

POGO PRODUCING CO  
Form DEF 14A  
March 28, 2005

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**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Pogo Producing Company**

\_\_\_\_\_  
(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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*PAUL G. VAN WAGENEN*  
*CHAIRMAN, PRESIDENT &*  
*CHIEF EXECUTIVE OFFICER*  
March 28, 2005

*POGO PRODUCING COMPANY*

Dear Shareholders of Pogo Producing Company:

You are cordially invited to attend the 2005 Annual Meeting of Shareholders of Pogo Producing Company, which will be held at the Petroleum Club, 501 West Wall Street, Midland, Texas, on Tuesday, April 26, 2005, at 10:30 a.m. (CST). The Petroleum Club is accessible to the disabled.

At the meeting, you will be asked to consider and vote upon: (1) election of three directors, each for a term of three years; (2) ratification of the appointment of independent public accountants to audit our financial statements; and (3) such other business as may properly come before the meeting or any postponement or adjournment thereof.

We hope that you will find it convenient to attend the meeting in person. However, whether or not you expect to attend, in order to assure your representation at the meeting and the presence of a quorum, please date, sign and promptly mail the enclosed proxy. A return envelope is provided, and no postage need be affixed if mailed in the United States.

Sincerely,

Paul G. Van Wagenen  
*Chairman of the Board*

5 GREENWAY PLAZA, SUITE 2700 HOUSTON, TEXAS 77046-0504 P.O. BOX 2504 HOUSTON, TEXAS 77252-2504 713/297-5000 FAX 713/297-5100

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***POGO PRODUCING COMPANY***

*P.O. BOX 2504  
HOUSTON, TEXAS 77252-2504*

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on April 26, 2005**

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TO THE SHAREHOLDERS OF  
POGO PRODUCING COMPANY:

Notice is hereby given that the Annual Meeting of Shareholders of Pogo Producing Company (the "Company") will be held at the Petroleum Club, 501 West Wall Street, Midland, Texas, on Tuesday, April 26, 2005, at 10:30 a.m. (CST), for the following purposes:

1. To elect three members of the Board of Directors to serve until the 2008 Annual Meeting;
2. To vote on ratification of the appointment of PricewaterhouseCoopers LLP, independent accountants, to audit the financial statements of the Company for the year 2005; and
3. To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 11, 2005, are entitled to notice of and to vote at the meeting or any postponement or adjournment thereof.

You are cordially invited to attend the meeting in person. Even if you plan to attend the meeting, however, you are requested to sign, date and return the accompanying proxy as soon as possible.

By Order of the Board of  
Directors,

Michael J. Killelea  
*Corporate Secretary*

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***POGO PRODUCING COMPANY***

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***PROXY STATEMENT***

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This Proxy Statement is furnished in connection with the solicitation of proxies by the board of directors (the "Board of Directors") of Pogo Producing Company (the "Company") to be voted at the Annual Meeting of Shareholders to be held at the time and place and for the purposes set forth in the accompanying notice.

This Proxy Statement and the accompanying proxy card are being mailed to shareholders beginning on or about March 28, 2005. The Company will bear the costs of soliciting proxies in the accompanying form. In addition to the solicitation of proxies by mail, proxies may also be solicited by telephone, telegram or personal interview by officers and regular employees of the Company. The Company also expects to retain D. F. King & Co., Inc., a professional proxy soliciting firm, to assist in the solicitation of proxies. The Company anticipates that the fees and expenses it will incur for these services will be less than \$40,000. The Company will reimburse brokers or other persons holding stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy material to beneficial owners of stock.

**VOTING OF SHARES**

As of the close of business on March 11, 2005, the record date for determining shareholders entitled to vote at the meeting, the Company had outstanding and entitled to vote 63,701,714 shares of common stock, par value \$1 per share ("Common Stock"). The Company has no other class of stock outstanding. Each share of Common Stock is entitled to one vote with respect to the matters to be acted upon at the meeting. Shareholders are not allowed to cumulate votes in the election of directors. The presence, in person or by proxy, of the holders of a majority of the votes represented by outstanding shares of Common Stock is necessary to constitute a quorum at the annual meeting.

You may vote for all, some or none of the nominees for director. The votes of a plurality of the shares of Common Stock present, in person or by proxy, and entitled to vote at the Annual Meeting of Shareholders is sufficient to elect directors. The vote required for the ratification of the appointment of PricewaterhouseCoopers LLP to audit the financial statements of the Company for 2005 is a majority of the votes cast on the matter. Abstentions and broker non-votes are not counted as voted either for or against and therefore have no effect on the outcome of the proposal for ratification provided the total votes cast exceed 50% of the shares entitled to vote.

All duly executed proxies received before the meeting will be voted in accordance with the choices specified thereon. As to a matter for which no choice has been specified in a proxy, the shares represented thereby will be voted by the persons named in the proxy (1) FOR the election as directors of the three nominees listed herein, (2) FOR ratification of the appointment of PricewaterhouseCoopers LLP, independent accountants, to audit the financial statements of the Company for 2005 and (3) in the discretion of the persons named in the proxy in connection with any other business that may properly come before the meeting.

**REVOCABILITY OF PROXIES**

Shareholders have the right to revoke their proxies at any time prior to the voting of their proxies at the meeting by (i) filing a written revocation with the Corporate Secretary of the Company at the address set forth on the attached Notice of Annual Meeting of Shareholders, (ii) giving a duly executed proxy

bearing a later date, or (iii) attending the annual meeting and voting in person. Attendance by shareholders at the annual meeting will not, of itself, revoke their proxies.

### ELECTION OF THREE DIRECTORS

Unless contrary instructions are set forth on the proxies, it is intended that the persons named in the proxy will vote all shares represented by proxies FOR the election as directors of Messrs. Campbell, Fry and Wells.

If the three nominees are elected at this meeting, each will serve for a term of three years ending in 2008, unless prior to that date they resign, are re-elected or removed from office. The Restated Certificate of Incorporation of the Company, as amended, provides for the classification of the Board of Directors into three classes having staggered terms of three years each. The five continuing directors named below in the section "Current Directors With Terms Expiring in 2006 and 2007" will not stand for election at this meeting, as their present terms expire in either 2006 or 2007. Should either Messrs. Campbell, Fry or Wells become unable or unwilling to accept nomination or election, the persons acting under the proxy will vote for the election of such other person as the Board of Directors may recommend. Management has no reason to believe that any of the nominees will be unable or unwilling to serve if elected to office. Proxies cannot be voted for more than three of the nominees listed below.

### NOMINEES

The following table sets forth information concerning the three nominees for election as directors at the 2005 Annual Meeting of Shareholders, all of whom are current directors of the Company, including the business experience of each during the past five years.

#### Name and Business Experience

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Robert H. Campbell has been a Managing Director of Lehman Brothers and Lehman's Director of Public Finance, North Pacific Division, for more than five years. Mr. Campbell, 57, has served as a Director of the Company since 1999 and currently serves as Chairman of the Nominating and Corporate Governance Committee and as a member of the Executive, Compensation and Management Committees.

Thomas A. Fry, III is and has been the President of National Ocean Industries Association ("NOIA") since December 2000. Before joining NOIA, Mr. Fry served as the Director of the Department of Interior's Bureau of Land Management and has also served as Director of the Minerals Management Service. Mr. Fry, 60, was appointed as a Director of the Company in November 2004 and serves as a member of the Compensation, Management and Nominating and Corporate Governance Committees.

Stephen A. Wells has been President of Wells Resources Inc. for more than five years. Mr. Wells, 61, has served as a Director of the Company since 1999 and currently serves as Chairman of the Audit Committee and as a member of the Executive and Management Committees. Mr. Wells also serves as a director of Oil States International, Inc., Crosstex Energy, Inc. and Crosstex Energy, L.P.

