

POGO PRODUCING CO
Form 11-K
June 30, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 16(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-7792

A. Full title of the plan and the address of the plan, if different from that of the issuer name below:

TAX-ADVANTAGED SAVINGS PLAN OF POGO PRODUCING COMPANY

B. Name of issuer of the securities held pursuant to the plan of the address of its principal executive office:

**POGO PRODUCING COMPANY
5 GREENWAY PLAZA, SUITE 2700
HOUSTON, TEXAS 77046**

Item 4.(a) Financial Statements and Schedules prepared in accordance with the financial reporting requirements of ERISA.

Tax-Advantaged Savings Plan of Pogo Producing Company

Financial Statements and Supplemental Schedule
December 31, 2002 and 2001

Tax-Advantaged Savings Plan of Pogo Producing Company

Contents

December 31, 2002 and 2001

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Note:
All other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable or the information required is disclosed in the financial statements and notes thereto.

Report of Independent Auditors

To the Executive Committee of the
Tax-Advantaged Savings Plan of Pogo Producing Company

In our opinion, the accompanying statements of net assets available for Plan benefits and the related statement of changes in net assets available for Plan benefits present fairly, in all material respects, the net assets available for Plan benefits of the Tax-Advantaged Savings Plan of Pogo Producing Company (the "Plan") at December 31, 2002 and 2001, and the changes in net assets available for Plan benefits for the year then ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers

June 26, 2003
Houston, Texas

Tax-Advantaged Savings Plan of Pogo Producing Company
Statements of Net Assets Available for Benefits
December 31, 2002 and 2001

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| | 2002 | 2001 |
|-------------------------------------|---------------|---------------|
| Investments, at quoted market value | \$ 22,080,321 | \$ 18,469,374 |
| Contributions receivable | | |
| Participant | 78,314 | 73,442 |
| Company | 54,355 | 51,327 |
| Cash | 1,000 | 1,000 |
| Net assets available for benefits | \$ 22,213,990 | \$ 18,595,143 |

The accompanying notes are an integral part of these financial statements.

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Tax-Advantaged Savings Plan of Pogo Producing Company
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2002

| | |
|---|------------------|
| Interest/dividend income | \$ 199,353 |
| Net appreciation in market value of investments | 2,457,684 |
| Other | 2,697 |
| Contributions Participant | |
| Participant | 1,436,600 |
| Company | 1,149,832 |
| Total contributions | 2,586,432 |
| Benefits paid | (1,627,319) |
| Increase in net assets available for plan benefits | 3,618,847 |
| Net assets available for plan benefits | |
| Beginning of year | 18,595,143 |
| End of year | \$ 22,213,990 |

The accompanying notes are an integral part of these financial statements.

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1.

Description of Plan

General

Pogo Producing Company ("Pogo" or the "Company") adopted the Employees Stock Purchase Plan effective January 1, 1978, as amended July 10, 1981. On January 1, 1985, the Employees Stock Purchase Plan was amended and renamed the Tax-Advantaged Savings Plan of Pogo Producing Company (the "Plan"). Any full-time active employee of Pogo is eligible to be a participant of the Plan on the first day of the calendar quarter following employment.

John O. McCoy, Jr., an officer of Pogo, serves as trustee of the Plan. The Plan is administered by an administrative board appointed by Pogo's board of directors.

Investments

The Plan's investment options include Pogo common stock, the Vanguard Prime Money Market Fund, the Vanguard Long-Term Corporate Fund Investor Shares, the Vanguard Wellington Fund Investor Shares, the Vanguard 500 Index Fund Investor Shares and the Vanguard PRIMECAP Fund Investor Shares.

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All such investments are stated at market value based on quoted market price.

Contributions

Each participant may contribute up to 10 percent of his compensation to the Plan. In accordance with provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), each participant's contributions are subject to certain limitations. This limitation was \$11,000 and \$10,500 for 2002 and 2001, respectively. Pogo contributes an amount equal to each participant's contribution, limited to a maximum of 6 percent of the participant's eligible compensation. Each participant's account is credited with his or her contribution, the company-matching contribution and an allocation of Plan earnings. Allocations of earnings by investment are based on the proportion that each participant's account balance bears in relation to the total of all participant account balances in that investment. Matching funds contributed to the Plan by Pogo are invested entirely in Pogo common stock.

Vesting

The Plan allows participants to be fully vested in the portion of the Plan which is represented by Pogo matching contributions after two full years of employment with the Company. Participants are fully vested in their own contributions immediately.

In the event of death, retirement, disability or termination after vesting, a participant is entitled to all of his portion of the Plan equity applicable to Pogo's matching contributions.

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Forfeitures

A participant terminated for reasons other than death, retirement or disability forfeits the unvested portion of his Plan equity attributable to Pogo's matching contribution, and such forfeiture is held in suspense for one year. If the participant returns to employment prior to incurring a one-year break in service, his unvested share of Pogo matching contributions is not forfeited. If the participant is not reemployed prior to incurring a one-year break in service, his unvested share of Pogo matching contributions is forfeited and used to reduce future contributions by Pogo. At both December 31, 2002 and 2001, there were no shares of Pogo's common stock forfeited and held in suspense.

Expenses

All Plan expenses are paid by Pogo, either directly or, in the case of broker fees, by reimbursements made to the Plan.

Termination of the Plan

The Plan may be terminated, amended or modified by Pogo's board of directors at any time. In the event the Plan is terminated, all participants will become fully vested in their Company matching contributions.

2.

Summary of Accounting Policies

Basis of Accounting

The records of the Plan are maintained on the cash basis of accounting and are adjusted to the accrual basis for financial reporting purposes, except for benefits paid which are reported on the cash basis.

