) shall transfer all or substantially all of its properties and/or assets to any Person, then, and in each such case, the party (or its successors or permitted assigns, as applicable) shall ensure that such Person assumes all of the obligations of such party (or its successors or permitted assigns, as applicable) under this Agreement and all applicable Ancillary Agreements.

Section 10.13 **Severability.** Whenever possible, each provision or portion of any provision of this Agreement and the Ancillary Agreements shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement or the Ancillary Agreements is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement or the Ancillary Agreements shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 10.14 **Waiver of Jury Trial .** EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OF THE ANCILLARY AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 10.15 **Counterparts**. This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

Section 10.16 **Facsimile Signature .** This Agreement may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

THE WILLIAMS COMPANIES, INC.

By: ______________________________

Name:

Title:

WPX ENERGY, INC.

By: ______________________________

Name:

Title:

[Signature Page to Separation and Distribution Agreement]

<u>Exhibit A</u>

Contributed Entities

(such entities are held 100% by WPX Energy, Inc.
or its subsidiaries unless otherwise noted)

WPX Energy, Inc.
Williams Production Holdings LLC
Williams Production Ryan Gulch LLC
Williams Production RMT Company LLC
Fort Union Gas Gathering, L.L.C. (11.11%)
Bison Royalty LLC
Barrett Resources International Corporation
Dakota-3 E&P Company, LLC
D-3 Van Hook Gathering Services, LLC
Williams Production Company, LLC
Williams Production Rocky Mountain Company
Williams Production Mid-Continent Company
Williams Arkoma Gathering Company, LLC
Williams Production Keystone LLC
WPX Gas Resources Company
Williams Production Appalachia LLC
Williams Marcellus Gathering LLC
Diamond Elk, LLC
RW Gathering, LLC (50%)
Mockingbird Pipeline, L.P.
Williams Production — Gulf Coast Company, L.P.
WPX Enterprises, Inc.
WPX Energy Marketing, LLC
Northwest Argentina Corporation
Williams International Oil & Gas (Venezuela) Limited
WPX Energy Services Company, LLC
WPX Energy Marketing Services Company, LLC

Schedule 2.5(b)(v)

Surviving Agreements

1. Gas Supply Fee Agreement by and between WPX Energy Marketing, LLC and Williams Energy (Canada), Inc. dated November 18, 2009
2. ISDA 2002 Master Agreement by and between WPX Energy Marketing, LLC and Williams Energy (Canada), Inc. dated January 1, 2009, along with each transaction thereunder
3. ISDA 2002 Master Agreement by and between WPX Energy Marketing, LLC and Williams Olefins, L.L.C. dated August 1, 2006, along with each transaction thereunder
4. Side Letter Regarding Assignment, Assumption and Amendment of Aircraft Lease (S/N 750-0266) and Guarantee (S/N 750-0266), by and between WMB and WPX dated as of November 30, 2011
5. Data Center Services Agreement dated December 28, 2011 between WPX Energy, Inc. and Williams Information Technology, Inc.
6. Real Estate Services Agreement dated December 28, 2011 between WPX Energy, Inc. and Williams Headquarters Building Company
7. Building Services Agreement dated December 28, 2011 between WPX Energy, Inc. and The Williams Companies, Inc.
8. Credit Reimbursement Agreement (Legacy Positions) by and between WPX Energy Marketing, LLC and Williams Merchant Services Company, LLC dated December 31, 2011
9. Deferred Assignment and Interim Management Agreement (WECI), made and entered into effective as of December 15, 2011, by and between Williams Energy (Canada), Inc. and WPX Energy Marketing, LLC

Schedule 7.3

Contracts Excluded From Indemnification

WGM Legacy Agreements with Current Deal Ending Date

Max of Maturity Date Contract Type	Ext Legal	Deal #	Expiration
Broker Agreement (Exchange Cleared)	BNPPARIBCOMMOFUTURINC- LE	21358	12/31/2011
		21359	12/31/2011
		21363	6/30/2011
		21364	12/31/2011
		21365	12/31/2011
		21366	12/31/2011
		21367	12/31/2011
		21368	12/31/2011
		21369	12/31/2011
		21383	6/30/2011
		21384	3/31/2011
		21386	6/30/2011
		21434	3/31/2011
		21436	3/31/2011
		21445	6/30/2011
		21446	9/30/2011
		21906	12/31/2011
		21909	12/31/2011
		21911	12/31/2011
		21912	12/31/2011
		21920	12/31/2011
		21923	12/31/2011
		21930	12/31/2011
		21945	12/31/2013
		21956	12/31/2013
		21958	10/31/2011
		21964	10/31/2011
		21965	10/31/2011
		21976	3/31/2011
		21977	3/31/2011
		21981	10/31/2011
		21982	10/31/2011
		21983	3/31/2011
		21984	3/31/2011
		21985	3/31/2011
		24008	12/31/2012
		24009	12/31/2012
		24010	12/31/2012
		24011	12/31/2012
		24014	12/31/2012
		24015	12/31/2012
		24016	12/31/2012