**Name and Business Experience**

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**CURRENT DIRECTORS WITH TERMS EXPIRING IN 2006 AND 2007**

The following table sets forth information concerning the five directors of the Company not standing for re-election at the 2005 Annual Meeting of Shareholders, including the business experience of each during the last five years.

**Name and Business Experience**

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Jerry M. Armstrong is currently engaged in the ranching business and managing his personal investments. Prior to his retirement five years ago, Mr. Armstrong was a senior partner with a public accounting firm for more than five years. Mr. Armstrong, 69, has served as a Director of the Company since 1998 and currently serves as Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance, Executive and Management Committees. His present term expires in 2007.

William L. Fisher is and has been a Professor of Geological Sciences and occupant of the Barrow Chair of Mineral Resources at the University of Texas at Austin for more than five years. Dr. Fisher, 72, has served as a Director of the Company since 1992 and currently serves as the Chairman of the Management Committee and as a member of the Audit Committee. His present term expires in 2006.

Gerrit W. Gong is and has been an Assistant to the President of Brigham Young University for Planning and Assessment and a Senior Associate at the Center for Strategic and International Studies in Washington, D.C. since 2001. Prior to that, Dr. Gong served as the Director of Asian Studies for the Center for Strategic and International Studies in Washington, D.C. for more than five years. Dr. Gong, 51, has served as a Director of the Company since 1993 and currently serves as a member of the Audit and Management Committees. His present term expires in 2006.

Carroll W. Suggs is currently active in a number of business, educational and charitable endeavors. She retired as Chairman and Chief Executive Officer of Petroleum Helicopters, Inc. in September 2001. Among other activities, she is on the boards of the Tulane University A. B. Freeman School of Business, the United Way of Greater New Orleans, and the Flight Safety Foundation. Mrs. Suggs, 66, has served as a Director of the Company since 2002 and currently serves on the Nominating and Corporate Governance, Compensation and Management Committees. She also serves as a director of GlobalSantaFe Corporation and Whitney Holding Corporation. Her present term expires in 2006.



**Name and Business Experience**

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Paul G. Van Wagenen has been Chairman of the Board, President and Chief Executive Officer of the Company for more than the last five years. Mr. Van Wagenen, 59, has served as a Director of the Company since 1988 and currently serves as the Chairman of the Executive Committee. His present term expires in 2007.

**ORGANIZATION AND ACTIVITY OF THE BOARD OF DIRECTORS**

The Board of Directors currently includes five standing committees: the Executive Committee, the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Management Committee. From time to time, additional committees are appointed by the Board of Directors as needed. As of the date of this Proxy Statement, the five standing committees were comprised of the following members: the Executive Committee was comprised of Messrs. Van Wagenen (Chairman), Armstrong, Campbell and Wells; the Audit Committee was comprised of Messrs. Wells (Chairman), Fisher and Gong; the Compensation Committee was comprised of Messrs. Armstrong (Chairman), Campbell and Fry and Mrs. Suggs; the Nominating and Corporate Governance Committee was comprised of Messrs. Campbell (Chairman), Armstrong and Fry and Mrs. Suggs; and the Management Committee is comprised of Messrs. Fisher (Chairman), Armstrong, Campbell, Fry, Gong and Wells and Mrs. Suggs.

The Board of Directors has determined that all members of the Board of Directors, other than Mr. Van Wagenen, are independent within the meaning of the listing standards for general independence of the New York Stock Exchange. Under the listing standards, a majority of the Company's directors are required to be independent under these standards and the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are each required to be comprised solely of members who are independent. The standards for audit committee membership include additional requirements under rules of the Securities and Exchange Commission (the "SEC"), and the Board of Directors has also determined that the audit committee members meet those additional standards. The listing standards relating to general independence consist of both a requirement for a board determination that the director has no material relationship with the listed company and a listing of several specific relationships that preclude independence. To assist it in making determinations of independence, the Board of Directors has adopted categorical standards as permitted under the listing standards. Although the Board of Directors considers all relevant facts and circumstances in assessing whether a director is independent, relationships falling within the categorical standards are not required to be disclosed or separately discussed in the Proxy Statement in connection with the Board of Director's independence determinations. A relationship falls within the categorical standards adopted by the Board of Directors if it:

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is a type of relationship addressed in

the rules of the SEC requiring proxy statement disclosure of relationships and transactions, or

the provisions of the New York Stock Exchange Listed Company Manual listing relationships that preclude a determination of independence,

but under those rules neither requires disclosure nor precludes a determination of independence, or

*/\*/*

consists of charitable contributions by the Company to an organization where a director is an executive officer and does not exceed the greater of \$1 million or 2% of the organization's gross revenue in any of the last three years, or

*/\*/*

consists of beneficial ownership of securities of the Company (determined as provided in Rule 13d-3 under the Securities Exchange Act of 1934) of less than 10% of the Company's outstanding Common Stock.

**The Audit Committee**

Among other responsibilities, the functions of the Audit Committee include: retention and oversight of the firm of independent public accountants to be engaged to audit the financial statements of the Company; pre-approval of audit and non-audit services, including engagement fees and terms; meeting with the auditors and financial management of the Company to review the scope of the proposed audit; following the audit, reviewing results of the audit with the independent auditor; reviewing with the auditors and Company officers the Company's significant accounting policies and its internal control policies and procedures; providing opportunities for the auditors to meet with the Audit Committee and Company officers; resolution of any disagreements between management and the independent accountants;

reviewing the Company's annual and quarterly financial statements prior to their being filed with the SEC; reporting on matters discussed at Audit Committee meetings to the Board of Directors; investigating any matters brought to its attention within the scope of its duties, including any allegations brought before the Committee regarding violations of the Company's Code of Business Conduct and Ethics; meeting with Company's internal accounting staff; and other general responsibilities in connection with related matters. A copy of the amended and restated Audit Committee Charter is available for review on the Company's website at [www.pogoproducing.com](http://www.pogoproducing.com) under "Corporate Profile." The 2005 report of the Audit Committee is included in this Proxy Statement.

The Board of Directors has determined that all members of the Audit Committee are independent within the meaning of Rule 10A-3 under the Securities Exchange Act of 1934 and the current independence requirements of the New York Stock Exchange for audit committee members. It has also determined that Mr. Wells is an audit committee financial expert within the meaning of the regulations adopted by the SEC.

#### **The Compensation Committee**

The principal responsibilities of the Compensation Committee include: evaluating the Company's director, officer and key employee compensation plans, policies and programs and making recommendations to the Board of Directors with respect to equity-based and other incentive compensation plans; administering employment contracts with certain officers of the Company; and administering long-term compensation under the Company's incentive plans, including the granting of restricted stock, stock options and bonuses to key employees. It also has the sole authority, to the extent it deems necessary, to retain and terminate compensation consultants, and legal, accounting or other advisors to assist the committee in fulfilling its responsibilities. A copy of the Compensation Committee Charter is available for review on the Company's website at [www.pogoproducing.com](http://www.pogoproducing.com) under "Corporate Profile." The 2005 report of the Compensation Committee is included in this Proxy Statement.

#### **The Nominating and Corporate Governance Committee**

The primary responsibilities of the Nominating and Corporate Governance Committee include: identifying, reviewing, approving and recommending, for the approval of the Board of Directors, potential nominees for election to the Board of Directors; recommending membership on standing committees to the Board of Directors; leading the Board of Directors in its annual review of the Board of Directors' performance and establishing, periodically reviewing and recommending to the Board of Directors any updates to the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics. Copies of both of these documents, together with the Nominating and Corporate Governance Committee Charter, can be found on the Company's website at [www.pogoproducing.com](http://www.pogoproducing.com) under "Corporate Profile." The Code of Business Conduct and Ethics includes the code of ethics applicable to the Company's Chief Executive Officer, Chief Financial Officer and principal accounting officer or controller required by SEC regulations. Information regarding amendments to or waivers of these code provisions applicable to these individuals will be posted at the same website location. The members of the Nominating and Corporate Governance Committee meet the applicable requirements for independence under the listing standards of the New York Stock Exchange.

