

POGO PRODUCING CO
Form DEF 14A
April 23, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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
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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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PAUL G. VAN WAGENEN
CHAIRMAN, PRESIDENT &
CHIEF EXECUTIVE OFFICER

POGO PRODUCING COMPANY

IMPORTANT ANNUAL MEETING
PLEASE VOTE TODAY

April 20, 2007

Dear Fellow Shareholders:

You are cordially invited to attend the 2007 Annual Meeting of Shareholders of Pogo Producing Company, which will be held at the Century II Room, Renaissance Houston Hotel, 6 Greenway Plaza, Houston, Texas, on May 15, 2007, at 10:00 a.m. (CDT). The meeting location is accessible to the disabled. The Board of Directors and management look forward to meeting those shareholders able to attend the meeting.

At the meeting, you will be asked to consider and vote upon: (1) election of four directors, each for a term of three years; (2) ratification of the appointment of PricewaterhouseCoopers LLP, independent registered public accounting firm, to audit our financial statements for 2007; 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.

On behalf of your Board of Directors, thank you for your continued interest and support.

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

POGO PRODUCING COMPANY

P.O. BOX 2504

HOUSTON, TEXAS 77252-2504

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 15, 2007

TO THE SHAREHOLDERS OF
POGO PRODUCING COMPANY:

Notice is hereby given that the Annual Meeting of Shareholders of Pogo Producing Company will be held at the Century II Room, Renaissance Houston Hotel, 6 Greenway Plaza, Houston, Texas, on May 15, 2007, at 10:00 a.m. (CDT), for the following purposes:

1. To elect four members of the Board of Directors to serve until the 2010 Annual Meeting.
2. To vote on ratification of the appointment of PricewaterhouseCoopers LLP, independent registered public accounting firm, to audit our financial statements for the year 2007.
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Shareholders of record at the close of business on April 9, 2007, 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

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies by the board of directors (the Board of Directors) of Pogo Producing 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 April 23, 2007. Pogo Producing 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, facsimile, Internet or personal interview by our officers and regular employees. We also retained D.F. King & Co., Inc., a professional proxy soliciting firm, to assist in the solicitation of proxies and to provide us with advisory and consulting, shareholder profiles and other services in preparation for our 2007 Annual Meeting of Shareholders. D.F. King, on our behalf, may contact individual and institutional shareholders to solicit their votes in support of our company for our 2007 Annual Meeting of Shareholders. We anticipate that the fees and expenses we will incur for these services will be approximately \$60,000. We will reimburse brokers and 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 April 9, 2007, the record date for determining shareholders entitled to vote at the meeting, we had outstanding and entitled to vote 58,478,697 shares of common stock, par value \$1 per share. We have no other class of stock outstanding. Each share of our 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 of Shareholders.

You may vote for all, some or none of the nominees for director. The affirmative vote of a plurality of the shares of our 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 our financial statements for 2007 is a majority of the votes cast on the matter. Shares voted For or Against a proposal will be treated as votes cast at the Annual Meeting, while abstentions and broker non-votes will not be treated as votes cast at the Annual Meeting. Broker non-votes occur when a brokerage firm, bank or other nominee holder has not received voting instructions with respect to a particular matter and the nominee holder does not have discretionary power to vote on that matter. Votes to withhold and broker non-votes have no effect on the election of directors, since they are elected by plurality. Because abstentions and broker non-votes are not considered votes cast, they have no effect on the ratification of auditors. Otherwise, abstentions and broker non-votes generally have the effect of a vote against the proposal.

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 four nominees listed in this proxy statement, (2) FOR ratification of the appointment of PricewaterhouseCoopers LLP, independent registered public accounting firm, to audit our financial statements for 2007, 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.

RECENT DEVELOPMENTS

In November 2006, Third Point LLC, an investment management firm, and Daniel S. Loeb, its Founder and CEO, filed a Schedule 13D with the SEC reporting the acquisition by them and certain hedge funds and managed accounts for which Third Point LLC serves as investment manager or advisor (collectively, Third Point) of beneficial ownership of approximately 7.2% of our common stock. In subsequent amendments to the Schedule 13D filing made in December 2006 and January 2007, Third Point stated its intention to seek to elect at the 2007 Annual Meeting new directors who would constitute a majority of the Board of Directors and reported the acquisition of additional shares of our common stock, bringing its beneficial ownership to 7.9% of our outstanding common stock. In February 2007, Third Point provided notice to us of its director nominees and related Bylaw amendment proposals.

