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Record Group/Collection: Donated Historical Materials
Collection/Office of Origin: Bush, George H.W., Collection
Series: Personal Papers
Subseries: Zapata Oil File, Business Alphabetical File

OA/ID Number: 25846
Folder ID Number: 25846-003

Folder Title:
Australian Associate - GHWB [1965-1966]

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Ans

February 14, 1966

Dear Dick,

Your letter of February 8th arrived Saturday. I immediately took it to Doyle Mize and Bill Flynn, and I am sure you will be hearing from them very soon in regard to all the details.

Both of them are anxious to work out the final arrangements on the deal. I will go over all the points with them today.

Best regards.

Yours very truly,

George Bush

Mr. Dick Dumbrell
Oil Drilling & Exploration, Ltd.
93 York Street
Sydney, N.S.W., Australia

C
O
P
Y

OIL DRILLING & EXPLORATION LIMITED

MEMORANDUM

14th January, 1966

FROM G. G. Goddard
TO G. Bush
SUBJECT Zapata - O. D. E. Pty. Ltd.,

At the last minute before Hoyt leaves, we have received the draft of the Articles of Association. The Solicitors advise us that they have not yet finalised the Memorandum, which sets out the "objects" of the Company and they are incorporating your own wordings from the By-laws and Regulations you sent us. This is not so important as the Articles.

Perhaps Mr. Murphy can go through these in detail and let us have his comments. Is he still coming to Australia? If so, when?

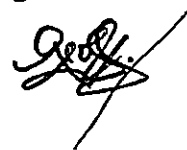
As Hoyt will tell you we have had a real "off-on" week, with things looking a lot better to-day.

We are all ready to go on the conversion aspects and are looking forward to getting something to work on.

I feel we can leave the final company arrangements until you arrive in March, by which time Murphy and Clayton Utz & Co. will have sorted out some of the legalities. We can then decide on this "bear-boat charter" or "the Company owning everything" deal.

We are all set to raise 40% of \$1 million dollars as our first contribution and would hope that the project would carry the rest of the borrowings ^{individually} ~~individually~~. However, as our cash raising is tied to further funds required for our own Rig 11, we do not wish to make this equity raising until we are certain the off-shore project will eventuate as we do not wish to make two separate raisings when one will do.

Best regards,



December 22, 1965

Dear Dick,

It was good talking to you last night on the 'phone. It sounds to me like we have a darn good chance to get this thing.

On talking about the matter here, it seems to me that both Russ and Hoyt should come out to Australia for the early January meetings. They are tentatively planning to leave here on January 1st, putting them there in time for meetings on Monday, January 3rd.

It may be a waste---having two---but I don't think so. Russ is so familiar with the selling on this job that we feel both of them should come.

I am bearing in mind that you want me to make an appearance later on, and I am looking forward to coming out there whenever you feel it would be useful.

I think it's important that we not spare the horses on this deal, doing everything in our power to get it. We are talking here further about the desirability of my going up to New York to see Wayne Glenn, the top production man in Continental's worldwide set-up. I have been reluctant to do this in the face of your call last night saying that apparently Continental, New York, is not holding up the deal. I don't want to be too pushy on this, but I do know Glenn pretty well and would be in a position to touch base with him on it. I also will be seeing Mac McCollum at a party for my family tomorrow and I will talk to him a little on the deal. Should he know about it and have anything to contribute, we'll pass the information along to you.

Mosby just talked to Pat Linton who was reporting back on his conversation today with Dewhurst. Dewhurst is all in favor of the trip to Australia. He feels that Woodside is firmly committed and he is most anxious that we get Conoco off center.

Russ has also talked to Phillips about the weather, and before he gets to Australia next time he will have had a person to person chat with Merrill of Phillips. Apparently, there are weather problems, but he feels that Phillips is certainly not opposed to using the vessel.

Best to you and Geoff for happy holidays.

Best regards,

GB:as
Mr. R. Dumbrell
Oil Drilling & Exploration, Ltd.
93 York Street
Sydney, N.S.W., Australia

George H. W. Bush

Bush Library Photocopy
Preservation

ZAPATA OFF-SHORE COMPANY

1701 HOUSTON CLUB BUILDING

HOUSTON 2, TEXAS

December 20, 1965

MEMORANDUM: Action to be taken as a result of Honolulu conference-
Prepared by G. Bush.

CC TO: ZAPATA: Bush, Gow, Taylor, Mosby, Murphy
O.D.E.: Dumbrell, Goddard

Action to be
taken by:

GENERAL

ZAPATA-- Full data on Nola III well for Conoco in Persian Gulf.
Mosby Analysis of drilling reports. This well is an apparant
stumbling block to Conoco's Australian people.
Furnish O.D.E. with facts on this.

SELLING

O.D.E.-- Will contact Conoco Australia on Tuesday and will
Dumbrell advise Zapata of findings.
O.D.E.-- Re-contact Aquitaine. Will advise Zapata if Linton
Dumbrell can be useful in contacting Aquitaine.
ZAPATA-- Will report to O.D.E. on the problem about "who will
Bush operate"--Bush to talk to McCollum or Glenn on this.

BOATS

O.D.E. O.D.E. will check duty on boats. O.D.E. will check
availability of crew boats in Australia. It appears

MEMO: Action to be taken
as a result of
Honolulu conference

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December 20, 1965

Action to be
taken by:

O.D.E.-- no crew boats built outside Australia to be let in.
ZAPATA-- Further data on Smit deal for O.D.E. If Nola lost,
Mosby what is our deal with Smit?
Generally preferable for Burmah deal directly with
boat people.

REGISTRATION AND REGULATIONS

Will get dope on what requirements will be made of
new vessel. Question of AB's--will they be required?
ZAPATA-- Coast Guard? ABS? all assuming vessel largely
Taylor converted in Australia.
O.D.E.-- Further data on "Lloyds requirements". Any special
manning requirements?
O.D.E.-- All favor U. S. Flag--no problems foreseen. O.D.E. to
check further.
What authority in Australia will control on wiring,
O.D.E.-- piping, quarters, etc. Does Commonwealth Navigation
Act apply? O.D.E. advise Zapata of these requirements.

RIG CONVERSION

ZAPATA-- Check reduced cost and time of tow if sponsons added
Mosby in Australia--definitely preferable to add sponsons
there. Advise O.D.E.

MEMO: Action to be taken
as a result of
Honolulu conference

-3-

December 20, 1965

Action to be
taken by:

O.D.E.-- Check shipyard availability figuring two weeks dry
dock time to install sponsons. (O.D.E. generally
feels dry dock time available.