In assessing the qualifications of candidates for director, the Nominating and Corporate Governance Committee considers, in addition to qualifications set forth in the Company's bylaws, each potential nominee's personal and professional integrity, experience, reputation, skills, ability and willingness to devote the time and effort necessary to be an effective member of the Board of Directors, and commitment to acting in the best interests of the Company and its shareholders. The Nominating and Corporate Governance Committee also considers requirements under the listing standards of the New York Stock Exchange for a majority of independent directors, as well as qualifications applicable to membership on the committees of the Board of Directors under the listing standards and various regulations. Consideration is also given to the Board of Directors' having an appropriate mix of

backgrounds and skills. The Nominating and Corporate Governance Committee makes recommendations to the Board of Directors, which in turn makes the nominations for consideration by the shareholders. The Company's newest director, Mr. Fry, was initially identified as a candidate by the Nominating and Corporate Governance Committee.

Suggestions for potential nominees for director can come to the Nominating and Corporate Governance Committee from a number of sources, including incumbent directors, officers, executive search firms and others. If an executive search firm is engaged for this purpose, the Nominating and Corporate Governance Committee has sole authority with respect to the engagement. The Nominating and Corporate Governance Committee will consider director candidates recommended by shareholders. The extent to which the Nominating and Corporate Governance Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to it about the qualifications and suitability of the individual, viewed in light of the needs of the Board of Directors, and is at the Nominating and Corporate Governance Committee's discretion. The Nominating and Corporate Governance Committee evaluates the desirability for incumbent directors to continue on the Board of Directors following the expiration of their respective terms, and conducts a more detailed review of each director's suitability to continue on the Board of Directors following alternate expirations of the director's term (*i.e.*, generally every six years).

Shareholders may submit the names and other information regarding individuals they wish to be considered for nomination as directors by writing to the Chairman of the Nominating and Corporate Governance Committee at the address of the Company's principal executive offices indicated on the first page of this Proxy Statement. In order to be considered, submissions of potential nominees should be made no later than September 30 in the year prior to the annual meeting at which they would be nominated.

#### **The Management Committee**

The Management Committee is comprised of all of the members of the Board of Directors who are not officers of the Company, all of whom currently are also independent under the listing standards of the New York Stock Exchange, as described above. The primary purpose of this committee is to promote open discussion in regular executive sessions among the directors who are not officers. The director who presides at meetings of the Management Committee is chosen by the Management Committee and is currently Dr. Fisher. Interested parties who wish to make concerns known to the Management Committee may communicate directly with the members of the Management Committee as a group by making a submission in writing to the Management Committee of the Board of Directors in care of the Company's Corporate Secretary at the address indicated on the attached Notice of Annual Meeting.

#### **Attendance at Meetings**

The Board of Directors held eight meetings during 2004. The Audit Committee held five meetings during the year. The Compensation and the Nominating and Corporate Governance Committees each held four meetings during 2004. The Management Committee met once during 2004. Each of the Company's directors attended every meeting of the Board of Directors and each committee on which he or she served during 2004.

Directors typically attend annual meetings of shareholders. All directors attended the 2004 Annual Meeting of Shareholders.

#### **Process for Shareholder Communications with the Board of Directors**

In addition to the procedure for communications with the Management Committee described above, the Board of Directors will receive communications in writing from shareholders. Any such communications should be addressed to the Board of Directors in care of the Company's Corporate Secretary at the address indicated on the attached Notice of Annual Meeting.

**REPORT OF THE AUDIT COMMITTEE**

February 18, 2005

The Audit Committee of Pogo Producing Company's Board of Directors (hereinafter referred to as the "Audit Committee") is composed of three directors who are independent under New York Stock Exchange listing standards and operates under a written charter approved by the Audit Committee and the Board of Directors. The Audit Committee is directly responsible for the appointment, compensation and oversight of the public accounting firm engaged to audit the Company's financial statements. Customarily, as is the case this year, the Audit Committee submits this appointment to the shareholders for ratification.

Management is responsible for the Company's internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and a related audit of internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. However, the Audit Committee's role does not provide any special assurances with regard to the Company's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors.

In this context, the Audit Committee has met and held discussions with management and the independent accountants. The Audit Committee has reviewed and discussed the audited consolidated financial statements with management and the independent accountants. This review included a discussion of the quality and acceptability of the Company's financial reporting and controls. The Audit Committee also discussed with the independent accountants matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61 (Communication with Audit Committees), as updated by SAS No. 89 (Audit Adjustments) and SAS No. 90 (Audit Committee Communications).

The Company's independent accountants also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent accountants that firm's independence.

Based on the Audit Committee's review and discussions with management and the independent accountants referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

**THE AUDIT COMMITTEE:**

**Stephen A. Wells, *Chairman***  
**William L. Fisher**  
**Gerrit W. Gong**

**AUDIT FEES**

On April 27, 2004, the Board of Directors retained PricewaterhouseCoopers LLP as its principal auditor to audit the Company's financial statements for 2004 and to provide certain other services. Set forth below are the amounts billed by PricewaterhouseCoopers LLP for services provided to the Company for 2003 and 2004 by PricewaterhouseCoopers LLP:

|                       | <b>2003</b>         | <b>2004</b>         |
|-----------------------|---------------------|---------------------|
| Audit Fees(1)         | \$ 793,034          | \$ 2,407,498        |
| Audit-Related Fees(2) | 122,857             | 82,000              |
| Tax Fees(3)           | 643,000             | 720,000             |
| All Other Fees(4)     |                     |                     |
| <b>Total Fees</b>     | <b>\$ 1,558,891</b> | <b>\$ 3,209,498</b> |

- (1) Audit fees include fees for audit or review services in accordance with the standards of the Public Company Accounting Oversight Board (United States) plus fees for statutory audits, attest services, consents and assistance with a review of documents filed with the SEC.
- (2) Audit-related fees include fees for services for employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards. In 2003, such fees also included advisory services associated with the Company's preparation for Sarbanes-Oxley Section 404.
- (3) Tax fees include fees for all services for tax compliance services, tax planning and tax advice. Of the aggregate amount, fees for compliance and return preparation assistance were \$493,200 in 2003 and \$413,200 in 2004.
- (4) None for 2003 or 2004.

In issuing its report set forth above, the Audit Committee considered whether the provision of non-audit services by PricewaterhouseCoopers LLP is compatible with maintaining auditor independence.

**AUDIT COMMITTEE POLICIES AND PROCEDURES FOR  
PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES**

The Audit Committee is responsible for pre-approving audit and non-audit services performed by the independent auditor in order to assure that the provision of those services does not impair the auditor's independence. Unless a service to be provided by the independent auditor has been pre-approved by the Audit Committee under an annual pre-approval policy framework adopted by the Audit Committee, it will require specific pre-approval of the engagement terms by the Audit Committee. The Audit Committee's pre-approval policy contemplates that each year, the Audit Committee will designate detailed categories of recurring or foreseeable specified audit services, audit-related services, tax services and other services may be performed without further specific engagement pre-approval. The pre-approval policy framework must be sufficiently detailed as to the particular services to be provided so that it does not result in a delegation of the Audit Committee's pre-approval responsibility to management, and must be sufficiently objective so that no judgments by management are required to determine whether a specific service falls within the scope of what has been pre-approved. The Audit Committee may delegate pre-approval authority to one or more of its members, including to a subcommittee of the Audit Committee. As contemplated by these procedures, the Audit Committee has approved a pre-approval policy framework listing specified audit and non-audit services and determining that the types of non-audit services proposed to be performed by the independent auditor will not affect its independence.