On March 12, 2007, we and Third Point entered into an agreement settling the potential proxy contest. Pursuant to the agreement, our Board of Directors was expanded from eight to 10 members and Mr. Loeb and Bradley L. Radoff, Senior Portfolio Manager of Third Point, were appointed to fill the new directorships, the terms of which expire in 2007 and 2008, respectively. The Board agreed to nominate and recommend Mr. Loeb for election at the 2007 Annual Meeting. The agreement provides that Mr. Loeb will serve on the Board's Executive and Management Committees, and Mr. Radoff will serve on the Board's Compensation, Nominating and Corporate Governance and Management Committees.

Third Point has agreed not to engage in the solicitation of proxies or otherwise to seek control of our company or to influence our management or Board of Directors until December 31, 2007. At the 2007 Annual Meeting (and any other shareholder meeting held for the purpose of electing directors until December 31, 2007), Third Point has agreed to vote all its shares of our common stock in accordance with the recommendation of the Board of Directors regarding director nominees.

Third Point is entitled to nominate replacement designees if Messrs. Loeb or Radoff die or become disabled or their employment and affiliations with Third Point are terminated. Third Point may also nominate replacement designees to fill a single vacancy from each of its two directorships if its representatives otherwise resign from the Board, subject to specified limitations. Any replacements nominated by Third Point are subject to review and approval by the Nominating and Corporate Governance Committee and election by the Board of Directors, which approvals may not be unreasonably withheld or delayed. The agreement provides for the automatic and irrevocable resignation of each of the Third Point designee directors (without replacement nomination rights for Third Point) upon the first to occur of the following:

- the first date on which Third Point engages in any solicitation of proxies or certain other activities prohibited under the Agreement;
- the first date on which Third Point beneficially owns less than 5% of the shares of our common stock outstanding; or
- the date on which the Agreement is terminated.

Prior to the 2008 annual meeting of shareholders, we have agreed not to propose any amendments to our Certificate of Incorporation and not to adopt amendments to our Bylaws that change the notification provisions relating to shareholder proposals, prescribe any qualifications for directors or affect the ability of the shareholders to amend the Bylaws. We also agreed not to appoint additional directors to the Board

of Directors during this time period, except that the agreement permits us to offer a new directorship to Robert B. Rowling, the chairman of TRT Holdings, Inc., which owned 9.2% of our common stock as of April 9, 2007, at any time prior to June 4, 2007, and also permits us to add any new director included in the class of directors whose term will expire at the 2008 annual meeting of shareholders. Further, we agreed to hold the 2008 annual meeting of shareholders no earlier than May 31, 2008 and no later than June 30, 2008.

The agreement contains a mutual non-disparagement provision between the parties, and Third Point has also agreed to keep our information confidential, in each case for specified periods.

Pursuant to the agreement, we agreed to reimburse up to \$200,000 of Third Point's documented, out-of-pocket costs and expenses related to the preparation and filing of any proxy materials by Third Point, the preparation for and the solicitation of proxies for the 2007 Annual Meeting, including legal fees and the fees of the proxy solicitor retained by Third Point, and the efforts of Third Point to cause us to explore and pursue certain strategic alternatives. Excluding the reimbursement of Third Point expenses, solicitation costs normally incurred for an election of directors in the absence of a contest and salaries and wages of our regular employees and officers, we estimate that we have incurred additional costs of approximately \$215,000 in connection with the Third Point settlement and related solicitation activities.

We filed a complete copy of the agreement with Third Point as Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 13, 2007.

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 our Corporate Secretary 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. If you hold shares through a brokerage firm, bank or other nominee holder, only they can revoke your proxy on your behalf.

PROPOSAL 1: ELECTION OF FOUR DIRECTORS

Unless contrary instructions are set forth on the proxies, the proxy holders named therein intend to vote all shares represented by proxies received by them FOR the election as directors of Messrs. Van Wagenen, Campbell, Groat and Loeb.