		24017	12/31/2012
		24053	12/31/2012
		24054	12/31/2012
		24055	12/31/2012
		24056	12/31/2012
		24057	12/31/2012
		25677	12/31/2012
		25683	12/31/2012
		25696	12/31/2012
		25697	12/31/2012
		25698	12/31/2012
		27181	12/31/2012
		27182	12/31/2012
		27185	12/31/2012
		27186	12/31/2012
		27330	12/31/2011
		27606	12/31/2012
		27681	12/31/2012
		28950	12/31/2012
		29177	12/31/2012
		36432	3/31/2012
		36433	3/31/2012
		37318	3/31/2013
		37319	3/31/2013
		37320	3/31/2013
		37381	10/31/2012
		37382	10/31/2012
		37469	3/31/2012
		37651	3/31/2013
		37652	10/31/2013
		38606	3/31/2012
	BNPPARIBCOMMOFUTURINC - LE Total		12/31/2013
Broker Agreement (Exchange Cleared) Total			12/31/2013
ISDA (OTC Financial)	BARCLAYSBANKPLC - LE	20961	12/31/2012
		20962	12/31/2011
		20963	12/31/2012
		21015	12/31/2011
		21016	12/31/2011
		21042	10/31/2011
	BARCLAYSBANKPLC - LE Total		12/31/2012
	CITIGROUPENERGYINC - LE	20954	12/31/2012
		21043	3/31/2011
	CITIGROUPENERGYINC - LE Total		12/31/2012
	ELPASOMARKECOMPALLC - LE	20930	12/31/2015
		20931	12/31/2015
		20932	12/31/2013
		20933	12/31/2013
		20942	12/31/2012
		20949	12/31/2012

	ELPASOMARKECOMPALLC - LE Total		12/31/2015
	JPMORGAVENTUENERGCORPO - LE	20969	6/30/2011
		20972	6/30/2011
		20998	12/31/2011
		21031	6/30/2011
	JPMORGAVENTUENERGCORPO - LE Total		12/31/2011
	LOUISDREYFENERGSERVILP - LE	21003	12/31/2011
		21004	12/31/2011
		21025	12/31/2013
	LOUISDREYFENERGSERVILP - LE Total		12/31/2013
	MERRILYNCHCOMMOINC - LE	20970	3/31/2011
	MERRILYNCHCOMMOINC - LE Total		3/31/2011
	MORGASTANLCAPITGROUPINC - LE	20943	12/31/2011
		20944	12/31/2012
		21001	12/31/2011
		21002	12/31/2011
		33489	3/31/2011
	MORGASTANLCAPITGROUPINC - LE Total		12/31/2012
ISDA (OTC Financial) Total			12/31/2015
Master Buy/Sell	EQUILONENTERPRISESLLC - LE	20559	6/30/2011
	EQUILONENTERPRISESLLC - LE Total		6/30/2011
Master Buy/Sell Total			6/30/2011
Grand Total			12/31/2015

Schedule 7.3(d)

California Gas Marketing Proceedings

Case	Jurisdiction	Williams Entities Named
San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services	FERC Docket No. EL00-95-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, Inc.
Investigation of Practices of the California Independent System Operator and the California Power Exchange	FERC Docket No. EL00-98-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, Inc.
Puget Sound Energy v. Sellers of Energy and Ancillary Services	FERC Docket No. EL01-10-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, nc.
California Independent System Operator	FERC Docket No. ER03-746-000	The Williams Companies, Inc.; Williams Power Company, Inc.
Investigation of Anomalous Bidding Behavior and Practices in Western Markets	FERC Docket No. IN03-10-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, Inc.
Fact-Finding Investigation Into Possible Manipulation of Electric and Natural Gas Prices	FERC Docket No. PA02-2-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, Inc.
State of California, *ex rel*. Bill Lockyer, Attorney General, v. British Columbia Power Exchange Corp.	FERC Docket No. EL02-71-000 et al	The Williams Companies, Inc; Williams Energy Marketing & Trading Company; Williams Power Company, Inc.