The Audit Committee will receive regular reports informing it of the status of each service being performed pursuant to its pre-approval policy framework. The Audit Committee may adjust, supplement or revise its policy framework for pre-approval of services more frequently than annually, as it deems necessary or appropriate. Pre-approval requirements extend not only to audit and non-audit services performed for the Company, but also to those performed for the Company's subsidiaries.

Requests to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent auditor and the Chief Accounting Officer, Chief Financial Officer or Controller, and must include a joint statement that, in their view, the nature or type of service is not a prohibited non-audit service under the SEC's rules on auditor independence. With respect to each proposed pre-approved service, the independent auditor provides to the Audit Committee detailed back-up documentation regarding specific services being provided.

During 2004, no pre-approval requirements were waived for services included in the *Audit-Related Fees*, *Tax Fees* and *All Other Fees* captions of the fee table above pursuant to the limited waiver provisions in applicable rules of the SEC.

### COMMON STOCK OWNED BY DIRECTORS AND OFFICERS

The following table sets forth information regarding the Common Stock beneficially owned by each of the Company's directors, the executive officers named in the Summary Compensation Table that appears under "Executive Compensation" and all of the directors and executive officers of the Company as a group, based on information as of March 11, 2005. None of these individuals beneficially own any other equity securities of the Company or any of its subsidiaries.

| Name   | Number of Shares<br>Beneficially<br>Owned(1) | Percent of<br>Class(2) |
|--|--|------------------------|
| Jerry M. Armstrong   | 30,000(3)                                    | *                      |
| Robert H. Campbell   | 27,000(3)                                    | *                      |
| William L. Fisher  | 22,000(4)                                    | *                      |
| Thomas A. Fry, III   |  |                        |
| Gerrit W. Gong   | 27,000(3)                                    | *                      |
| Carroll W. Suggs   | 12,500(5)                                    | *                      |
| Paul G. Van Wagenen  | 625,712(6)                                   | *                      |
| Stephen A. Wells   | 48,000(7)                                    | *                      |
| Stephen R. Brunner   | 82,444(8)                                    | *                      |
| Jerry A. Cooper  | 86,315(9)                                    | *                      |
| John O. McCoy, Jr.   | 96,194(10)                                   | *                      |
| James P. Ulm, II   | 59,071(11)                                   | *                      |
| All directors and executive officers as a group (16 persons) | 1,313,180(12)                                | 2.1%                   |

(1) Under regulations of the SEC, shares are deemed to be "beneficially owned" by a person if he or she directly or indirectly has or shares the power to vote or to dispose of such shares, whether or not he or she has any economic interest in such shares. In addition, a person is deemed to own beneficially any shares as to which he or she has the right to acquire beneficial ownership within 60 days, such as by exercise of an option or by conversion of another security. Each person has sole power to vote and dispose of the shares listed opposite his or her name except as indicated in other footnotes. Percentages are rounded to the nearest one-hundredth of one percent.

(2) An asterisk indicates less than 1%.

(3) The shares listed include 25,000 shares subject to options exercisable within 60 days.

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- (4) The shares listed include 15,000 shares subject to options exercisable within 60 days.
- (5) The shares listed include 10,000 shares subject to options exercisable within 60 days.
- (6) The shares listed include 475,000 shares subject to options exercisable within 60 days, 36,403 shares held for Mr. Van Wagenen under the Company's Tax-Advantaged Savings Plan and 48,750 shares of Common Stock subject to transfer and other restrictions under the Company's incentive plans.
- (7) The shares listed include 20,000 shares subject to options exercisable within 60 days.
- (8) The shares listed include 46,000 shares subject to options exercisable within 60 days, 7,610 shares held for Mr. Brunner under the Company's Tax-Advantaged Savings Plan and 19,500 shares of Common Stock subject to transfer and other restrictions under the Company's incentive plans.
- (9) The shares listed include 46,000 shares subject to options exercisable within 60 days, 13,441 shares held for Mr. Cooper under the Company's Tax-Advantaged Savings Plan and 17,500 shares of Common Stock subject to transfer and other restrictions under the Company's incentive plans.
- (10) The shares listed include 58,333 shares subject to options exercisable within 60 days, 13,537 shares held for Mr. McCoy under the Company's Tax-Advantaged Savings Plan and 17,500 shares of Common Stock subject to transfer and other restrictions under the Company's incentive plans.
- (11) The shares listed include 34,000 shares subject to options exercisable within 60 days, 2,088 shares held for Mr. Ulm under the Company's Tax-Advantaged Savings Plan and 15,250 shares of Common Stock subject to transfer and other restrictions under the Company's incentive plans.
- (12) The shares listed include 888,333 shares subject to options exercisable within 60 days, 79,038 shares held for such individuals under the Company's Tax-Advantaged Savings Plan and 174,500 shares subject to transfer and other restrictions under the Company's incentive plans.



**PRINCIPAL SHAREHOLDERS**

The following table sets forth, with respect to each person (or "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) who is known by the Company to be the beneficial owner of more than 5% of the Common Stock of the Company, the number of shares beneficially owned as of March 11, 2005 or, as applicable, the date of filing of the document indicated in footnote (1) to the following table, together with the percentage of the Company's shares outstanding as of March 11, 2005, which such amount represents.

|   | <b>Beneficial Ownership(1)</b> |                   |
|---|--------------------------------|-------------------|
|   | <b>Shares</b>                  | <b>Percentage</b> |
| Barclays Bank PLC<br>54 Lombard Street<br>EC3P 3AH<br>London, England   | 8,381,019(2)                   | 13.2%             |
| PRIMECAP Management Company<br>225 South Lake Avenue, No. 400<br>Pasadena, California 91101-3005                                | 6,266,096(3)                   | 9.8%              |
| Capital Research and Management Company<br>333 South Hope St.<br>Los Angeles, California 90071                                  | 5,658,900(4)                   | 8.9%              |
| State Farm Mutual Automobile Insurance Company<br>and certain affiliates<br>One State Farm Plaza<br>Bloomington, Illinois 61710 | 5,520,077(5)                   | 8.7%              |

- (1) For the definition of beneficial ownership, see footnote (1) to table under the preceding caption, "Common Stock Owned by Directors and Officers." Information in the table and footnotes is based on the most recent Statements on Schedule 13F, 13G or 13D or amendment filed by respective reporting persons with the SEC, except as otherwise known to the Company.
- (2) Of the reported holdings, Barclays Global Investors, NA., Barclays Global Fund Advisors, Barclays Global Investors, LTD and Barclays Life Assurance Company Limited reported sole voting power with respect to 6,097,734, 524,624, 938,639 and 5,800 shares, respectively, and sole dispositive power and beneficial ownership with respect to 6,877,026, 556,001, 942,192 and 5,800 shares, respectively.
- (3) PRIMECAP Management Company reported on Schedule 13F sole dispositive power with respect to all 6,266,096 shares. In addition, in a separate filing on Schedule 13G, Vanguard PRIMECAP Fund, a fund that the Company believes is managed by PRIMECAP Management Company, reported sole voting power and shared dispositive power with respect to 3,260,000 of such shares.
- (4) Capital Research and Management Company reported no voting power with respect to any shares and sole dispositive power with respect to all 5,658,900 shares.
- (5) Of the reported holdings, 3,180,145 shares are reported as beneficially owned by State Farm Mutual Automobile Insurance Company, 957,766 shares by State Farm Life Insurance Company, 1,235,766 shares by State Farm Insurance Companies Employee Retirement Trust and 146,400 shares by State Farm Fire and Casualty Company. The Schedule 13G filed jointly by these entities indicates that they may be deemed to constitute a group but states that each entity disclaims beneficial ownership as to all shares not specifically attributed to such entity in this footnote and disclaims that it is part of a group. Each entity reported sole voting and dispositive power with respect to the shares it beneficially owns.