If the four nominees are elected at this meeting, each will serve for a term of three years ending in 2010, unless prior to that date they resign, are re-elected or removed from office. Each nominee listed below has consented to being named in this proxy statement and to serve as a director if elected. Our Restated Certificate of Incorporation, as amended, provides for the classification of the Board of Directors into three classes having staggered terms of three years each. The six continuing directors named below in the section "Current Directors With Terms Expiring in 2008 and 2009" will not stand for election at this meeting, as their present terms expire in either 2008 or 2009. Should Messrs. Van Wagenen, Campbell, Groat or Loeb 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.

NOMINEES

The following table sets forth information concerning the Board's nominees for election as directors at the 2007 Annual Meeting of Shareholders, all of whom are our current directors, including the business experience of each during the past five years.

	Name and Business Experience
	<p>Paul G. Van Wagenen has served as our Chairman of the Board, President and Chief Executive Officer since 1991. Mr. Van Wagenen, 61, has served as a Director of our company since 1988 and currently serves as the Chairman of the Executive Committee. Mr. Van Wagenen also serves as a director of the Domestic Petroleum Council and a member of the Executive Committee of the U.S. Oil & Gas Association. He is currently Chairman of the Board of Directors of the Greater Houston YMCA and a member of the All-American Wildcatters and the National Petroleum Council. Prior to joining us in 1979, Mr. Van Wagenen worked for Exxon.</p>
	<p>Robert H. Campbell has been a Managing Director of Lehman Brothers (Lehman) and Lehman's Director of Public Finance, North Pacific Division, for more than five years. Mr. Campbell, 59, has served as a Director of our 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.</p>
	<p>Charles G. Groat currently serves as the Director of the Center for International Energy and Environmental Policy and as the Director of the Energy and Earth Resources Graduate Program at the University of Texas at Austin. Before joining the University of Texas at Austin, Dr. Groat served for more than six years as Director of the U.S. Geological Survey, having been appointed by President Clinton and retained by President Bush. Dr. Groat, 67, has served as a Director of our company since 2005 and serves as a member of the Audit and Management Committees.</p>
	<p>Daniel S. Loeb is Founder and CEO of Third Point LLC, a registered investment advisor founded in 1995. Mr. Loeb, 45, is also Director of Massey Energy Corporation and Director of BioFuel Energy, LLC. He is a Trustee of Prep for Prep, an organization dedicated to providing education for underprivileged youth. Mr. Loeb has served as a Director of our Company since March 2007. The Board of Directors plans to appoint Mr. Loeb to the Executive and Management Committees at its April 2007 meeting.</p>

CURRENT DIRECTORS WITH TERMS EXPIRING IN 2008 AND 2009

The following table sets forth information concerning the six of our Directors not standing for re-election at the 2007 Annual Meeting of Shareholders, including the business experience of each during the last five years.

	Name and Business Experience
	<p>Jerry M. Armstrong is currently engaged in the ranching business and managing his personal investments. Prior to his retirement six years ago, Mr. Armstrong was a senior partner with a public accounting firm for more than five years. Mr. Armstrong, 71, has served as a Director of our 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 2009.</p>
	<p>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, 62, has served as a Director of our company since 2004 and serves as a member of the Compensation, Management and Nominating and Corporate Governance Committees. His present term expires in 2008.</p>
	<p>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, 53, has served as a Director of our company since 1993 and currently serves as a member of the Audit and Management Committees. His present term expires in 2009.</p>
	<p>Bradley L. Radoff is a Senior Portfolio Manager at Third Point LLC, which he rejoined in 2006. Before rejoining Third Point, Mr. Radoff, 33, was the General Partner of Fondren Management from 2005 to 2006 and employed as an analyst at Lonestar Capital from 2003 to 2004 and the Citadel Investment Group from 2000 to 2003. Mr. Radoff has served as a Director of our Company since March 2007. The Board of Directors plans to appoint Mr. Radoff to the Compensation, Nominating and Corporate Governance and Management Committees at its April 2007 meeting. His present term expires in 2008.</p>

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 Chair of the Board of Trustees of Xavier University of Louisiana and 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, 68, has served as a Director of our 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. Her present term expires in 2009.

Stephen A. Wells has been President of Wells Resources Inc. for more than five years. Mr. Wells, 63, has served as a Director of our 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 Chairman of the Board of Directors of Oil States International, Inc. His present term expires in 2008.