ZAPATA-- It was decided to proceed immediately on getting set
Taylor of drawings. Hoyt will contact Breit and commence
this work. Advise O.D.E. of cost on these.

ZAPATA-- Question of Diesel Hammer--Who furnishes?--Advise O.D.E.
Mosby Question of Schlumberger-Halliburton--Who furnishes?--
Advise O.D.E.

ZAPATA-- Further data to O.D.E. on flume stabilizers. Zapata
Mosby to get price information on this. Mosby and Taylor
discuss and advise O.D.E.

O.D.E.-- Radio information from Post Office department in
Australia. Advise Zapata of any unusual requirements--
none contemplated.

O.D.E.-- Will check on cranes and anchor windlasses availability?
Duty? O.D.E. advise Zapata.

ZAPATA-- Furnish additional windlass data to O.D.E. Also addi-
Taylor tional crane data.

O.D.E.-- Will make recommended list of spare parts--forward to
Zapata for review.

ZAPATA-- Get competitive quotes on all drilling machinery.
Taylor

December 10, 1960

Action to be
taken by:

ZAPATA-- Specify quote both U. S. and U. K. origin. In obtaining
Taylor quotes, try for maximum flexibility on following
financial points:

- a) interest (shoot for 6%)
- b) term -- 3-4 years
- c) initial payment--when barge ready to work
- d) down payment--minimal or none

CORPORATE

O.D.E.-- Proceed with formation of Zapata-O.D.E. Pty. Ltd.
Initial capital contribution \$6,000 U.S.-Zapata
\$4,000 U.S.-O.D.E.

O.D.E. will send Zapata a draft of Memorandum and
Articles of Association.

ZAPATA-- Bush will write up and mail O.D.E. suggested plan under
Bush which O.D.E. charters rig to new company and Zapata
charters barge and improvements to new company. This
memo will spell out Zapata's tax problems and will
cover financing possibilities under this plan.

O.D.E.-- Will explore its own position further and advise Zapata
after receiving Bush's memo of favored course of action.
O.D.E. will discuss size of its own position and advise
Zapata if it would like Zapata to acquire more than
60 per cent:

MEMO: Action to be taken
as a result of
Honolulu conference
Action to be
taken by:

-5-

December 20, 1965

ZAPATA-- Immediately mail to Goddard Zapata's Articles of
Bush Incorporation and By-Laws

EXPENSES

ZAPATA-- It was agreed that each company absorb for its own
Gow account all expenses to date except the following
& which will be itemized and eventually reimbursed to
O.D.E.-- Zapata and to O.D.E. by Zapata-O.D.E. Pty. Ltd.:

1. Mosby trip to Australia
2. Goddard trip to U. S. A.
3. Honolulu conference--all four persons
4. Option costs.

All expenses directly related to this venture by either party henceforth to be for account of Zapata-O.D.E. Pty. Ltd.

INSURANCE

ZAPATA-- Furnish O.D.E. with rate on new vessel. Can it go
Mosby under Zapata's broad hull coverage.

PERSONNEL

ZAPATA-- Zapata to contact Martin Oudshorn to determine his
Taylor availability for assignment to project in Australia.

MEMO: Action to be taken
as a result of
Honolulu conference

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December 20, 1965

Action to be
taken by:

CONTRACTUAL WITH BURMAH

ZAPATA-- Patent clause-be sure any infringement on so called
Mosby Shell patents or any royalty be for account of operation.

ZAPATA-- Zapata clarify "management" paragraph in letter to
Mosby Burmah-- and advise O.D.E. (Third from last paragraph
on page 2 of Burmah letter) Zapata to advise O.D.E.

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DICK DUMBRELL, O.D.E.
GEOFF GODDARD, O.D.E.
HOYT TAYLOR, ZAPATA
CC: GEORGE BUSH, ZAPATA

FROM: GEORGE H. W. BUSH

DATE: December 20, 1965

SUBJECT: MINUTES OF MEETINGS IN HONOLULU - December 15-16, 1965, Hilton Hawaiian Village
Room 520

Persons attending: For Zapata - George Bush, Hoyt Taylor; for O.D.E. - Dick Dumbrell, Geoff Goddard

Purpose of Meetings: To discuss operation in Australian waters of a floating drilling vessel for Burmah Oil Company, et al.

December 15th - 10 a.m. to 5:30 p.m.

THE DEAL

Review Burmah proposal. Discussed Conoco Australians feelings that:

- a. Over-the-side drilling dangerous.
- b. Self-propelled can get off of well easier.
- c. Undercurrent that Nola III not performed, and released in Persian Gulf.

Zapata refuted these points as follows:

- a. Vessel can drill both over the side and through middle, thus vastly increasing versatility. Over-the-side not dangerous---perhaps less efficient when vessel rolling, but plus factors such as completing above surface and drilling with preventers above surface when weather permits far outweigh minus.
- b. Self-propelled can't get off location easier - can run for port under own steam but this rarely happens, and for simply pulling back, anchor winches used on both types.
- c. Persian Gulf job did encounter bad weather but on balance, well kept Conoco happy (per Mead in N. Y. City) and Conoco, N.Y. wanted option to drill other well. Had the performance been miserable, Conoco would have simply turned vessel loose without trying to keep option.

Dumbrell felt Conoco might be coming around on objections.

O.D.E. reported on meeting called by Conoco with all operators. Meeting disrupted by wire from Burmah, London, saying they had signed with Zapata.

Dumbrell reported Mr. Joe Tanner, Phillips Manager, had decided to recommend that Phillips use this vessel for 12 to 18 months' work after Burmah. Suggest Russ again touch base with Merrill.

ZAPATA OFF-SHORE COMPANY
INTER-OFFICE CORRESPONDENCE

TO: DUMBRELL, GODDARD - O.D.E.
TAYLOR, BUSH - Zapata

FROM: George H. W. Bush

CC:

DATE: December 20, 1965

SUBJECT: Meeting, Dec. 15-16, 1965 - Honolulu, Hawaii

Aquitaine talking about 1-year contract.

A discussion on floating drilling ensued, with Zapata emphasizing that this method has weather limitations but that in essence the YF can perform as well as Glomar type.

SELLING

It was agreed to:

1. Re-contact Phillips.
2. Conoco, Sydney, probably will come around.
3. Dumbrell will re-contact Aquataine and let Zapata know if Linton can help.
4. Qumbrell felt if got Burmah job, Phillips would sign shortly thereafter.
5. Superior - down the road, not necessary proceed now.
6. Major problem - "Conoco wants to operate." Apparently whichever company commits to rig or can get it going first will operate. Important point.