Investment Valuation

Quoted market prices as of the last trading day of the Plan year have been used to determine the market value of Plan investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from those estimates.

3.

Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for Plan benefits from the financial statements to the Form 5500 at December 31:

2002

2001

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| | | |
|---|---------------|---------------|
| Net assets available for Plan benefits per the financial statements | \$ 22,213,990 | \$ 18,595,143 |
| Less: Amounts allocated to withdrawing participants at December 31 | (364,671) | (17,346) |
| Net assets available for Plan benefits per the Form 5500 | \$ 21,849,319 | \$ 18,577,797 |

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The following is a reconciliation of benefits paid from the financial statements to the Form 5500 at December 31, 2002:

| | |
|--|--------------|
| Benefits paid per the financial statements | \$ 1,627,319 |
| Add: Amounts allocated to withdrawing participants at December 31, 2002 | 364,671 |
| Less: Amounts allocated to withdrawing participants at December 31, 2001 | (17,346) |
| Benefits paid per the Form 5500 | \$ 1,974,644 |

Amounts allocated to withdrawing participants are recorded on the Form 5500 for withdrawals that have been processed and approved for payment prior to December 31 but not yet paid as of that date.

4.

Investments

The following table details investments at quoted market price. Investments representing five percent or more of the Plan's net assets in either year are separately identified by an * at December 31:

| | 2002 | 2001 |
|---|----------------|----------------|
| Pogo common stock | | |
| Participant-directed | \$ 2,667,948 * | \$ 2,699,256 * |
| Nonparticipant-directed | 10,690,908 * | 7,409,914 * |
| Vanguard Prime Money Market Fund | 1,363,274 * | 713,331 |
| Vanguard Wellington Fund Investor Shares | 1,712,910 * | 1,516,528 * |
| Vanguard 500 Index Fund Investor Shares | 1,858,253 * | 1,805,813 * |
| Vanguard PRIMECAP Fund Investor Shares | 3,068,399 * | 3,798,195 * |
| Vanguard Long-term Corporate Fund Investor Shares | 718,629 | 526,337 |
| | \$ 22,080,321 | \$ 18,469,374 |

During 2002, the Plan's investments appreciated in value by \$2,457,684, as follows:

| | |
|---------------------------------|--------------|
| Common stock | \$ 4,128,705 |
| Registered investment companies | (1,671,021) |
| | \$ 2,457,684 |

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5.

Nonparticipant-Directed Investments

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Information about the net assets at December 31, 2002 and 2001, and the significant components of the changes in net assets for the year ended December 31, 2002, relating to the nonparticipant-directed investments is as follows:

| | 2002 | 2001 |
|---|---------------|--------------|
| Net assets | | |
| Pogo common stock, at quoted market value | \$ 10,690,908 | \$ 7,409,914 |
| Company contributions receivable | 54,355 | 51,327 |
| | \$ 10,745,263 | \$ 7,461,241 |
| Changes in net assets | | |
| Interest/dividend income | \$ 34,658 | |
| Net appreciation in market value of investments | 3,209,730 | |
| Company contributions | 1,149,832 | |
| Benefits paid | (1,107,182) | |
| Other | (3,016) | |
| | \$ 3,284,022 | |

6. **Related-Party Transactions**

Certain Plan investments are shares of registered investment companies managed by the Vanguard Group ("Vanguard") and shares of Pogo common stock. Vanguard is the Plan's custodian and Pogo is the Plan's sponsor as defined by the Plan and therefore, these transactions qualify as party-in-interest transactions that are exempt from the prohibited transactions rules.

7. **Federal Income Taxes**

The Plan is intended to be a qualified plan pursuant to Section 401(a) of the IRC, as amended. The Company received a favorable tax determination letter from the IRS on June 28, 2002, stating that the Plan, as designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. However, the Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

8. **Risks and Uncertainties**

The Plan provides for investments in Pogo common stock and various registered investment companies. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that significant changes in the values of investment securities will occur in the near term.

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| Identity of Issuer, Borrower Lessor or Similar Party | Description of Investment | Number of Shares/Units | Cost | Current Value |
|---|---|---------------------------|--------------|------------------|
| Pogo Producing Company* | Pogo nonparticipant-directed common stock | 287,004 | \$ 6,723,715 | \$ 10,690,908 |
| Pogo Producing Company* | Pogo participant-directed common stock | 71,623 | ** | 2,667,948 |
| The Vanguard Group* | | 1,363,274 | ** | 1,363,274 |

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| Identity of Issuer, Borrower Lessor or Similar Party | Description of Investment | Number of Shares/Units | Cost | Current Value |
|---|---|---------------------------|------|------------------|
| | Vanguard Prime Money Market Fund | | | |
| The Vanguard Group* | Vanguard Long-Term Corporate Fund Investor Share | 77,858 | ** | 718,629 |
| The Vanguard Group* | Vanguard Wellington Fund Investor Shares | 69,744 | ** | 1,712,910 |
| The Vanguard Group* | Vanguard 500 Index Fund Investor Shares | 22,899 | ** | 1,858,253 |
| The Vanguard Group* | Vanguard PRIMECAP Fund Investor Shares | 79,369 | ** | 3,068,399 |
| | | | | \$ 22,080,321 |

*
Indicates party-in-interest.

**
Cost not required for participant-directed investments.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

TAX-ADVANTAGED SAVINGS OF
POGO PRODUCING COMPANY

By: /s/ JOHN O. MCCOY, JR.

John O. McCoy, Jr.
Member of the Administrative Board

Date: June 30, 2003

INDEX TO EXHIBITS

| EXHIBIT NUMBER | DESCRIPTION |
|-------------------|---------------------------------------|
| 23.1 | Consent of PricewaterhouseCoopers LLP |
| 99.1 | Section 906 Certification |