## EXECUTIVE COMPENSATION

I. *Summary Compensation Table.* The following table (the "Summary Compensation Table") sets forth certain information regarding annual and long-term compensation of each of the named executive officers of the Company during 2002, 2003 and 2004.

Summary Compensation Table

| Name and Principal Position  | Year | Annual Compensation |           |                                   | Long-Term Compensation Awards |                                  |                            |
|--|------|---------------------|-----------|-----------------------------------|-------------------------------|----------------------------------|----------------------------|
|  |      | Salary(\$)          | Bonus(\$) | Other Annual Compensation (\$)(1) | Restricted Stock Awards(\$)   | Securities Underlying Options(#) | All Other Compensation(\$) |
| Paul G. Van Wagenen<br>Chairman of the Board,<br>President and Chief<br>Executive Officer    | 2004 | 1,346,875           | 200,000   |                                   | 1,297,050(2)                  |                                  | 413,000(3)                 |
|  | 2003 | 1,237,500           | 166,667   |                                   | 1,049,625                     | 225,000                          | 345,333                    |
|  | 2002 | 1,084,375           | 350,000   |                                   | 150,000                       |                                  | 161,000                    |
| Steven R. Brunner<br>Executive Vice<br>President Operations                                  | 2004 | 475,000             | 66,667    |                                   | 518,820(2)                    |                                  | 146,333(3)                 |
|  | 2003 | 353,750             | 66,667    |                                   | 419,850                       |                                  | 145,333                    |
|  | 2002 | 299,750             | 125,000   |                                   | 50,000                        | 30,000                           | 61,000                     |
| Jerry A. Cooper<br>Executive Vice President<br>and Regional Manager<br>Western United States | 2004 | 468,750             | 66,667    |                                   | 518,820(2)                    |                                  | 146,333(3)                 |
|  | 2003 | 335,000             | 66,667    |                                   | 419,850                       |                                  | 145,333                    |
|  | 2002 | 304,750             | 125,000   |                                   | 50,000                        | 30,000                           | 61,000                     |
| John O. McCoy, Jr.<br>Executive Vice President<br>and Chief Administrative<br>Officer        | 2004 | 361,250             | 66,667    |                                   | 432,350(2)                    |                                  | 146,333(3)                 |
|  | 2003 | 335,000             | 66,667    |                                   | 419,850                       |                                  | 145,333                    |
|  | 2002 | 304,750             | 125,000   |                                   | 50,000                        | 30,000                           | 61,000                     |
| James P. Ulm, II<br>Senior Vice President<br>and Chief Financial Officer                     | 2004 | 285,000             | 66,667    |                                   | 432,350(2)                    |                                  | 146,333(3)                 |
|  | 2003 | 252,750             | 53,333    |                                   | 293,895                       |                                  | 133,667                    |
|  | 2002 | 229,375             | 92,500    |                                   | 40,000                        | 21,000                           | 51,000                     |

(1) No executive received perquisites or other personal benefits in any year shown which exceeded the lesser of \$50,000 or 10% of the sum of his salary and bonus.

(2) This amount represents the fair market value at their grant date (August 2, 2004) of unvested restricted stock awards made to the named individuals pursuant to the Incentive Plans. The participants receive dividends on the restricted stock and each award will vest in four equal increments beginning annually in August 2005, contingent upon, among other things, the officer's continued employment at that time. As of December 31, 2004, the aggregate unvested restricted share holdings and their value (based upon a per share price of \$48.49, the closing price of the Common Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for December 31, 2004) of each of the named individuals were: Mr. Van Wagenen, 48,750 shares worth \$2,363,887, for Messrs. Brunner and Cooper, 19,500 shares worth \$945,555, for Mr. McCoy, 17,500 shares worth \$848,575, and for Mr. Ulm, 15,250 shares worth \$739,473.

(3) The amounts reported for 2004 represent (a) Company matching contributions to the Tax-Advantaged Savings Plan of \$13,000 for each of the named individuals and (b) the right to receive a deferred cash bonus pursuant to the Incentive Plans. The deferred cash bonus vests in two equal increments, on August 1, 2005 and August 1, 2006, contingent upon, among other things, the officer's continued employment on those dates. The deferred amount of the cash bonus is payable in the following amounts: Mr. Van Wagenen, \$400,000, Messrs. Brunner, Cooper, McCoy and Ulm, \$133,333.



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II. *Stock Option and Incentive Plans.* No stock options or stock appreciation rights were granted to Messrs. Van Wagenen, Brunner, Cooper, McCoy and Ulm during 2004.

*2004 Option Exercises and December 31, 2004 Values Table.* Shown below is information with respect to unexercised options to purchase Common Stock granted under the Company's stock option plans to the named executive officers and held by them at December 31, 2004. No options were exercised by the named executive officers during 2004.

**Aggregated Option Exercises in 2004 and Option Values at December 31, 2004**

| Name                | Shares Acquired on Exercise | Value Realized(\$) | Number of Unexercised Securities Underlying Options Held at December 31, 2004 | Value of Unexercised In-The-Money Options at December 31, 2004(1) |
|---------------------|-----------------------------|--------------------|---|---|
|                     |                             |                    | Exercisable/Unexercisable   | Exercisable/Unexercisable   |
| Paul G. Van Wagenen |                             |                    | 475,000/75,000  | \$11,073,438/1,403,625  |
| Stephen R. Brunner  |                             |                    | 46,000/10,000   | 1,026,680/187,150   |
| Jerry A. Cooper     |                             |                    | 46,000/10,000   | 1,026,680/187,150   |
| John O. McCoy, Jr.  |                             |                    | 58,333/10,000   | 1,328,243/187,150   |
| James P. Ulm, II    |                             |                    | 34,000/7,000  | 763,155/131,005   |

(1) Based on the per share closing price of the Common Stock as reported on The New York Stock Exchange, Inc.'s Composite Transactions Reporting System for December 31, 2004 (\$48.49).

III. *Retirement Plan.* The Company maintains a noncontributory retirement plan (the "Retirement Plan"), covering all salaried employees, under which the Company annually makes such contributions as are actuarially necessary to provide the retirement benefits established under such plan. The following table shows estimated annual benefits payable under the Retirement Plan upon retirement at age 65, based on average annual covered compensation during the five highest consecutive years of the ten years before retirement, to persons having the average compensation levels and years of service specified in the table. The amounts in this table are computed based on a single-life annuity and presented without deduction for Social Security or any other offset amounts.