BOATS

The Smit-Lloyd workboat deal was discussed. All parties agreed it would be preferable to have no obligation on boats at all. Zapata explained Smit deal as now constituted. All agreed major attempt to totally limit liability on boats.

In Australia, a 42.5% duty on boats. Workboat can't be built in Australia on time. Should explore UK preference.

Crewboats discussed. Probably available Australia. Doubtful if can import same. New company might want to build crewboats in Australia.

Zapata agreed to explore boat relationship. What happens if YF lost - what are obligations on boat?

Discussion of what type crewboats needed. No firm conclusion. Zapata will recommend. O.D.E. will gather info on available equipment.

ZAPATA OFF-SHORE COMPANY
INTER-OFFICE CORRESPONDENCE

TO: DUMBRELL, GODDARD - O.D.E.
TAYLOR, BUSH - Zapata

CC:

FROM: George H. W. Bush

DATE: December 20, 1965

SUBJECT: Meeting, Dec. 15-16, 1965 - Honolulu, Hawaii

REGISTRATION

It was agreed it was probably best to keep U. S. flag.

ODE discussed "Lloyd's requirements" and Zapata discussed U. S. Coast Guard and ABS (America Burmah Shipping).

ODE feels arrangements will be scrutinized closely since Glomar lost 2 lives.

Discussion on manning. Are Able Bodied Seamen required? ODE felt several seamen might be required.

Zapata stated safety requirements would be met - lights, life saving equipment, alarms, horns, etc.

ODE - Zapata both to check further on requirements.

Goddard brought up that Commonwealth Navigation Act will probably control much of outfitting in Australia.

ODE reported that the more work done in Australia, the better. They had sold Minister on our eagerness to utilize Australian goods and services as much as possible. Dumbrell felt unlikely other non-Australian outfitted vessels would be permitted in if deal such as ours available.

This "Buy Australian" deal discussed and importance emphasized.

Glomar in on permit but can be kicked out. Original estimates on one deal as presented to Minister showed 36% spent in Australia. Sponsons in yard there would increasethis.

THE RIG & CONVERSION

Emphasis again on Australian yard.

Agreed sponsons could be added in Australia - reduction in towing time. ODE felt 2 weeks dock time definitely available, will check.

Upon receipt of deal, following would happen:

1. Execute option.

2. Tow out.

FORM NO 138 3. Arrange yard - Taylor should make final on-site yard inspection but ODE will send preliminary data.

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ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DUMBELL, GODDARD - O.D.E.
TWYLER, BUSH - Zapata

FROM: George H. W. Bush

CC:

DATE: December 20, 1965

SUBJECT: Meeting, Dec. 15-16, 1965 - Honolulu, Hawaii

4. Drawings to start now. Zapata & ODE agree to share costs 60-40. Zapata will advise ODE of cost estimate.

RIG UP

Derrick should be built in states and sent out. Long discussion of various derrick possibilities - may go to mast. Zapata will investigate.

On the rig, ODE has nothing available. Some back up parts, etc.

Long discussion on rig size and type. It was generally agreed to use all new equipment as follows:

- a. Drawworks - Nat'l 130 size.
- b. Derrick - Mast on std. - 1
- c. Rotary - 27½
- d. Pumps - 2 - 1350 and 1400 h.p.
- e. Pipe - Range 2 - 15,000' (12,000' - grade E, 3,000 - grade C)
- f. Mechanical drive.
- g. Engines - CAT 398's.
- h. Meco Unit - check on these.
- i. Preventers - Discuss with Mosby on return to USA.
- j. Diesel hammer - ask Mosby.
- h. Bumper subs - buy from USA.
- i. Collars - buy from USA.
- j. Shaker - Thompson.
- k. Closing Units & Bulk Mud - USA.
- l. Spares - ODE will make recommended list, Zapata will review.

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DUMBRELL, GODDARD - O.D.E.
TAYLOR, BUSH - Zapata

FROM: George H. W. Bush

CC:

DATE: December 20, 1965

SUBJECT: Meeting, Dec. 15-16, 1965 - Honolulu, Hawaii

Importance of getting suppliers to quote on UK origin as well as US origin emphasized.

Agreed Zapata would get competitive bids on best possible terms.

A discussion ensued on flume stabilizers. Taylor explained principle. Zapata agreed to check further on costs, etc.

Discussed radio frequencies - no problem foreseen.

PERSONNEL

A long discussion followed on personnel. Apparently no work permit problem. Australian drillers generally good. Make same rate as ours. Welders, mechanics and electricians can be Australian furnished.

The existence of a militant seaman's union was discussed.

Zapata emphasized importance of experienced offshore superintendent and pusher types.

Discussed possible helicopter use - operator's account.

The day ended with general discussion of type of people needed to do the job, and general discussion on nature of work.

December 16th - 9 A.M. Meeting

CORPORATE SET-UP

Bush asked what ODE's long term objectives were. ODE replied eventual desirability of having Australian public shareholders. Dumbrell discussed the trend towards more local ownership.

At the outset, ODE would own its shares.

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Preservation

Maximum corporate tax in Australia is 42½%.

On this deal ODE has no tax problem. Depreciation is 30% the first year, then 30% on declining balance thereafter. New company will pay us taxes for first 18 months or so.

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DUMBRELL, GODDARD - O.D.E.
TAYLOR, BUSH - Zapata

FROM: George H. W. Bush

CC:

DATE: December 20, 1965

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Bush brought up desirability of having area of interest and possibility of buying ODE's interest if necessary to move rig out of Australia for lack of work.

All agreed goal is to build important offshore company in Australia - prospects promising.

Bush discussed two proposals which he felt would reduce Zapata's tax liability from 51% to 48% without adversely affecting ODE. ODE felt a jointly-owned subsidiary essential as ODE desirous of limiting liability as much as possible. Bush will write up general proposal and mail to ODE for further consideration.

Further talks about depreciation - maximum rates in respect of drilling equipment - 20% straight line or 30% diminishing value.

ODE pointed out if US manufacturer sells rig and keeps mortgage, then ODE has to withhold 42½% (the tax rate) of the 6%-7% interest charge. IDECO, for this reason, has been waiving mortgages.

Any deal to be acceptable to ODE should have limit of liability feature built into it.

A discussion ensued as to Zapata's taking more than 60% initially. Bush emphasized Zapata interested in equity position - not debt position. Open minded on taking more equity. More discussion on nationalistic ownership - not essential have 51%, but eventual public participation important. At outset, new company better off since has substantial Australian ownership - though private, it is Australian.

