

POGO PRODUCING CO
Form 10-Q
August 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly report pursuant to section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended June 30, 2005

or

o 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 1-7792

POGO PRODUCING COMPANY

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

74-1659398
(I.R.S. Employer
Identification No.)

5 Greenway Plaza, Suite 2700
Houston, Texas
(Address of principal executive offices)

77046-0504
(Zip Code)

(713) 297-5000
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2): Yes No

Registrant's number of common shares outstanding as of July 28, 2005: 59,713,614

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

POGO PRODUCING COMPANY AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Expressed in thousands, except per share amounts)			
Revenues:				
Oil and gas	\$ 274,044	\$ 250,479	\$ 528,106	\$ 485,130
Other	520	218	13,610	700
Total	274,564	250,697	541,716	485,830
Operating Costs and Expenses:				
Lease operating	33,464	22,864	62,185	46,333
General and administrative	18,320	14,674	37,045	29,843
Exploration	3,319	4,836	14,498	13,290
Dry hole and impairment	6,502	5,027	53,857	7,423
Depreciation, depletion and amortization	67,923	66,210	138,381	129,209
Production and other taxes	14,190	10,009	25,366	17,759
Transportation and other	4,409	4,760	10,248	9,642
Total	148,127	128,380	341,580	253,499
Operating Income	126,437	122,317	200,136	232,331
Interest:				
Charges	(13,850)	(6,627)	(24,061)	(16,071)
Income	1,369	86	2,186	204
Capitalized	2,713	3,468	4,910	8,016
Loss on debt extinguishment		(10,893)		(10,893)
Foreign Currency Transaction Gain (Loss)	(8)	(1)	2	(3)
Income From Continuing Operations Before				
Taxes	116,661	108,350	183,173	213,584
Income Tax Expense	(42,683)	(41,270)	(69,686)	(79,803)
Income From Continuing Operations	73,978	67,080	113,487	133,781
Income (Loss) from Discontinued Operations, net				
of tax	29,461	(1,891)	49,188	3,048
Net Income	\$ 103,439	\$ 65,189	\$ 162,675	\$ 136,829
Earnings per Common Share:				
Basic				
Income from continuing operations	\$ 1.23	\$ 1.05	\$ 1.83	\$ 2.10
	0.48	(0.03)	0.80	0.05

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Income (loss) from discontinued operations, net of tax

Net income	\$	1.71	\$	1.02	\$	2.63	\$	2.15
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Diluted

Income from continuing operations	\$	1.22	\$	1.04	\$	1.82	\$	2.08
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Income (loss) from discontinued operations, net of tax		0.48		(0.03)		0.78		0.05
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Net income	\$	1.70	\$	1.01	\$	2.60	\$	2.13
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Dividends per Common Share	\$	0.0625	\$	0.05	\$	0.125	\$	0.10
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See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

	June 30, 2005	December 31, 2004
	(Expressed in thousands, except share amounts)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 242,631	\$ 86,456
Accounts receivable	115,120	120,466
Other receivables	17,301	20,875
Federal income tax receivable	3,164	10,708
Inventories - tubulars	14,521	9,112
Price hedge contracts		6,722
Assets from discontinued operations	89,238	187,084
Other	2,198	3,987
Total current assets	484,173	445,410
Property and Equipment:		
Oil and gas, on the basis of successful efforts accounting		
Proved properties	4,117,637	4,003,332
Unevaluated properties	92,955	76,890
Other, at cost	33,496	28,656
	4,244,088	4,108,878
Accumulated depreciation, depletion and amortization		
Oil and gas	(1,686,575)	(1,551,502)
Other	(21,412)	(19,194)
	(1,707,987)	(1,570,696)
Property and equipment, net	2,536,101	2,538,182
Other Assets:		
Assets from discontinued operations	477,059	480,097
Other	17,904	17,420
	494,963	497,517
	\$ 3,515,237	\$ 3,481,109