[Schedule 7.3(d) to Separation and Distribution Agreement]

Schedule 7.3(e)

Gas Price Indices Proceedings

Case	Jurisdiction	Williams Entities Named
In re: Western States Wholesale Natural Gas Antitrust Litigation, MDL 1566	District of Nevada (Judge Pro), Base Case File No. CV-S-03-1431-PMP (PAL)	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
Arandell Corporation, et al. v. Xcel Energy, Inc. et al.	Wisconsin (Consolidated in to the above MDL 1566 matter) Case No. 02:07-CV-1019-PMP -PAL	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
New Page Wisconsin System, Inc. v. CMS Resource Management Company et al.	Wisconsin (Consolidated in to the above MDL 1566 matter) Case No.: CV-S-09-0915-PMP (PAL)	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
Breckenridge Brewery of Colorado, LLC, et al. v. ONEOK, Inc., et al.	Colorado (Consolidated in to the above MDL 1566 matter) Case No. 2:06-CV-01351-PMP-PAL	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
Heartland Regional Medical Center, et al. v. ONEOK, Inc., et al.	Missouri (Consolidated in to the above MDL 1566 matter) Case No. 02:07-CV-00987-PMP-PAL	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
J.P. Morgan Trust Company v. ONEOK, In., et al.	Kansas (Consolidated in to the above MDL 1566 matter) Case No. 02:05-CV-01331-PMP-PAL	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
Learjet, Inc., et al. v. ONEOK, Inc., et al.	Kansas (Consolidated in to the above MDL 1566 matter) Case No. 02:06-CV	The Williams Companies, Inc.; Williams Merchant Services Company, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)
Scott Thompson Indemnification Claim	Not yet filed. Demand letter dated 12/28/10	The Williams Companies, Inc.; Williams Energy Marketing & Trading (now known as Williams Gas Marketing, Inc)

The Williams Companies, Inc.
Computation of Ratio of Earnings to Fixed Charges

	Years Ended December 31, 2011	2010	2009	2008	2007
	(Millions)				
Earnings:					
Income from continuing operations before income taxes	$1,202	$ 385	$ 550	$ 875	$ 986
Less: Equity earnings, excluding proportionate share from 50% owned investees and unconsolidated majority-owned investees	(40)	(35)	(31)	(41)	(35)
Income from continuing operations before income taxes and equity earnings	1,162	350	519	834	951
Add:					
Fixed charges:					
Interest accrued, including proportionate share from 50% owned investees and unconsolidated majority-owned investees (a)	655	667	691	658	688
Rental expense representative of interest factor	10	10	10	14	15
Total fixed charges	665	677	701	672	703
Distributed income of equity-method investees, excluding proportionate share from 50% owned investees and unconsolidated majority-owned investees	41	39	24	43	34
Less:					
Capitalized interest	(25)	(36)	(61)	(45)	(25)
Total earnings as adjusted	$1,843	$1,030	$1,183	$1,504	$1,663
Fixed charges	$ 665	$ 677	$ 701	$ 672	$ 703
Ratio of earnings to fixed charges	2.77	1.52	1.69	2.24	2.37

(a) Does not include interest related to income taxes, including interest related to liabilities for uncertain tax positions, which is included in *provision (benefit) for income taxes* in our Consolidated Statement of Operations.

Exhibit 21

ENTITY	JURISDICTION
Alliance Canada Marketing L.P.	Alberta
Alliance Canada Marketing LTD	Alberta
Arctic Fox Assets, Inc.	Delaware
Aspen Products Pipeline LLC	Delaware
Aux Sable Liquid Products Inc.	Delaware
Aux Sable Liquid Products LP	Delaware
Aux Sable Midstream LLC	Delaware
Bargath LLC	Delaware
Baton Rouge Fractionators LLC	Delaware
Baton Rouge Pipeline LLC	Delaware
Black Marlin Pipeline LLC	Texas
Carbon County UCG, Inc.	Delaware
Carbonate Trend Pipeline LLC	Delaware
Cardinal Operating Company, LLC	Delaware
Cardinal Pipeline Company, LLC	North Carolina
Catskills Express Pipeline Company LLC	Delaware
ChoiceSeat, L.L.C.	Delaware
Codorniz Parent, LLC	Delaware
Codorniz Pipeline Holding, LLC	Delaware
Constitution Pipeline Company LLC	Delaware
Discovery Gas Transmission LLC	Delaware
Discovery Producer Services LLC	Delaware
Distributed Power Solutions L.L.C.	Delaware
DMP New York, Inc.	New York
ESPAGAS USA, Inc.	Delaware
F T & T, Inc.	Delaware
Goebel Gathering Company, L.L.C.	Delaware
Gulf Liquids Holdings LLC	Delaware
Gulf Liquids New River Project LLC	Delaware
Gulf Star Deepwater Services, LLC	Delaware
Gulfstar One LLC	Delaware
Gulfstream Management & Operating Services, L.L.C.	Delaware
Gulfstream Natural Gas System, L.L.C.	Delaware
HI-BOL Pipeline LLC	Delaware
Inland Ports, Inc.	Tennessee
Laser Northeast Gathering Company, LLC	Delaware
Laurel Mountain Midstream Operating LLC	Delaware
Laurel Mountain Midstream, LLC	Delaware
Liberty Operating Company	Delaware
LNE Pipeline Corporation	New York
LNGC Development Company, LLC	Delaware