**Pension Plan Table**

| Average Annual Covered Compensation Before Retirement | Years of Service at Retirement |           |           |            |            |
|---|--------------------------------|-----------|-----------|------------|------------|
|   | 15 Years                       | 20 Years  | 25 Years  | 30 Years   | 35 Years   |
| \$ 200,000  | \$ 57,443                      | \$ 76,591 | \$ 95,739 | \$ 114,887 | \$ 134,035 |
| 400,000   | 117,443                        | 156,591   | 195,739   | 234,887    | 274,035    |
| 600,000   | 177,443                        | 236,591   | 295,739   | 354,887    | 414,035    |
| 800,000   | 237,443                        | 316,591   | 395,739   | 474,887    | 554,035    |
| 1,000,000   | 297,443                        | 396,591   | 495,739   | 594,887    | 694,035    |
| 1,200,000   | 357,443                        | 476,591   | 595,739   | 714,887    | 834,035    |
| 1,400,000   | 417,443                        | 556,591   | 695,739   | 834,887    | 974,035    |
| 1,600,000   | 477,443                        | 636,591   | 795,739   | 954,887    | 1,114,035  |
| 1,800,000   | 537,443                        | 716,591   | 895,739   | 1,074,887  | 1,254,035  |
| 2,000,000   | 597,443                        | 796,591   | 995,739   | 1,194,887  | 1,394,035  |

Benefits under the Retirement Plan are based on a percentage of covered compensation (which is generally salary), length of service and certain other factors and are payable upon normal retirement at age 65, upon early retirement at age 55 or after termination of employment under certain circumstances. The Retirement Plan provides that annual benefits under such plan are limited to the maximum amount prescribed by sections 415 and 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code"), for pensions payable under tax-qualified retirement plans. For 2005, the Code provides that the annual compensation of each employee that is to be taken into account under the Retirement Plan cannot exceed \$210,000, and the maximum allowable pension benefit payable under such plan would be limited to



\$170,000. In order to maintain benefit levels under the Retirement Plan to which they would otherwise be entitled but for limitations prescribed by the Code, as part of his employment contract, the Company has agreed to supplement Mr. Van Wagenen's (and his spouse's) benefits under the Retirement Plan in the event and to the extent that these Code limitations reduce the retirement benefits that would otherwise be payable to them under the Retirement Plan. In addition, Mr. Van Wagenen's employment contract provides that his aggregate pension and supplemental benefit is determined on the basis of covered compensation equal to his salary plus cash bonus (including deferred cash bonus).

Messrs. Van Wagenen, Brunner, Cooper, McCoy and Ulm have approximately twenty-six, eleven, twenty-five, twenty-seven and five credited years of service, respectively, under the Retirement Plan.

IV. *Tax-Advantaged Savings Plan.* The Company has a Tax-Advantaged Savings Plan (the "Savings Plan") in which all salaried employees may participate. Under the Savings Plan, a participating employee may currently allocate up to 30% of such employee's salary as a tax-deferred contribution (subject to a maximum dollar limitation in 2005 of \$14,000, and an additional \$4,000 if participating employee turns 50 during 2005), and the Company makes matching contributions of 100% of the amount contributed by the employee, up to the lesser of 6% of such employee's salary or \$12,600.

Funds contributed to the Savings Plan by an employee and the earnings and accretions thereon may, according to instructions from such employee, be used to purchase shares of Common Stock or to invest in certain mutual funds managed by The Vanguard Group of Investment Companies ("Vanguard"), including a money-market fund, a long-term bond fund, a balanced fund (investing in both stocks and bonds), a growth and income fund and a growth stock fund. All contributions to the Savings Plan are held by entities controlled by Vanguard. Participants in the Savings Plan may exercise voting rights over shares of Common Stock held in accounts established under the Savings Plan for their benefit.

V. *Employment Agreements.* Messrs. Van Wagenen, Brunner, Cooper, McCoy and Ulm have each entered into amended and restated employment contracts, effective February 1, 2005, with the Company. The amended and restated contracts extend the expiration date of the previous employment contracts entered into by these executives from February 1, 2006 to August 1, 2006. In the case of Mr. Van Wagenen, the new contract also effects conforming changes in recognition of the Company's current compensation policy, which emphasizes restricted stock and other equity awards in lieu of stock options. The contracts provide for minimum annual salaries for Messrs. Van Wagenen, Brunner, Cooper, McCoy and Ulm of \$1,425,000, \$520,000, \$520,000, \$380,000 and \$320,000. The contracts also provide for continuation of coverage in the Company's employee benefit plans and programs during the contract term. In addition, upon termination of employment by reason of death or disability, or, prior to a "change of control" of the Company, by the Company without cause or by the employee for good reason (as defined in the employment agreements), the employee is entitled to (i) compensation theretofore earned or owed, (ii) three years' salary and bonus, (iii) compensation for retirement benefits that would have been earned had the employee completed an additional three years of employment, (iv) coverage under the Company's compensation plans and practices for the remaining term of the employment contract and (v) payments to compensate the employee for the imposition of certain excise taxes imposed under the Code on payments made to such employee in connection with a change in control of the Company. The same benefits are also payable under employment contracts entered into with Messrs. Brunner, Cooper, McCoy and Ulm if their employment is terminated at any other time by the Company without cause, by the employee for good reason or within six months after a "change of control" of the Company. Mr. Van Wagenen's employment contract separately provides that if, following a "change of control," his employment is terminated by the Company without cause, or by him for good reason or within a thirty-day period commencing one year after the "change of control," he shall be entitled to (i) compensation theretofore earned or owed, (ii) five years' salary and bonus, (iii) compensation for retirement benefits that would have been earned had he remained employed for an additional five years, (iv) coverage under the Company's compensation plans and practices for the remaining term of the employment contract, (v) a lump sum payment equal to four times the fair market value on the grant date of Mr. Van Wagenen's most recent equity award (or most

recent award prior to the change of control, if higher) based on the market price of the underlying common stock, (vi) payments to compensate Mr. Van Wagenen for the imposition of certain excise taxes imposed under the Code on payments made to him in connection with a "change of control" of the Company. In addition, Mr. Van Wagenen's employment contract further provides for the supplement to Mr. Van Wagenen's (and his spouse's) benefits under the Retirement Plan described above under "Retirement Plan." Mr. Van Wagenen is also given the option of requiring payment of these amounts in a lump sum, similar to the way lump sum payments are made under the Retirement Plan. "Change of control," as defined in the employment agreements, includes certain events constituting a change in the control or management of the Company (whether by merger, consolidation, acquisition of assets or stock or otherwise).

The Company also has a supplemental disability plan under which amounts may be payable to officers of the Company from time to time in the future. Supplemental disability amounts are in addition to existing programs and are designed to bring total monthly disability benefits to a level equal to 60% of monthly salary at the time of disability. The participants in such plan include, among others, Messrs. Van Wagenen, Brunner, Cooper, McCoy and Ulm.

VI. *Compensation of Directors.* Each director, other than those who are regularly employed officers of the Company, receives an annual director's fee of \$55,000. In addition, each director, other than those who are regularly employed officers of the Company, receives a fee of \$2,000 for each meeting of the Board of Directors (including meetings of the Executive Committee, which acts for the Board of Directors) actually attended. The members of the Audit Committee receive a fee of \$2,000 for each meeting actually attended and the members of the Compensation and the Nominating and Corporate Governance Committees receive \$1,000 for each meeting actually attended. The Management Committee members receive \$1,000 for each meeting actually attended. A director that is not a regularly employed officer of the Company, that serves as the chairman of a standing committee also receives an annual retainer of \$1,000 for his or her service in such capacity. The Company also reimburses directors for reasonable travel and related expenses incurred in attending meetings of the Board of Directors or its committees.

The 2004 Incentive Plan provides for the grant of stock awards to nonemployee directors as approved from time to time by the Compensation Committee, provided that no nonemployee director may be granted stock awards covering or relating to more than 2,500 shares of Common Stock per year. It is expected that future equity compensation granted to nonemployee directors will be made in the form of stock awards under this plan, in lieu of options under the Company's other incentive plans. On June 1, 2004, each non-employee director, other than Mr. Fry, also received 1,000 restricted shares of Common Stock and a cash award equal to 1,000 shares of Common Stock valued at the average of high and low trades as reported on The New York Stock Exchange, Inc.'s Composite Transactions Reporting System on June 1, 2004 (\$46.54).