A name was agreed on: ZAPATA-O.D.E. Pty, Ltd.

It was agreed to form this company with two shareholders, four directors - of these, two ODE, two Zapata - with Bush as chairman.

Company will be taxed as a publicly-owned company since its shareholders are publicly owned, thus avoiding more overseas taxation of privately-owned company.

Working capital - minimum requirement can be handled on overdraft basis.

Local registry - probably New South Wales.

Goddard will submit Articles of Association and Memorandum to Zapata.

Authorized capital - \$10 Million U.S. (Australia soon going to dollar and cents system.) Should have substantial initial capital.

Withdrawal/Redaction Sheet

(George Bush Library)

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	CLASS.
01. Memo	From George Bush to Goddard Dumbrell RE: Personnel information (1 pp.)	12/20/65	C	
COLLECTION George Bush Personal Papers Zapata Oil File Business Alphabetical Files				
FILE LOCATION Austrailian Associate - GHWB [1965 - 1966] OA/ID Number Date Closed 01/05/00				

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

F-1 National security classified information [(b)(1) of the FOIA]
 F-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 F-3 Release would violate a Federal statute [(b)(3) of the FOIA]
 F-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DUMBRELL, GODDARD - O.D.E.
TAYLOR, BUSH - Zapata

FROM: George H. W. Bush

CC:

DATE: December 20, 1965

SUBJECT: Meeting, Dec. 15-16, 1965 - Honolulu, Hawaii

Friday, Dec. 17th - A.M.

Trip across Pali Pass. General discussion of operation and rig. Dumbrell and Taylor again review major equipment. Updated Sidewinder list.

Telefax

WESTERN UNION

Telefax

SENDING BLANK



CALL LETTERS TDW LT CHARGE TO ZAPATA OFF-SHORE COMPANY

LT

July 30, 1965

Australia

DICK DUMBRELL
OILDRILL
SYDNEY (AUSTRALIA)

LOOKING FORWARD YOUR VISIT EARLY AUGUST ADVISE EXACT DATE AND
WE WILL MAKE HOTEL RESERVATIONS stop SUGGEST YOUR STAFF
ATTEMPT GET FURTHER INFORMATION REGARDING BOTTOM CONDITIONS
OFFSHORE VICTORIA AND ANY OTHER INFORMATION PERTAINING TO WIND
AND MAXIMUM WAVE HEIGHTS BEFORE YOU COME stop WE ARE PREPARED
TO SUBMIT JOINTLY WITH YOUR COMPANY BID TO ESSO AUSTRALIA stop
THANKS FOR YOUR ATTENTION AND CONSIDERATION TO ME WHILE IN
AUSTRALIA REGARDS

MARK GARDNER

cc: G. Bush

Send the above message, subject to the terms on back hereof, which are hereby agreed to

PLEASE TYPE OR WRITE PLAINLY WITHIN BORDER—DO NOT FOLD

1269—(R 4-55)

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unreported message rate is charged in addition. Unless otherwise indicated on its face, this is an unreported message and paid for as such, in consideration whereof it is agreed between the sender of the message and the Telegraph Company as follows:

1. The Telegraph Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unreported message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the reported message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Telegraph Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the reported message rate is paid or agreed to be paid and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The Telegraph Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. The applicable tariff charges on a message destined to any point in the continental United States listed in the Telegraph Company's Directory of Stations cover its delivery within the established city or community limits of the destination point. Beyond such limits and to points not listed in the Telegraph Company's Directory of Stations the Telegraph Company does not undertake to make delivery but will endeavor to arrange for delivery by any available means as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee.

5. No responsibility attaches to the Telegraph Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Telegraph Company's messengers, he acts for that purpose as the agent of the sender; except that when the Telegraph Company sends a messenger to pick up a message, the messenger in that instance acts as the agent of the Telegraph Company in accepting the message; the Telegraph Company assuming responsibility from the time of such acceptance.

6. The Telegraph Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Telegraph Company, (a) within ninety days after the message is filed with the Telegraph Company for transmission in the case of a message between points within the United States except in the case of an interstate message in Texas or between a point in the United States on the one hand and a point in Alaska, Canada, Mexico or St. Pierre-Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 25 days after the date of action, if any, shall have expired in the case of an interstate message in Texas, and (c) within 180 days after the message is filed with the Telegraph Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934, as amended.

7. It is agreed that in any action by the Telegraph Company to recover the tolls for any message or to enforce the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Telegraph Company is authorized to vary the foregoing.

4-34

CLASSES OF SERVICE

DOMESTIC SERVICES

TELEGRAM

The fastest domestic service.

DAY LETTER (DL)

A deferred same-day service, at low rates.

NIGHT LETTER (NL)

For night or off-peak service. Accepted up to 2 A. M. for delivery the following morning. At rates lower than Day Letter or Telegram rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The fastest overseas service. May be written in code, cipher, or in any language expressed in Roman letters.

LETTER TELEGRAM (LT)

For overnight plain language messages, at half-rate. Minimum charge for 25 words applies.

SHIP RADIOGRAM

For messages to and from ships at sea.

G.H.W.B.

OIL DRILLING & EXPLORATION LIMITED

HEAD OFFICE: 93 YORK STREET, SYDNEY, N.S.W., AUSTRALIA

Telephone: 29 7961-3 Cables: "Oil-drill" Sydney

RD/JMV

June 7, 1965

415 + 112 + 13

Mr. Jack Spinks,
Exploration Manager,
Shell Development (Australia) Pty. Ltd.,
532 Bourke Street,
MELBOURNE. VIC.

Dear Jack,

Our company recently became associated with Zapata Off-Shore Company, one of America's leading offshore contractors.

An executive of Zapata, probably their President, Mr. J.M. Gardner, expects to arrive in Sydney about June 20 and I would like to contact you at this time and arrange an appointment to discuss your possible offshore drilling operations.

I will telephone you as soon as I have definite news of Mr. Gardner's arrival and I hope you will be able to find time to see us when we visit Melbourne.

Yours sincerely,
OIL DRILLING & EXPLORATION LTD.

Similar letter to :

R. Dumbrell
General Manager

Dr. G. M. Furnival, Managing Director, West Australian Petroleum P/L - Perth
Mr. T. W. H. Dee, Managing Director, Australian Oil and Gas Corp. Ltd. - Sydney
Mr. R. B. Withers, Managing Director, Woodside (Lakes Entrance) Oil Co. NL - Melb.
Mr. L. B. Robertson, General Manager, Frome-Broken Hill Co. P/L - Melbourne
Mr. Charles T. Easley, Resident Manager, Delhi Australian Petroleum Ltd. - Adelaide
Dr. J. J. Tanner, Australian Manager, Phillips Petroleum Company - Brisbane
Mr. W. E. Swales, Australian Manager, Marathon Petroleum Australia Ltd. - Brisbane
Mr. M. Labouysse, Senior Drilling Engineer, Australian Aquitaine Petroleum P/L - Bris.
Mr. A. Palenske, Resident Manager, Tasman Oil Pty. Ltd. - Brisbane.