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), Gong and Groat; 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 Mrs. Suggs (Chairwoman) and Messrs. Armstrong, Campbell, Fry, Gong, Groat and Wells. Pursuant to the agreement with Third Point described above under "Recent Developments," the Board of Directors plans to appoint Mr. Loeb to the Executive and Management Committees and Mr. Radoff to the Compensation, Nominating and Corporate Governance and Management Committees at its next meeting.

The Board of Directors has affirmatively determined that Messrs. Armstrong, Campbell, Fry, Gong, Groat and Wells and Mrs. Suggs are independent within the meaning of the listing standards for general independence of the New York Stock Exchange. Mr. Van Wagenen is not considered to be independent under such standards because he is an employee of our company. Messrs. Loeb and Radoff have informed us that they have no relationships that would preclude either of them from being considered independent under the New York Stock Exchange standards; however, the Board of Directors plans to assess their independence at its next meeting. Under the listing standards, a majority of our directors are required to be independent, 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 requirements. 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. As permitted under the listing standards of the New York Stock Exchange, the Board of Directors has adopted categorical standards to assist it in making determinations of independence. The Board of Directors, however, considers all relevant facts and circumstances in assessing whether a director is independent. A relationship falls within the categorical standards if it:

- is a type of relationship addressed in Section 303A.02(b) of the New York Stock Exchange Listed Company Manual, but under those rules does not preclude a determination of independence; or
- is a type of relationship or transaction addressed in Item 404 of Regulation S-K of the SEC, but under that item does not require disclosure; or
- consists of charitable contributions by us 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 our securities (determined as provided in Rule 13d-3 under the Securities Exchange Act of 1934) of less than 10% of our outstanding common stock.

In assessing Mr. Wells' independence, the Board of Directors considered the receipt by Wells Resources Inc., which is owned by Mr. Wells and his family and for which he serves as President and director, of overriding royalty payments from certain of our properties. The Board of Directors determined that this relationship was immaterial and does not affect Mr. Wells' independence because Wells Resources acquired the interests from third parties or we acquired the properties from third parties subject

to the overriding royalty interests, and because the amounts paid by us to Wells Resources were below 1% of its consolidated gross revenues and did not amount to \$100,000 in any 12 month period in the preceding three years. Further, effective January 1, 2007, we sold the property that accounted for substantially all of the payments to Wells Resources. The Board of Directors also considered drilling services and other commercial transactions between our company and Oil States International, Inc., a publicly traded company for which Mr. Wells serves as a director and non-executive chairman (our Nominating and Corporate Governance Committee approved Mr. Wells' acceptance of the non-executive chairman position). The Board of Directors determined that this relationship was immaterial and does not affect Mr. Wells' independence because his interest in such transactions arose only from his position as a director of Oil States. None of the other independent directors has ongoing relationships relevant to a determination of independence that were outside the scope of the Board's categorical standards.

The Audit Committee

Among other responsibilities, the functions of the Audit Committee include: engagement, oversight and retention of an independent registered public accounting firm to audit our financial statements; pre-approval of audit and non-audit services, including engagement fees and terms; meeting with our independent auditor and financial management to review the scope of the proposed audit; following the audit, reviewing results of the audit with the independent auditor; reviewing with the independent auditor and our officers our significant accounting policies and our internal control policies and procedures; providing opportunities for the independent auditor to meet with the Audit Committee and our officers; resolution of any disagreements between management and the independent auditor; reviewing our 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; meeting with our 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 our website at www.pogoproducing.com, and any shareholder who so requests may obtain a printed copy from us. The 2007 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 our 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 of our officers; and administering long-term compensation under our incentive plans, including the granting of restricted stock, stock options and bonuses to key employees. The Compensation Committee may delegate responsibilities to subcommittees it has formed to assist in its work to the extent permitted by law, New York Stock Exchange listing standards and our governing documents. The amount and form of compensation awarded by the Compensation Committee to its executive officers other than the Chief Executive Officer are based in part on the recommendations of the Chief Executive Officer and in most cases track those recommendations. Director compensation is reviewed periodically by the Compensation Committee and by executive management and was modified by the Board in 2006 based upon recommendations of the Chief Executive Officer to the Compensation Committee, which in turn recommended the changes to the Board.

The Co