

POGO PRODUCING CO  
Form 10-Q  
April 28, 2006

**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 March 31, 2006 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)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**5 Greenway Plaza, Suite 2700  
Houston, Texas**

(Address of principal executive offices)

**74-1659398**

(I.R.S. Employer  
Identification No.)

**77046-0504**

(Zip Code)

**(713) 297-5000**

(Registrant's Telephone Number, Including Area Code)

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**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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). :

Yes  No

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

Common Stock, par value \$1.00 per share:

57,962,947 shares as of April 24, 2006

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****POGO PRODUCING COMPANY AND SUBSIDIARIES****Consolidated Statements of Income (Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(Expressed in millions, except per share amounts)</b>	
<b>Revenues:</b>		
Oil and gas	\$ 354.4	\$ 254.1
Other	19.1	1.7
Total	373.5	255.8
<b>Operating Costs and Expenses:</b>		
Lease operating	57.1	28.7
General and administrative	28.7	18.7
Exploration	2.7	11.2
Dry hole and impairment	25.6	47.4
Depreciation, depletion and amortization	110.1	70.5
Production and other taxes	13.5	11.2
Transportation and other	25.5	(5.6)
Total	263.2	182.1
<b>Operating Income</b>	<b>110.3</b>	<b>73.7</b>
<b>Interest:</b>		
Charges	(28.3)	(10.2)
Income	0.5	0.8
Capitalized	16.2	2.2
<b>Commodity derivative income (expense)</b>	<b>3.3</b>	
<b>Foreign Currency Transaction Gain (Loss)</b>	<b>(0.2)</b>	
<b>Income From Continuing Operations Before Taxes</b>	<b>101.8</b>	<b>66.5</b>
<b>Income Tax Expense</b>	<b>(34.3)</b>	<b>(27.0)</b>
<b>Income From Continuing Operations</b>	<b>67.5</b>	<b>39.5</b>
<b>Income from Discontinued Operations, net of tax</b>		<b>19.7</b>
<b>Net Income</b>	<b>\$ 67.5</b>	<b>\$ 59.2</b>
<b>Earnings per Common Share:</b>		
Basic		
Income from continuing operations	\$ 1.18	\$ 0.62
Income from discontinued operations, net of tax		0.31
Net income	\$ 1.18	\$ 0.93

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<b>Diluted</b>			
Income from continuing operations	\$	1.16	\$ 0.62
Income from discontinued operations, net of tax			0.31
Net income	\$	1.16	\$ 0.93
<b>Dividends per Common Share</b>			
	\$	0.0750	\$ 0.0625

See accompanying notes to consolidated financial statements.

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## POGO PRODUCING COMPANY AND SUBSIDIARIES

## Consolidated Balance Sheets (Unaudited)

	March 31, 2006	December 31, 2005
	(Expressed in millions)	
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 23.7	\$ 57.7
Accounts receivable	166.1	198.8
Other receivables	26.8	19.9
Federal income tax receivable		21.7
Deferred tax asset	21.2	12.2
Inventories - product	14.5	13.2
Inventories - tubulars	21.6	19.1
Other	3.2	4.2
Total current assets	277.1	346.8
<b>Property and Equipment:</b>		
Oil and gas, on the basis of successful efforts accounting		
Proved properties	6,411.1	6,254.5
Unevaluated properties	887.9	872.2
Other, at cost	42.1	40.5
	7,341.1	7,167.2
Accumulated depreciation, depletion and amortization		
Oil and gas	(1,965.6)	(1,858.3)
Other	(26.4)	(24.5)
	(1,992.0)	(1,882.8)
Property and equipment, net	5,349.1	5,284.4
<b>Other Assets:</b>		
Other	43.0	44.5
	43.0	44.5
	\$ 5,669.2	\$ 5,675.7

See accompanying notes to consolidated financial statements.

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	March 31, 2006	December 31, 2005
	(Expressed in millions, except share amounts)	
<b>Liabilities and Shareholders Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable - operating activities	\$ 149.1	\$ 167.3
Accounts payable - investing activities	138.7	137.1
Income taxes payable	63.2	2.0
Accrued interest payable	27.5	20.2
Accrued payroll and related benefits	3.8	3.7
Price hedge contracts	25.7	52.3
Other	10.2	12.5
Total current liabilities	418.2	395.1
<b>Long-Term Debt</b>	1,577.5	1,643.4
<b>Deferred Income Tax</b>	1,291.5	1,316.9
<b>Asset Retirement Obligation</b>	150.3	149.4
<b>Other Liabilities and Deferred Credits</b>	60.9	72.3
Total liabilities	3,498.4	3,577.1
<b>Commitments and Contingencies</b>		
<b>Shareholders Equity:</b>		
Preferred stock, \$1 par; 4,000,000 shares authorized		
Common stock, \$1 par; 200,000,000 shares authorized, 65,328,306 and 65,275,106 shares issued, respectively	65.3	65.3
Additional capital	955.3	977.9
Retained earnings	1,527.3	1,464.2
Deferred compensation		(17.5)
Accumulated other comprehensive income (loss)	(15.8)	(30.0)
Treasury stock (7,365,359 shares, at cost)	(361.3)	(361.3)
Total shareholders equity	2,170.8	2,098.6
	\$ 5,669.2	\$ 5,675.7

See accompanying notes to consolidated financial statements.

## POGO PRODUCING COMPANY AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2006	2005
	(Expressed in millions)	
Cash Flows from Operating Activities:		
Cash received from customers	\$ 371.0	\$ 256.6
Operating, exploration, and general and administrative expenses paid	(105.5)	(68.2)
Interest paid	(20.4)	(5.3)
Income taxes paid	(3.2)	
Income tax refund	1.6	
Other	(3.1)	3.0
Cash provided by continuing operations	240.4	186.1
Cash provided by discontinued operations		73.2
Net cash provided by operating activities	240.4	259.3
Cash Flows from Investing Activities:		
Capital expenditures	(176.1)	(127.5)
Purchase of corporations and property	(23.4)	(20.9)
Sale of current investments		122.3
Purchase of current investments		(16.8)
Insurance proceeds	2.5	4.4
Other	(1.1)	0.2
Cash used in continuing operations	(198.1)	(38.3)
Cash used in discontinued operations		(13.2)
Net cash used in investing activities	(198.1)	(51.5)