Australia

December 14, 1965

Dear Wayne,

I am off in a few minutes for Honolulu---on business whether you believe it or not. There I am meeting our Australian partners, the president and treasurer of O. D. & E., the largest drilling contractor in Australia.

Zapata has a working arrangement with this fine company under which we will jointly conduct offshore operations in Australia.

The purpose of this letter is to simply tell you that we have made a bid to Burmah on converting a floating barge and sending it out to Australia. Burmah is extremely interested and, in fact, has indicated that our offer was low and that they wanted to proceed. Apparently, Continental has a minority interest in this project.

Russ Mosby is in touch with Mr. Mead and our Australian partners have been in touch with a couple of Continental hands out in Australia.

I did want to call this matter to your attention, not in an effort to exert pressure but simply so that you would know that we are vitally interested in getting this contract. I did not want to bother you about it, but I didn't want you to think that silence on my part indicated Zapata was not extremely interested.

I believe our vessel can do everything the Global vessel can do, and I think we can do it cheaper. We are not self-propelled and this results in a good cost saving to the operator since a large work boat capable of towing the vessel will be needed out there, anyway. Our proposal does not envision any mobilization fee from the U. S. to Australia.

I hope you and all the family have a wonderful Christmas. George gets home from college tomorrow night, and so we will all be together next weekend.

Best regards,

George H. W. Bush

Mr. Wayne Glenn
Continental Oil Co.
30 Rockefeller Plaza
New York, New York
GB:as

Bc: Mr. Russell Mosby

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Preservation

Australasian

April 22, 1965

Mr. Harold C. Price
P. O. Box 1111
Bartlesville, Oklahoma

Dear Harold:

We received a copy of the Australasian Oil and Gas Journal for March, 1965. In glancing through it I see that the Honorable A. D. Bridges, in addition to announcing an association of O.D.E. and Zapata, made a similar announcement pertaining to your association with that company. George and I thought you might be interested in a copy of the article.

During my association with Delta Drilling Company, I had occasion to make several trips to Australia and I can tell you that I hope for increased activity in that country so I can make some more. If you have not been there, I am sure you will be agreeably surprised when you make your first visit.

I hope your business is booming and everything in Bartlesville is okay. With kindest personal regards,

Sincerely,

JMG:cw
Encl.



bcc: Geo. Bush ✓

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REPORT ON AUSTRALIAN OFF SHORE EXPLORATION

I N T R O D U C T I O N

This report is not intended to be conclusive nor does it fully cover the many aspects of setting up an organisation to provide off shore contract drilling services in Australia.

The main purpose in compiling this report was to record the information given to J. M. Gardner and myself by the various oil company executives when we visited them in June and July. I have included some other information that may prove useful.

The report is divided into four sections ..

- | | |
|-----------|--|
| Section 1 | Companies contacted by J. M. Gardner (Zapata) and R. Dumbrell (ODE) - June-July, 1965. |
| Section 2 | Prospects for off shore contract drilling. |
| Section 3 | Possibility of constructing sections of off shore equipment in Australia. |
| Section 4 | Some aspects of operating conditions in Australia. |

- - - -

SECTION 1

Companies contacted by J.M. Gardner
(Zapata) and R. Dumbrell (ODE) -
June-July, 1965

Continental Oil Co. of Australia Ltd.

ICI Building, Macquarie Street,
Sydney - Telephone 27-3953

Interests in Off Shore Petroleum Tenements :

20% interest in PEP 42 - Victoria - area in sq. miles - approx. 700

Continental and BOC of Australia Ltd. have recently acquired interests of 20% each in Woodside (Lakes Entrance) Oil Co. NL's Petroleum Exploration Permit No. 42. This concession extends 8 miles from the Gippsland Coast and borders Esso's and Haematites off shore lease.

Discussions with -

Mr. E. Abbott, Vice President - June 25, 1965
(Mr. S. Shaffer, President, arrived in Australia a few days after we talked with Mr. Abbott).

Comments -

Continental have an agreement with BOC that either company can become the operator on PEP 42, Victoria. The operating company will be the first party to arrange for an off shore rig to be on site and it would appear that BOC have shown more initiative in this connection than Continental.

As the off shore area is only 8 miles to seaward there is some doubt in the industry whether the lease will be as productive as Esso's and the value of this area may well rest on the drilling of the first two wells.

In the agreement with Woodside (Lakes Entrance) Oil Co. NL, BOC and Continental must commence drilling operations by July 1, 1967.

Mr. Meade, Vice President of Continental Oil Co. in New York can be contacted if necessary.

Esso Exploration Australia Inc.

280-288 George Street,
Sydney - Telephone 2-0557

Interests in Off Shore Petroleum Tenements :

50% interest in Petroleum Exploration Permits 38, 39, 40 (Victoria), Exploration Licence 1/60 (Tasmania) and Exploration Licence 26 (South Australia) - Total area in sq. miles - 60,375.

The holder of the foregoing Permit areas is Haematite Explorations Pty. Ltd. This company is a wholly owned subsidiary of Broken Hill Pty. Co. Ltd. - the largest private enterprise in Australia.

Discussions with -

Mr. John Hamlin, General Manager) June 25 and
 Mr. Ed. Stanley, Drilling & Production Manager) July 2, 1965
 (Mark Gardner and Eddy Grey (ODE) visited Glomar III on June 28
 and met Esso's Bill Bohlmann)

Comments -

Esso have now drilled two wells on the first of several structures that have already been determined by seismic. The second well was $2\frac{1}{2}$ miles from their Gippsland Shelf #1. Details of drill stem tests conducted on the two wells have prompted Esso to announce that they have a commercial gas field.

The gas field is only 50 miles from a high pressure line at Morwell, Victoria, which now transmits coal gas to Melbourne.

Esso have had many problems in drilling the two wells especially the first, although they are most reluctant to acknowledge any difficulties. In addition to drilling and completion difficulties, two men were washed overboard from the workboat one night recently and were not recovered.

A copy of Esso's Wave, Wind, Pitch and Roll Chart is enclosed and is the only comprehensive information available on sea conditions in the area. Wave height has probably reached 30' in the past during severe storms with winds of 70 mph.