VII. *Report of the Compensation Committee on Executive Compensation.* The Compensation Committee of the Board of Directors has furnished the following report on executive compensation:

The Compensation Committee (referred to hereafter as the "Committee") periodically reviews the compensation of the Company's executive officers, including the chief executive officer, and all other employees, and customarily meets in July of each year to do so. In July, 2004, the Committee reviewed (i) personnel evaluations of the Company's key employees; (ii) compensation guidelines and comparisons with industry peer group companies (the "Peer Group") prepared by an independent compensation consultant; (iii) information regarding the Company's results in meeting its principal business objectives; and (iv) the recommendations of management.

In setting the compensation of the Company's chief executive officer and, to a lesser extent, the compensation of the Company's executive officers and other personnel, the Committee has adopted a definitive compensation policy to foster the improvement of the Company's value to its



shareholders. The Committee recognizes that the Company's value is, in part, reflected by the market value of the Company's common equity on the national exchanges on which it is traded. The Committee believes that there are even more important measures of employee and executive performance than the trading price of the Company's common stock, notably including results relative to the four publicly enunciated corporate objectives, to-wit: (i) increasing hydrocarbon production levels, typically leading to higher revenues, cash flows and earnings; (ii) growing the proven oil and natural gas reserves asset base; (iii) maintaining appropriate levels of debt and interest expense and controlling overhead and operating costs consistent with the Company's activity levels; and (iv) expanding exploration and production activities within the areas of the Company's current operations as well as other geographic areas that are consistent with the Company's expertise.

The Committee determined that, in every case, the stated objectives have been well met during the past year. With respect to increasing production levels (Goal No. 1), the Company's 2003 total equivalent hydrocarbon production levels were the highest in the Company's history. Pogo's production for 2003 averaged 66,230 barrels per day of liquid hydrocarbons, including oil, condensate and plant products, up from 18,113 barrels per day in 1999. Similarly, production of natural gas increased from 141.6 million cubic feet per day (mmcf/d) in 1999 to 296.9 mmcf/d in 2003.

Goal No. 2, growing the Company's overall inventory of proven reserves is measured by use of estimates formulated by the independent engineering firms employed by the Company for that purpose. Those reserves reached a 34-year (all-time) high at year-end 2003 of 1,702 billion cubic feet equivalent (Bcfe) of oil and natural gas, up from 1,583 Bcfe at year-end 2002. The Company replaced (by drilling or acquisition) over 147% of all the reserves it produced in 2003, and has more than replaced its production during each of the last 12 years, 1992 through 2003.

Goal No. 3, maintaining appropriate levels of debt and interest expense for a very active and rapidly growing company, and controlling overhead and operating costs consistent with the Company's activity levels, is best demonstrated by the Company's debt coverage ratios. For example, approximate year-end 2003 net debt was approximately 18% of the Company's capitalization, a very favorable ratio.

Goal No. 4, expansion within current areas of operation and into geographic areas that are consistent with the Company's expertise, is best demonstrated by the Company's increased 2003 activity levels in south Texas and in the outercontinental shelf of the Gulf of Mexico, as well as its acquisition of three new exploration licenses in New Zealand totaling approximately 1,014,000 acres in February 2004.

The Committee reviewed and approved all forms of compensation granted to all Company employees, including salary levels and, where appropriate, cash and/or stock bonuses, restricted stock grants, and stock option grants. These determinations were made after carefully considering recommendations, reviews, goal accomplishments, and peer comparisons. In addition, the Committee considered advice of legal counsel as well as the individual views of Committee members.

The Peer Group was selected after an examination of companies in the Company's industry with similar property holdings in similar geographic areas, foreign as well as domestic. From that group, with the help of outside independent consultants practicing in the field of public company executive compensation, 13 peer companies having a statistically similar range of market capitalization and gross revenue were chosen and analyzed. Based upon information provided by the Company's independent consultants, the Company's officers were near the middle of the range of base salary and short-term bonus provided to executive officers of Peer Group comparators and, in the case of long-term compensation and bonuses, including stock and option

grants, in the lower half of similar compensation provided to executive officers of the Peer Group comparators.

The Committee believes, and the executive compensation arrangements so reflect, that a blend of current cash compensation, fringe benefits and long-term incentive compensation is appropriate. In 2003, the Compensation Committee determined to modify certain elements of executive compensation. One of the modifications was to change long term incentives for some of the executives, including the chief executive officer and other executive officers, from stock options to restricted stock. As these executives would now be receiving restricted stock as long-term incentives, the Committee also decided to change the annual bonus payments for these executives from half cash and half stock to all cash. This policy was continued in 2004.

All executive officers (including the chief executive officer) were awarded bonuses in August, 2004 of which one-third was paid immediately. A second one-third of any such bonus award will vest in August, 2005, and the final one-third will similarly vest in August, 2006, each portion being contingent upon continued employment of the recipient through those dates. As noted previously, bonuses for the chief executive officer and the other executive officers were paid in cash. Long term incentive grants to some executives, including, but not limited to, the chief executive officer and the other executive officers, were made in the form of restricted stock which will vest in equal 25% increments annually in August of 2005 through 2008. In all cases, vesting is contingent upon continued employment of the recipient through those vesting dates.

The actions of the Committee were based upon the foregoing determinations, and upon an analysis of two William M. Mercer, Inc. surveys, commissioned by the Company, contrasting comparable and competitive compensation levels for both executive officers and all other employees. The Committee does not assign weights to particular factors, and determinations by the Committee of the exact levels of compensation, including salary, bonus, fringe benefits and long-term incentives, for all employees, including the chief executive officer, are based on all factors taken as a whole, but are ultimately subjective.

Executives, including the chief executive officer and other named executive officers, like all employees, participate in a tax-qualified retirement plan and a tax-qualified savings plan maintained by the Company, as well as in certain welfare benefit programs elsewhere described, which arrangements in the aggregate are substantially similar to those provided by the Peer Group comparators.

In addition to its annual July meeting, the Committee also customarily meets in January of each year. In January, 2004 the Committee determined to extend the Company's executive employment contracts and to enter into executive employment contracts with two additional executives. At that time minimum salaries were established in each contract that equaled the salary currently being received by such executive, as established in the annual salary review conducted six months earlier. Thirteen executives of the Company, including the named executive officers, presently have such employment contracts. The Committee believes that the employment contracts are necessary to secure for the benefit of the Company the services of the individuals offered the contracts on the terms and conditions therein stated, and to provide management stability in the event of significant corporate control events such as a tender offer, significant change in stock ownership or a proxy contest.

Under Section 162(m) of the tax code, certain deductions otherwise available to the Company by reason of its incurrence of executive compensation expenses might not be deductible if the aggregate of such amounts otherwise deductible in a single year by the Company with respect to an executive officer exceeds \$1,000,000. In structuring and awarding executive compensation, the Compensation Committee considers the provisions of 162(m) which can limit the Company's income tax deduction and attempts, where in the best interest of the Company, to take advantage

of exemptions under 162(m) in order that such compensation be deductible. The Compensation Committee has and is likely to continue to award compensation that is not so deductible in order to achieve what it considers the appropriate compensation structure and level for the Company's executive officers.

**THE COMPENSATION  
COMMITTEE:**

**Jerry M. Armstrong, *Chairman***  
**Robert H. Campbell**  
**Carroll W. Suggs**

**VIII. *Performance Graph.*** Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company's Common Stock against the cumulative total return of (i) the Standard & Poor's 500 Stock Index and (ii) the Standard & Poor's Oil & Gas Exploration and Production Index, each for the period of five fiscal years commencing December 31, 1999 and ended December 31, 2004.

