

POGO PRODUCING CO
Form 10-Q
October 15, 2003

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

FORM 10-Q

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

For the quarterly period ended September 30, 2003

OR

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

For the transition period from _____ to _____

Commission file number 1-7792

POGO PRODUCING COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of

74-1659398
(I.R.S. Employee

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Incorporation or Organization)

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 requirement 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 October 13, 2003: 63,745,605

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

POGO PRODUCING COMPANY AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-----------------|------------------------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (Expressed in thousands, except per share amounts) | | | |
| Revenues: | | | | |
| Oil and gas | \$ 277,067 | \$ 203,919 | \$ 882,464 | \$ 531,457 |
| Other | 848 | 3,889 | 1,804 | 3,646 |
| Total | 277,915 | 207,808 | 884,268 | 535,103 |
| Operating Costs and Expenses: | | | | |
| Lease operating | 32,886 | 29,734 | 97,459 | 87,862 |
| General and administrative | 16,936 | 14,445 | 45,362 | 36,815 |
| Exploration | 1,432 | 2,508 | 5,091 | 3,684 |
| Dry hole and impairment | 4,568 | 8,179 | 10,666 | 16,674 |
| Depreciation, depletion and amortization | 79,688 | 73,960 | 244,454 | 213,708 |
| Production and other taxes | 8,084 | 5,254 | 27,269 | 12,994 |
| Accretion and other | 8,468 | 2,133 | 16,364 | 2,314 |
| Total | 152,062 | 136,213 | 446,665 | 374,051 |
| Operating Income | 125,853 | 71,595 | 437,603 | 161,052 |
| Interest: | | | | |
| Charges | (10,255) | (14,364) | (36,934) | (43,452) |
| Income | 446 | 404 | 1,380 | 1,316 |
| Capitalized | 4,246 | 5,933 | 12,377 | 19,445 |
| Minority Interest - Dividends and costs associated with preferred securities of a subsidiary trust | | | | (4,140) |
| Foreign Currency Transaction Gain (Loss) | 587 | (458) | 1,149 | 873 |
| Income Before Taxes and Cumulative Effect of Change in Accounting Principle | 120,877 | 63,110 | 415,575 | 135,094 |
| Income Tax Expense | (53,217) | (31,473) | (175,553) | (65,814) |
| Income Before Cumulative Effect of Change in Accounting Principle | 67,660 | 31,637 | 240,022 | 69,280 |

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| | | | | |
|--|-----------|-----------|------------|-----------|
| Cumulative Effect of Change in Accounting Principle | | | (4,166) | |
| Net Income | \$ 67,660 | \$ 31,637 | \$ 235,856 | \$ 69,280 |
| Earnings Per Common Share | | | | |
| Basic: | | | | |
| Income before cumulative effect of change in accounting principle | \$ 1.07 | \$ 0.52 | \$ 3.86 | \$ 1.22 |
| Cumulative effect of change in accounting principle | | | (0.07) | |
| Net income | \$ 1.07 | \$ 0.52 | \$ 3.79 | \$ 1.22 |
| Diluted: | | | | |
| Income before cumulative effect of change in accounting principle | \$ 1.06 | \$ 0.51 | \$ 3.74 | \$ 1.17 |
| Cumulative effect of change in accounting principle | | | (0.07) | |
| Net income | \$ 1.06 | \$ 0.51 | \$ 3.67 | \$ 1.17 |
| Dividends Per Common Share | \$ 0.05 | \$ 0.03 | \$ 0.15 | \$ 0.09 |
| Weighted Average Number of Common Shares and Potential Common Shares Outstanding: | | | | |
| Basic | 63,379 | 60,779 | 62,170 | 56,953 |
| Diluted | 63,963 | 64,454 | 64,826 | 64,111 |

See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

| | September 30, 2003 | December 31, 2002 |
|--|---|----------------------|
| | <u> </u> | <u> </u> |
| | (Expressed in thousands, except share amounts) | |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 161,601 | \$ 134,449 |
| Accounts receivable | 108,622 | 101,807 |
| Other receivables | 43,886 | 14,634 |
| Deferred income tax | | 20,041 |
| Inventories - Product | 2,717 | 2,501 |
| Inventories - Tubulars | 8,450 | 9,406 |
| Other | 8,983 | 4,818 |
| | <u> </u> | <u> </u> |
| Total current assets | 334,259 | 287,656 |
| | <u> </u> | <u> </u> |
| Property and Equipment: | | |
| Oil and gas, on the basis of successful efforts accounting | | |
| Proved properties | 3,649,627 | 3,396,669 |
| Unevaluated properties | 141,380 | 141,094 |
| Other, at cost | 28,650 | 26,626 |
| | <u> </u> | <u> </u> |
| | 3,819,657 | 3,564,389 |
| | <u> </u> | <u> </u> |
| Accumulated depreciation, depletion and amortization | | |
| Oil and gas | (1,606,541) | (1,389,976) |
| Other | (18,494) | (15,364) |
| | <u> </u> | <u> </u> |
| | (1,625,035) | (1,405,340) |
| | <u> </u> | <u> </u> |
| Property and equipment, net | 2,194,622 | 2,159,049 |
| | <u> </u> | <u> </u> |
| Other Assets: | | |
| Deferred income tax | 2,416 | 2,416 |
| Debt issue costs | 8,000 | 11,368 |
| Foreign value added taxes receivable | 3,736 | 13,908 |
| Other | 18,408 | 17,196 |
| | <u> </u> | <u> </u> |
| | 32,560 | 44,888 |
| | <u> </u> | <u> </u> |
| | \$ 2,561,441 | \$ 2,491,593 |
| | <u> </u> | <u> </u> |

See accompanying notes to consolidated financial statements.

POGO PRODUCING COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

| | September 30, 2003 | December 31, 2002 |
|--|---|----------------------|
| | <u> </u> | <u> </u> |
| | (Expressed in thousands, except share amounts) | |
| Liabilities and Shareholders Equity | | |
| Current Liabilities: | | |
| Accounts payable - operating activities | \$ 59,873 | \$ 41,102 |
| Accounts payable - investing activities | 57,830 | 68,963 |
| Accrued interest payable | 10,053 | 11,096 |
| Income taxes payable | 28,510 | 15,527 |
| Accrued payroll and related benefits | 2,988 | 3,011 |
| Deferred income tax | 5,324 | 5,324 |
| Price hedge contracts | 1,079 | 2,433 |
| Other | 12,969 | 2,229 |
| | <u> </u> | <u> </u> |
| Total current liabilities | | |