Esso will be drilling development wells in water up to 190' although this factor may alter after they drill more wildcats with Glomar III further south from the mainland.

Esso claim that several off shore contractors have been in touch with them and from discussions with people in the industry I would say that at least two contractors have visited them in Australia. Probably others have made approaches to Esso's office in New York.

Esso said they have told the other contractors the same as they conveyed to us -

- (1) They are interested in receiving proposals to provide suitable off shore equipment to drill on their Victorian Concessions.
- (2) They have no particular preference for a type of drilling unit and will compare the proposals submitted on their merits.
- (3) They consider that off shore contractors should be willing to gamble on future work in Australian waters and that a maximum contract term of 18 months ought to be mutually satisfactory.
- (4) Any proposal from Zapata - ODE should be submitted to them on or about September 1, 1965.
- (5) They would like to commence drilling with a second off shore rig in about 12 months time.
- (6) Mr. Jim Roman of their New York office could be contacted if any contractor desired to do so although any proposal to Esso should be submitted to the Sydney office.

Australian Oil & Gas Corp. Ltd.

261 George Street,
Sydney - Telephone 27-1553

Interests in Off Shore Petroleum Tenements :

Holders of 90P in Queensland with farm in arrangements with
Gulf Oil Corp. (Operator) - Area in sq. miles - 57,000.
10% interest in PEP 42, Victoria (Holder - Woodside)

Discussions with -

Mr. D. McGarry (General Manager) - June 25, 1965

Comments -

AOG will not be the operating company in either of the foregoing
two off shore areas although they could exercise some influence
in the operations conducted on 90P in Queensland.

Gulf Oil Corp. will shortly commence seismic work on 90P in
Queensland.

BP Petroleum Development Aust. Pty. Ltd.

1-29 Albert Road,
Melbourne - Telephone 26-6911

Interests in Off Shore Petroleum Tenements:-

50% interest in Permit to Explore 236, Western Australia with
Abrolhos Oil NL - Area in sq. miles - 2300

Discussions with -

Mr. Hillyard, Exploration Manager - June 30, 1965

Comments -

BP will not be ready to become involved in using an off shore rig
until such time as they complete an exploratory drilling programme
on one or two small islands on their lease.

At the present time they are endeavouring to obtain a landing craft
sufficiently large to transport a rig to the Abrolhos Islands. To date
they have been unsuccessful in their attempts and if they are to proceed
with their island drilling operation a landing craft will probably have
to be brought in from overseas:

Woodside (Lakes Entrance) Oil Co. NL

792 Elizabeth Street,
Melbourne - Telephone 34-8011

Interests in Off Shore Petroleum Tenements :

Holder of PEP 42 in Victoria with farm in arrangements with BOC,
Continental and Australian Oil & Gas Corp. Ltd.

Holder of PE 213H in Western Australia with farm in arrangements
with BOC and Shell - Area in sq. miles - 103,700

Discussions with -

Telephoned Mr. R. B. Withers, Managing Director - June 30, 1965

Comments -

Woodside, under the terms of their agreement with BOC and Continental, will not be the Operating Company for the group's off shore drilling programme in Victoria and the same situation applies in Western Australia on PE 213H.

Frome-Broken Hill Co. Pty. Ltd.

31 Queen Street,
Melbourne - Telephone 62-2381

Interests in Off Shore Petroleum Tenements :

Holder of PEP 22 in Victoria - Area in sq. miles - 4000

Discussions with -

Mr. L. B. Robertson, General Manager - June 30, 1965

Comments -

Frome have cut their entire exploration programme and almost all of their personnel have been retrenched or transferred to associate companies.

Frome are now concentrating on arranging farm ins and it seems highly likely that they will conclude a deal with Shell Development for the off shore Area PEP22 as the latter company is anxious to match Esso's off shore activities.

The company has no immediate plans to conduct on or off shore exploration on its own account.

Shell Development (Aust.) Pty. Ltd.

532 Bourke Street,
Melbourne - Telephone 60-0201

Interests in Off Shore Petroleum Tenements :

Holders of PEL 112 (NSW) Interest in PE 213H (WA) with Shell and Woodside Holders of OP 127 (NT) Holders of OP 128 (NT) 50% interest in 70P (Qld)	Area in sq. miles - 4910 " " " " 103,700 " " " " 8439 " " " " 40,000 " " " " 6590
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Discussions with -

Mr. J. Spinks, Exploration Manager	)
Mr. R. Thomas, Petroleum Engineer	) June 30, 1965

Comments -

Shell Oil Co. is interested in off shore drilling as evidenced by the large areas that have been taken up by them in recent years.

The Australian Management feel that because nothing is known of the formations they are likely to encounter and because of the large area involved their first few wells should be drilled with a floating vessel. They realize the many problems in using a floater but consider it is the best unit to use on their wildcat work.

However, Shell Australia, will not be making any decisions on the type of off shore drilling rig to be used and Mr. Spinks informed us that their Mr. Van Bilberek of The Hague would be the man to contact in this regard.

Marathon Petroleum Australia Ltd.

Perry House,
Cnr. Elizabeth & Albert Sts.,
Brisbane - Telephone 2-4717

Interests in Off Shore Petroleum Tenements :

Holder of 104P, Queensland - Area in sq. miles - 11,000

Discussions with -

Mr. G. Robinson, Special Representative - July 1, 1965

Comments -

Marathon have no immediate plans to conduct off shore drilling operations. They have been adopting a "waiting" role in Australia to date and have made no real move to embark on an extensive on or off shore exploration programme.

Australian Aquitaine Petroleum Pty. Ltd.

Perry House,
Cnr. Elizabeth & Albert Sts.,
Brisbane - Telephone 2-2966

Interests in Off Shore Petroleum Tenements :

Holder of PE 221H, Western Australia)	Jointly with Arco Ltd.
" " OP 100, N. T.)	
Total area in sq. miles - 71,927	

Discussions with -

Mr. M. Labyousse, Senior Drilling Engineer.)	July 1, 1965
Mr. C. Menetrier)	

Comments -

Aquitaine would like us to keep them informed when Zapata - ODE have an off shore rig in Australia as they have no immediate plans for off shore drilling.

They indicated that their off shore area might only be drilled if their on shore concession in the Bonaparte Gulf proved of interest.

Phillips Petroleum Co.