LNGC Holding, LLC	Delaware
Longhorn Enterprises of Texas, Inc.	Delaware
Mansfield Pipeline Holding, LLC	Delaware
MAPCO Alaska Inc.	Alaska
MAPCO LLC	Delaware
Marcellus Midstream Energy, LLC	Delaware
Marsh Resources, LLC	Delaware
Mid-Continent Fractionation and Storage, LLC	Delaware
Millennium Energy Fund, L.L.C.	Delaware
Northwest Land Company	Delaware
Northwest Pipeline GP	Delaware
Northwest Pipeline Services LLC	Delaware
Overland Pass Pipeline Company LLC	Delaware
Pacific Connector Gas Pipeline, LLC	Delaware
Pacific Connector Gas Pipeline, LP	Delaware
Parachute Pipeline LLC	Delaware
Parkco Two, L.L.C.	Oklahoma
Pecos Pipeline LLC	Delaware
Pine Needle LNG Company, LLC	North Carolina
Pine Needle Operating Company, LLC	Delaware
Rainbow Resources, Inc.	Colorado
Reserveco Inc.	Delaware
SPV, L.L.C.	Oklahoma
Tesuque Pipeline LLC	Delaware
TWC Holdings C.V.	Netherlands
The Williams Companies Foundation, Inc.	Oklahoma
The Williams Companies, International Holdings B.V.	Dutch BV
Thermogas Energy LLC	Delaware
Touchstar Energy Technologies, Inc.	Texas
TransCardinal Company, LLC	Delaware
TransCarolina LNG Company, LLC	Delaware
Transco Coal Gas Company	Delaware
Transco Energy Company, LLC	Delaware
Transco Exploration Company	Delaware
Transco Gas Company, LLC	Delaware
Transco Liberty Pipeline Company	Delaware
Transco P-S Company	Delaware
Transco Pipeline Services LLC	Delaware
Transco Resources, Inc.	Delaware
Transcontinental Gas Pipe Line Company, LLC	Delaware
Transeastern Gas Pipeline Company, Inc.	Delaware
Tulsa Williams Company	Delaware
WFS Liquids LLC	Delaware
WFS Pipeline LLC	Delaware
WFS Enterprises, LLC	Delaware
WFS Gathering Company, L.L.C.	Delaware