**Comparison of Five-Year Cumulative Total Shareholder Return**

Note: The stock price performance for the Company's Common Stock is not necessarily indicative of future performance. Total Shareholder Return assumes reinvestment of all dividends.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information about the Common Stock that may be issued under all of the Company's existing equity compensation plans as of December 31, 2004:

| Plan category  | Number of securities<br>to be issued upon<br>exercise of<br>outstanding options,<br>warrants and rights<br>(a) | Weighted average<br>exercise price of<br>outstanding options,<br>warrants and rights<br>(b) | Number of securities<br>remaining available for<br>future issuance<br>(excluding<br>securities reflected in<br>column (a))<br>(c) |
|--|--|---|---|
| Equity compensation plans approved by security holders     | 1,262,333  | \$ 27.12  | 3,479,624(1)  |
| Equity compensation plans not approved by security holders | 883,003  | \$ 34.11  | 496,133(2)  |
| Total  | 2,145,336  | \$ 30.00  | 3,975,757   |

(1)

The securities remaining available for issuance under the approved plans may be issued in the form of stock options, stock appreciation rights, stock awards and performance shares. The shares remaining available for issuance may be used for any of these types of awards. The exercise price may be paid in cash or by tendering already-owned Common Stock. Awards are in general not transferable, subject to exceptions in certain cases involving transfers to a family member or related entities if approved by the committee administering the plan.

(2)

Shares remaining available for issuance under the 1998 Long-Term Incentive Plan (the only non-security holder approved plan) include only stock options and stock appreciation rights, the exercise or reference price of which may not exceed the fair market value of the Common Stock on the date of grant. The exercise price may be paid in cash or by tendering already-owned common stock. Awards are in general not transferable, subject to exceptions in certain cases involving transfers to a family member or related entities if approved by the committee administering the plan.

**RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Audit Committee has appointed PricewaterhouseCoopers LLP as independent accountants to audit the financial statements of the Company for the year 2005. Upon the recommendation of the Audit Committee, the Board of Directors has approved the submission of this appointment to the Company's shareholders for ratification and recommends voting FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent public accountants to audit the financial statements of the Company for the year 2005. A representative of PricewaterhouseCoopers LLP will attend the annual meeting and will have the opportunity to make a statement and to respond to appropriate questions.

**ANNUAL REPORT**

The annual report to shareholders, including financial statements for the year ended December 31, 2004, has been mailed to shareholders. The annual report is not a part of the proxy solicitation material.

**PROPOSALS BY SECURITY HOLDERS AND ADVANCE NOTICE PROCEDURES**

Proposals intended to be presented by shareholders at the Company's 2006 Annual Meeting of Shareholders must be received by the Company, at the address set forth on the first page of this Proxy Statement, no later than November 28, 2005, in order to be included in the

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Company's proxy material and form of proxy relating to such meeting. Shareholder proposals must also be otherwise eligible for inclusion.

The Company's Amended and Restated Bylaws provide that a shareholder wishing to nominate a candidate for election to the Board of Directors or bring a proposal before the 2006 Annual Meeting of

Shareholders must give the Company's Corporate Secretary written notice of its intention to make the nomination or present the proposal. Generally, the Company must receive that notice not less than 80 nor more than 110 days prior to the meeting. However, if less than 90 days prior public disclosure of the meeting date is given, the Company must receive the notice by the tenth day following the date that notice of the meeting is given by the Company. A shareholder's notice of a proposed nomination or proposal must contain certain information about the nominee or proposal, as applicable, and the shareholder making the nomination or proposal. The Company may disregard any nomination or proposal that does not comply with the procedures established in the Company's Amended and Restated Bylaws. In addition, compliance with these procedures does not require the Company to include the proposed nominee or proposal, as applicable, in the Company's proxy solicitation material.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING  
COMPLIANCE AND OTHER MATTERS**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2004, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with.

**OTHER BUSINESS**

Management does not intend to bring any business before the annual meeting other than the matters referred to in the accompanying notice and at this date has not been informed of any matters that may be presented to the meeting by others. If, however, any other matters properly come before the meeting, it is intended that the persons named in the accompanying proxy will vote on such matters pursuant to the proxy in accordance with their best judgment.

By Order of the Board of Directors

Paul G. Van Wagenen  
*Chairman of the Board*

March 28, 2005

**Proxy Pogo Producing Company**

**Proxy Solicited on Behalf of the Board of Directors for the Annual Meeting of Stockholders to be held Tuesday, April 26, 2005.**

The undersigned hereby appoints Paul G. Van Wagenen and John O. McCoy, Jr., or either of them, proxies, with full power of substitution and with discretionary authority, to vote all shares of Common Stock of Pogo Producing Company (the "Company") that the undersigned would be entitled to vote at the 2005 Annual Meeting of Shareholders, or at any adjournments thereof, on all matters which may come before such meeting, all as set forth in the accompanying Proxy Statement, including the proposals set forth on the reverse side of this proxy.

**This Proxy will be voted as you specified on the reverse side. If no specification is made, the Proxy will be voted FOR the election of the nominees listed in Item 1, FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP to audit the financial statements of the Company for 2005 and IN THE DISCRETION OF THE PROXIES for such other business as may properly come before the meeting. Receipt of the Notice of, and Proxy Statement for, the Annual Meeting and the 2004 Annual Report to Shareholders of Pogo Producing Company is hereby acknowledged.**

**PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE PROXY CARD USING THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

**IMPORTANT** This Proxy must be signed and dated on the reverse side.

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**Pogo Producing Company**

Mark this box with an X if you have made changes to your name or address details above.

**Annual Meeting Proxy Card**

**A. Election of Directors**

1. The Board of Directors recommends a vote FOR the named nominees.

|    |                    | <b>For</b>            | <b>Withheld</b>       |
|----|--------------------|-----------------------|-----------------------|
| 01 | Robert H. Campbell | <input type="radio"/> | <input type="radio"/> |
| 02 | Thomas A. Fry, III | <input type="radio"/> | <input type="radio"/> |
| 03 | Stephen A. Wells   | <input type="radio"/> | <input type="radio"/> |

**B. Other Matters**

The Board of Directors recommends a vote FOR the following proposal.

|   |                                     |   |   |
|---|-------------------------------------|---|---|
| 2. RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP as independent accountants to audit the financial statements of the Company for 2005 | <b>For</b><br><input type="radio"/> | <b>Against</b><br><input type="radio"/> | <b>Abstain</b><br><input type="radio"/> |
|---|-------------------------------------|---|---|

**C. Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.**

NOTE: Please sign your name(s) EXACTLY as your name(s) appear(s) on this proxy. All joint holders must sign. When signing as attorney, trustee, executor, administrator, guardian or corporate officer, please provide your FULL title.

Signature 1 - Please keep signature within the box

Signature 2 - Please keep signature within the box

Date: (mm/dd/yyyy)

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QuickLinks

[VOTING OF SHARES](#)

[REVOCABILITY OF PROXIES](#)

[ELECTION OF THREE DIRECTORS](#)

[NOMINEES](#)

[CURRENT DIRECTORS WITH TERMS EXPIRING IN 2006 AND 2007](#)

[ORGANIZATION AND ACTIVITY OF THE BOARD OF DIRECTORS](#)

[REPORT OF THE AUDIT COMMITTEE](#)

[AUDIT FEES](#)

[AUDIT COMMITTEE POLICIES AND PROCEDURES FOR PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES](#)

[COMMON STOCK OWNED BY DIRECTORS AND OFFICERS](#)

[PRINCIPAL SHAREHOLDERS](#)

[EXECUTIVE COMPENSATION](#)

[Aggregated Option Exercises in 2004 and Option Values at December 31, 2004](#)

[Comparison of Five-Year Cumulative Total Shareholder Return](#)

[EQUITY COMPENSATION PLAN INFORMATION](#)

[RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS](#)

[ANNUAL REPORT](#)

[PROPOSALS BY SECURITY HOLDERS AND ADVANCE NOTICE PROCEDURES](#)

[SECTION 16\(a\) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE AND OTHER MATTERS](#)

[OTHER BUSINESS](#)