150 Edward Street,
Brisbane - Telephone 31-2645

Interests in Off Shore Petroleum Tenements :

25% interest in P39 and P42 (Papua) - other partners.
Sunray 25% : Anacapa Corp. 20% : Tasman Oil 30% .
Area in sq. miles - 12,300

Discussions with -

Dr. J. Tanner, Manager - July 1, 1965

Comments -

Phillips are at present carrying out a fairly extensive and costly on shore exploration programme in Queensland and they do not contemplate that they and their partners will commence off shore drilling for some time.

Tasman Oil Pty. Ltd.

85 Eagle Street,
Brisbane - Telephone 2-5172

Interests in Off Shore Petroleum Tenements :

Holder of PE 235H, Western Australia - area in sq. miles - 19,400
30% interest in P39 and P42 - Papua - other partners.
Phillips 25% : Sunray 25% : Anacapa 20% - area in sq. miles - 12,300

Discussions with -

Mr. A. Palenski, Resident Manager - July 1, 1965

Comments -

Mr. Palenski stated that the company's Exploration Vice President and Mr. H. Keck and Mr. W. Keck were planning to visit Australia in August and during their stay decisions would be made on off shore exploration.

Tasman have not adopted an aggressive exploration approach to date and seem to be one of several organisations who are playing a "waiting" game. However, it is understood that they have mapped several promising off shore structures in the Gulf of Papua and as the parent company (Superior Oil Co.) has a long history in the off shore exploration it could well be that they will make a move soon to capture some of the Australian oil market.

BOC of Australia Ltd.

33 Macquarie Place,
Sydney - Telephone 27-6683

Interests in Off Shore Petroleum Tenements :

Has interest in PE 213H with Woodside (Holders) and Shell
Area in sq. miles - 103,700
Holders of OP108, Northern Territory - area in sq. miles - 6154
20% interest in PEP 42 with Woodside (Holders) and Continental & AOG

Discussions with -

Mr. J.D. Dewhurst, Manager - July 2, 1965

Comments -

BOC will be embarking upon off shore drilling operations in Victoria and Western Australia within the next 2 years.

In our discussions with Mr. Dewhurst we reached the following conclusions :

- (a) BOC preferred a floating vessel for their Australian off shore drilling ventures until such time as they reached the development stage.
- (b) BOC have probably already arranged to use an ODECO drilling unit.
- (c) The ODECO vessel will probably be used to drill firstly on PEP42 (near Esso's lease) and will then be transferred to WA or NT for wildcat work on the company's other concessions.

Delhi Australian Petroleum Ltd.

32 Grenfell Street,
Adelaide - Telephone 8-5481

Interests in Off Shore Petroleum Tenements :

Holds 50% of Authority to Prospect 58P, Queensland -
Area in sq. miles - 92,230.

Discussions with -

Mr. C. T. Easley, Resident Manager - July 5, 1965

Comments -

Delhi and their partners, Santos, are still concentrating their efforts on finding a commercial gas or oil field in South Australia. They have already discovered a gas field at Gidgealpa but apparently there is still doubt in some quarters that this field, because of its distance from markets, has not proved sufficient reserves are available to become an economic proposition.

Mr. Easley advised that his company and Santos had no immediate plans to explore the off shore area in the Gulf of Carpentaria but promised to keep Zapata - ODE in mind when drilling operations were being considered.

West Australian Petroleum Pty. Ltd.

251 Adelaide Terrace,
Perth, W.A. - Telephone 23-3941

Interests in Off Shore Petroleum Tenements :

Holders of Permits to Explore Nos 217, 225, 233, 237 in WA -
Total area in sq. miles - approx. 36,250.

Discussions with -

Dr. G.M. Furnival, Managing Director - July 6, 1965

Comments -

Wapet has spent more money on exploration in Australia than any other organisation. Their expenditure to date would be in excess of \$40, 000, 000.00 and until last year their efforts had met with very little success.

The Company has the largest concessions in Australia and often comes under criticism, especially from the new explorers, for holding too much acreage.

At the present time Wapet is the country's most active explorer and it is considered that they will have to maintain this place in the field otherwise the WA Government will be forced to bow to pressure and reduce the size of their concessions.

Wapet is planning late this year or early next to drill several stratigraphic wells on small islands in the Barrow Island area (where they already have 7 wells producing approx. 300 bbls per day each) and when results from this drilling can be determined they will probably then be in a position to decide on their off shore exploration programme.

Arco Limited

380 Queen Street,
Brisbane - Telephone 2-7058

Interests in Off Shore Petroleum Tenements :

Joint interest in PE 221H, Western Australia and OP 100, N. T.
with Australian Aquitaine Petroleum Pty. Ltd. - area in sq. miles - 71, 927

Discussions with -

Mr. G.W. Crickmay, Manager - July 12, 1965

Comments -

Arco do not have any definite plans to drill off shore but would like to be kept informed of rig availability, etc.

SECTION 2

Prospects for off shore Contract drilling

Many authorities, including Lewis G. Weeks, have stated a few years ago that Australian explorers should be looking at the Continental Shelf. They considered that much of our future production of oil and gas would be found off shore and they gave sound geological reasons why this should be so.

The move toward off shore exploration commenced in 1963. Most of the off shore petroleum tenements issued are now in the hands of, or under the control of, the major and overseas companies. A glance at the off shore permit map will clearly illustrate the point that the majority of the leases, including the supposedly "choice" areas, are held by overseas organisations.

This situation of control by the overseas companies, must be expected as off shore exploration in this country will be more expensive than most places in the world because of remoteness and the huge costs involved. No local company plans to explore off shore on its own account and indeed none of them could afford to become involved as active participants, at least until such time as they had production on the mainland and it was providing them with considerable income.

The Operating Companies who are most likely to embark on drilling programmes off shore within the next five years are :-

Esso Exploration Australia Inc.
BOC of Australia Ltd.
West Australian Petroleum Pty. Ltd.
Tasman Oil Pty. Ltd.
Shell Development (Australia) Pty. Ltd.

With the exception of West Australian Petroleum Pty. Ltd. the remainder of the foregoing have only recently shown an interest in searching for oil in Australia. By the time they arrived on the scene almost all of the sedimentary basin permits on the mainland had been taken and they were virtually forced to apply for off shore acreage as this was all that was left. Perhaps they have still obtained the most prospective concessions of all - only time and effort will answer this.

It appears to me that the companies (except Wapet) listed will have to pursue an active off shore exploration programme if they are to make up lost ground. They are all aggressive and successful explorers and it seems obvious that if they want to supply oil and gas to a waiting market they will want to drill and develop their prospects before the on shore operators establish their fields and reserves.