WGP Development, LLC	Delaware
WGP Enterprises, Inc.	Delaware
WGP Gulfstream Pipeline Company, L.L.C.	Delaware
WGP International Canada, Inc.	New Brunswick
WGPC Holdings LLC	Delaware
Wamsutter LLC	Delaware
WilPro Energy Services (El Furrial) Limited	Cayman Islands
WilPro Energy Services (Pigap II) Limited	Cayman Islands
Williams Acquisition Holding Company, Inc. (Del)	Delaware
Williams Acquisition Holding Company, Inc. (NJ)	New Jersey
Williams Acquisition Holding Company LLC	New Jersey
Williams Aircraft, Inc.	Delaware
Williams Alaska Petroleum, Inc.	Alaska
Williams Alliance Canada Marketing, Inc.	New Brunswick
Williams CV Holdings LLC	Delaware
Williams Discovery Pipeline, LLC	Delaware
Williams Distributed Power Services, Inc.	Delaware
Williams Energy Canada, Inc.	New Brunswick
Williams Energy Marketing & Trading Europe Ltd	England
Williams Energy Resources LLC	Delaware
Williams Energy Services, LLC	Delaware
Williams Energy Solutions LLC	Delaware
Williams Energy, L.L.C.	Delaware
Williams Equities, Inc.	Delaware
Williams Exploration Company	Delaware
Williams Express, Inc. (AK)	Alaska
Williams Express LLC	Delaware
Williams Fertilizer, Inc.	Delaware
Williams Field Services—Gulf Coast Company, L.P.	Delaware
Williams Field Services Company, LLC	Delaware
Williams Field Services Group, LLC	Delaware
Williams Flexible Generation, LLC	Delaware
Williams Four Corners LLC	Delaware
Williams GP LLC	Delaware
Williams Gas Marketing Services, LLC	Delaware
Williams Gas Pipeline Company, LLC	Delaware
Williams Gas Processing—Gulf Coast Company, L.P.	Delaware
Williams Global Energy (Cayman) Limited	Cayman Islands
Williams Global Holdings LLC	Delaware
Williams Gulf Coast Gathering Company, LLC	Delaware
Williams Headquarters Building Company	Delaware
Williams Holdings Limited	Barbados
Williams Indonesia, L.L.C.	Delaware
Williams Information Technology, Inc.	Delaware
Williams International (Bermuda) Limited	Bermuda
Williams International Company LLC	Delaware

Williams International El Furrial Limited	Cayman Islands
Williams International Investments (Cayman) Limited	Cayman Islands
Williams International Ltd Mexico, S. de R.L. de C.V	Mexico
Williams International Pigap Limited	Cayman Islands
Williams International Services Company	Nevada
Williams International Telecommunications Investments(Cayman) Limited	Cayman Islands
Williams International Venezuela Limited	Cayman Islands
Williams Laurel Mountain, LLC	Delaware
Williams Longhorn Holdings, LLC	Delaware
Williams Memphis Terminal, Inc.	Delaware
Williams Merchant Services Company, LLC	Delaware
Williams Merger Subsidiary, Inc.	Delaware
Williams Mid-South Pipelines, LLC	Delaware
Williams Midstream Natural Gas Liquids, Inc.	Delaware
Williams Midstream Services, LLC	Delaware
Williams Mobile Bay Producer Services, L.L.C.	Delaware
Williams Natural Gas Liquids LLC	Delaware
Williams New Soda, Inc.	Delaware
Williams Oil Gathering, L.L.C.	Delaware
Williams Olefins Feedstock Pipelines, L.L.C.	Delaware
Williams Olefins, L.L.C.	Delaware
Williams One-Call Services, Inc.	Delaware
Williams Pacific Connector Gas Operator, LLC	Delaware
Williams Pacific Connector Gas Pipeline, LLC	Delaware
Williams Partners Finance Corporation	Delaware
Williams Partners GP LLC	Delaware
Williams Partners Holdings LLC	Delaware
Williams Partners L.P.	Delaware
Williams Partners Operating LLC	Delaware
Williams PERK, LLC	Delaware
WILLIAMS PETROLEOS ESPAÑA, S.L.	Spain
Williams Petroleum Pipeline Systems, Inc.	Delaware
Williams Petroleum Services, LLC	Delaware
Williams Pipeline GP LLC	Delaware
Williams Pipeline Operating LLC	Delaware
Williams Pipeline Partners Holdings LLC	Delaware
Williams Pipeline Partners L.P.	Delaware
Williams Pipeline Services LLC	Delaware
Williams Production Services, LLC	Delaware
Williams Production—Gulf Coast Company, L.P.	Delaware
Williams Refining & Marketing, L.L.C.	Delaware
Williams Relocation Management, Inc.	Delaware
Williams Resource Center, L.L.C.	Delaware
Williams Soda Holdings, LLC	Delaware
Williams Sodium Products Company	Delaware
Williams Strategic Sourcing Company	Delaware
Williams TravelCenters, Inc.	Delaware
Williams Uinta Gathering, LLC	Delaware
Williams Underground Gas Storage Company	Delaware
Williams WPC—I, Inc.	Delaware
Williams WPC—II, Inc.	Delaware
Williams WPC International Company	Delaware
Williams Western Holding Company, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following registration statements on Form S-3 and related prospectuses of The Williams Companies, Inc. and in the following registration statements on Form S-8 of our reports dated February 27, 2012 with respect to the consolidated financial statements and schedules of The Williams Companies, Inc., and the effectiveness of internal control over financial reporting of The Williams Companies, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2011:

Form S-3:
Registration Statement Nos. 333-29185, 333-106504, and 333-159559

Form S-8:

Registration Statement No. 333-03957 -	The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors
Registration Statement No. 333-40721 -	The Williams Companies, Inc. 1996 Stock Plan for Nonofficer Employees
Registration Statement No. 333-51994 -	The Williams Companies, Inc. 1996 Stock Plan for Nonofficer Employees
Registration Statement No. 333-85542 -	The Williams Investment Plus Plan
Registration Statement No. 333-85546 -	The Williams Companies, Inc. 2002 Incentive Plan
Registration Statement No. 333-142985 -	The Williams Companies, Inc. Employee Stock Purchase Plan and The Williams Companies, Inc. 2007 Incentive Plan
Registration Statement No. 333-167123 -	The Williams Companies, Inc. 2007 Incentive Plan

/s/ Ernst & Young LLP

Tulsa, Oklahoma
February 27, 2012

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-03957, 333-40721, 333-51994, 333-85542, 333-85546, 333-142985, and 333-167123 of The Williams Companies, Inc., on Form S-8, and Registration Statement Nos. 333-29185, 333-106504 and 333-159559 of The Williams Companies, Inc. on Form S-3 of our report dated February 23, 2012, relating to the financial statements of Gulfstream Natural Gas System, L.L.C. as of and for the years ended December 31, 2011 and 2010, appearing in this Annual Report on Form 10-K of The Williams Companies, Inc. for the year ended December 31, 2011.

/s/ *DELOITTE & TOUCHE LLP*

Houston, Texas
February 23, 2012

THE WILLIAMS COMPANIES, INC.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned individuals, in their capacity as a director or officer, or both, as hereinafter set forth below their signature, of THE WILLIAMS COMPANIES, INC., a Delaware corporation (“Williams”), does hereby constitute and appoint CRAIG L. RAINEY, SARAH C. MILLER, and TED T. TIMMERMANS their true and lawful attorneys and each of them (with full power to act without the others) their true and lawful attorneys for them and in their name and in their capacity as a director or officer, or both, of Williams, as hereinafter set forth below their signature, to sign Williams’ Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2011, and any and all amendments thereto or all instruments necessary or incidental in connection therewith; and

THAT the undersigned Williams does hereby constitute and appoint CRAIG L. RAINEY, SARAH C. MILLER, and TED T. TIMMERMANS its true and lawful attorneys and each of them (with full power to act without the others) its true and lawful attorney for it and in its name and on its behalf to sign said Form 10-K and any and all amendments thereto and any and all instruments necessary or incidental in connection therewith.

Each of said attorneys shall have full power of substitution and resubstitution, and said attorneys or any of them or any substitute appointed by any of them hereunder shall have full power and authority to do and perform in the name and on behalf of each of the undersigned, in any and all capacities, every act whatsoever requisite or necessary to be done in the premises, as fully to all intents and purposes as each of the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys or any of them or of any such substitute pursuant hereto.

IN WITNESS WHEREOF, the undersigned have executed this instrument, all as of the 31st day of January, 2012.

/s/ Alan S. Armstrong	/s/ Joseph R. Cleveland
Alan S. Armstrong Director	Joseph R. Cleveland Director
/s/ Kathleen B. Cooper	/s/ Irl F. Engelhardt
Kathleen B. Cooper Director	Irl F. Engelhardt Director
/s/ William E. Green	/s/ John A. Hagg
William E. Green Director	John A. Hagg Director
/s/ Juanita H. Hinshaw	/s/ Frank T. MacInnis
Juanita H. Hinshaw Director	Frank T. MacInnis Chairman of the Board
/s/ Steven W. Nance	/s/ Murray D. Smith
Steven W. Nance Director	Murray D. Smith Director
/s/ Janice D. Stoney	/s/ Laura A. Sugg
Janice D. Stoney Director	Laura A. Sugg Director

Exhibit 31.1

CERTIFICATIONS

I, Alan S. Armstrong, certify that:

1. I have reviewed this annual report on Form 10-K of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2012

/s/ Alan S. Armstrong

Alan S. Armstrong
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Donald R. Chappel, certify that:

1. I have reviewed this annual report on Form 10-K of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2012

/s/ Donald R. Chappel

Donald R. Chappel
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Williams Companies, Inc. (the "Company") on Form 10-K for the period ending December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alan S. Armstrong
Alan S. Armstrong
President and Chief Executive Officer
February 27, 2012

/s/ Donald R. Chappel
Donald R. Chappel
Chief Financial Officer
February 27, 2012

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.