See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

	June 30, 2005	December 31, 2004
	(Expressed in thousands, except share amounts)	
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable - operating activities	\$ 73,915	\$ 62,156
Accounts payable - investing activities	33,284	86,582
Income taxes payable	865	131
Accrued interest payable	9,387	4,550
Accrued payroll and related benefits	3,710	3,566
Price hedge contracts	11,503	
Deferred income tax	839	4,919
Liabilities from discontinued operations	130,922	109,928
Other	9,816	8,187
Total current liabilities	274,241	280,019
Long-Term Debt	880,354	755,000
Deferred Income Tax	524,236	536,823
Price Hedge Contracts	4,975	2,119
Asset Retirement Obligation	71,457	74,046
Other Liabilities and Deferred Credits	20,891	19,248
Liabilities from discontinued operations	82,950	85,959
Total liabilities	1,859,104	1,753,214
Commitments and Contingencies		
Shareholders Equity:		
Preferred stock, \$1 par; 4,000,000 shares authorized		
Common stock, \$1 par; 200,000,000 shares authorized, 64,749,340 and 64,580,639 shares issued, respectively	64,749	64,581
Additional capital	950,483	943,690
Retained earnings	883,611	728,723
Deferred compensation	(8,833)	(9,954)
Accumulated other comprehensive income (loss)	(10,492)	2,565
Treasury stock (4,808,259 and 55,359 shares, respectively), at cost	(223,385)	(1,710)
Total shareholders equity	1,656,133	1,727,895
	\$ 3,515,237	\$ 3,481,109

See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2005	2004
	(Expressed in thousands)	
Cash Flows from Operating Activities:		
Cash received from customers	\$ 571,207	\$ 492,178
Operating, exploration, and general and administrative expenses paid	(151,942)	(108,930)
Interest paid	(18,550)	(21,499)
Income taxes paid	(72,083)	(81,177)
Other	3,820	3,485
Cash provided by continuing operations	332,452	284,057
Cash provided by discontinued operations	104,881	64,200
Net cash provided by operating activities	437,333	348,257
Cash Flows from Investing Activities:		
Capital expenditures	(207,965)	(124,855)
Purchase of properties	(35,141)	(42,996)
Sale of current investments	122,250	
Purchase of current investments	(16,750)	
Proceeds from the sale of properties and companies	7,837	269
Cash used in continuing operations	(129,769)	(167,582)
Cash used in discontinued operations	(48,103)	(76,805)
Net cash used in investing activities	(177,872)	(244,387)
Cash Flows from Financing Activities:		
Borrowings under senior debt agreements	1,165,000	550,000
Payments under senior debt agreements	(1,337,000)	(494,000)
Proceeds from 2015 Notes	297,303	
Redemption of 2009 Notes		(157,782)
Purchase of Company stock	(221,675)	
Payments of cash dividends on common stock	(7,787)	(6,385)
Payments from (to) discontinued operations	109,560	(20,782)
Payment of debt issue costs	(3,205)	
Proceeds from exercise of stock options	4,264	3,260
Cash provided by (used in) continuing operations	6,460	(125,689)
Cash provided by (used in) discontinued operations	(109,560)	20,782
Net cash used in financing activities	(103,100)	(104,907)
Effect of exchange rate changes on cash	(186)	378
Net (decrease) increase in cash and cash equivalents	156,175	(659)
Cash and cash equivalents from continuing operations, beginning of the year	33,488	55,759
Cash and cash equivalents from discontinued operations, beginning of the year	52,968	48,715
Cash and cash equivalents at the end of the period	\$ 242,631	\$ 103,815
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 162,675	\$ 136,829
Adjustments to reconcile net income to net cash provided by operating activities - Income from discontinued operations, net of tax	(49,188)	(3,048)
Gains from the sales of properties	(250)	(268)
Depreciation, depletion and amortization	138,381	129,209
Dry hole and impairment	53,857	7,423

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Interest capitalized	(4,910)	(8,016)
Price hedge contracts	993	
Other	5,831	14,858
Deferred income taxes	(9,057)	4,898
Change in operating assets and liabilities	34,120	2,172
Net cash provided by continuing operating activities	332,452	284,057
Net cash provided by discontinued operating activities	104,881	64,200
Net cash provided by operating activities	\$ 437,333	\$ 348,257

See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity (Unaudited)

	2005	For the Six Months Ended June 30,	2004
Shareholders Equity		Comprehensive	Shareholders Equity