On the present results of on shore exploration and known future programmes the off shore explorers have a good chance to not only make up the leeway but take the lead. This assumption is based to a great extent on Esso's success in the Gippsland Shelf and Wapet's Barrow Island wells. The latter discovery has upgraded the Shelf on the north western coast and local opinion is that the same geological trend extends north east and south west for a considerable distance.

All of the off shore tenement holders, except BOC, have shown no favouritism for a particular drilling contractor and will I feel, keep an open mind and make the best deal possible when the time comes to negotiate a drilling agreement. BOC lean toward ODECO and unless a contractor can outposition them by having a suitable drilling unit in this part of the world it would appear to be rather difficult to break in on this association.

By 1968/69 I believe there will be at least four off shore rigs working on the Australian and Papuan continental shelves. These will be probably located at :

Bass Strait - Gippsland Shelf	(2) Esso.
North-West Shelf -	(1) Shell-BOC
Papuan Gulf -	(1) Tasman and partners

If the following likely drilling prospects are added to the foregoing list the number of rigs needed could be greater than four -

Wapet -	West Australian shelf
Gulf -	Queensland shelf
BOC-Continental-AOG-Woodside -	8 mile section adjoining Esso - Gippsland Shelf

SECTION 3

Possibility of constructing sections of off shore equipment in Australia.

This matter has yet to be determined and I am not able to state, for many reasons, whether the suggestion is feasible.

However, as there are shipyards in Australia and as the costs to tow a unit from say Japan or the USA would be very high it seems logical that the local manufacture factor should be fully investigated.

On July 21, I called on Mr. E.S. Clark who is the General Manager of the Australian Ship Building Board.

Mr. Clark expressed the opinion, on the brief information given to him, that it was possible to build a Le Tourneau type platform in Australia.

He further stated that the cost should be no more than in the USA and that judging by US shipyard publications Australian ship building charges are often slightly less.

Mr. Clark thought that 18 months delivery could be effected on the Le Tourneau hull and legs.

Mr. Clark promised to discuss the matter of local manufacture of major components of off shore platforms with his Board the next day and I gave him as much information as was pertinent on Zapata-ODE's plans.

On July 22 I wrote to the Secretary of the Department of Shipping & Transport and informed him of Zapata-ODE's intentions and asked specific questions on subsidy for local construction work. A copy of the letter is enclosed.

To date no reply has been received to this letter and we may not get an answer for some weeks as there is no precedent for the Department to follow and the matter will have to be well considered.

On July 29 letters were forwarded to the following ship builders in Australia informing them of our interest in constructing off shore platforms in Australia and requesting details of their manufacturing and shipyard facilities.

Mr. R.W. Joselin, General Manager,
Cockatoo Docks & Engineering Co. Pty. Ltd.,
Cockatoo Island, Sydney.

Mr. L.H. McDonald, Joint Managing Director,
Evans Deakin & Co. Pty. Ltd.,
G.P.O. Box 1421 T, Brisbane.

Mr. J.P.G. Wilson, Manager,
Whyalla Shipbuilding & Engineering Works,
P.O. Box 349, Whyalla, S.A.

Mr. H. Harding, Director,
State Dockyards,
P.O. Box 431 D, Newcastle, NSW.

Dr. W.L. Hughes, General Manager,
Walkers Ltd., Maryborough, Queensland.

Mr. K.M. Lawson, General Manager,
Adelaide Ship Construction Ltd.,
Dunnikier Road, Birkenhead, S.A.

A copy of the letter forwarded to each of the foregoing is enclosed.

Esso Exploration have been informed that we are investigating the possibility of manufacturing sections of a platform in Australia and have readily agreed to give us more time to prepare and submit our proposal.

It should be noted that the biggest shipyard in Australia is the Whyalla Shipbuilding & Engineering Works, a wholly owned subsidiary of The Broken Hill Pty. Co. Ltd. This latter company has a 50% interest in the Bass Strait and Gippsland Shelf area through another of their many subsidiaries, Haematite Explorations Pty. Ltd. and is joined with Esso in searching for oil and gas.

The Whyalla yard constructed a 32,250 ton oil tanker in four years. It was ordered in 1958 and completed in 1962.

I feel sure that The Broken Hill Pty. Co. Ltd. would be able to exert some pressure on Esso to give preference to an Australian made off shore platform particularly if they manufactured it.

The Broken Hill Co. Pty. Ltd. is the only steel manufacturer in Australia.

It is my recommendation that :

- (1) Le Tourneau be approached to build an off shore platform in Australia under licence.
- (2) If Le Tourneau agrees to above, we obtain sufficient drawings and specifications so that the Australian shipyards can submit quotes on construction.
- (3) The quotes from the Australian yards be returned to the USA for checking and further study.

As I am not familiar with Le Tourneau type self elevating platforms, nor off shore rigs generally, I am not able to say whether one could be made in the USA and towed to Australia. However, it is my guess that such a venture would be a most expensive and risky affair and that Le Tourneau's only chance of participating in the Australian off shore equipment scene is to arrange to manufacture under licence in this country or Japan.

SECTION 4

Some aspects of operating conditions in Australia

Much has already been written by others on the favourable economic and politic climate of this country and world famous geologists have made statements that in the foreseeable future we will find sufficient oil and gas for our daily needs so I will not attempt to expound further on these subjects.

Enclosed is a recent publication issued by our Bankers on oil search in Australia which is quite comprehensive.

The operating conditions of this country are probably no worse or better than many other nations of the same size, e.g. USA. We have long distances to travel, freight costs are high. Skilled and non-skilled labour is hard to get and over-award payments are the rule rather than the exception.

The availability of suitable Tugs for towing purposes and workboats has not yet been investigated and could prove to be a problem, particularly in northern and western waters.

Income Tax

Copies of the Australian Income Tax Acts were given to Mark Gardner before he left Perth and no doubt will be studied carefully by Bob Gow when Mark returns home.

A letter from our Auditors, W.H. Bentley, Frazer & Co., of July 2nd, on income tax as it might affect Zapata-ODE operating in Australia as a company was also given to Mark for guidance purposes.

Duty

At the present time a duty of $7\frac{1}{2}\%$ applies on all new drilling rigs imported from the USA. This duty will be refunded if it can be proved by the importer that suitably equivalent goods were not reasonably available from the United Kingdom.

On July 16 I wrote to the Department of Customs & Excise seeking clarification on certain points which might arise if a new drilling platform was imported. A copy of this letter is enclosed. No reply has been received to date.

Drilling Crew Wages

Present time

Derrickman	Aust. \$1.02 per hr. + 25% to allow for Payroll Tax, Workers' compensation, Holiday Pay, etc.
Catheadman	Aust. \$0.90 " " + " "
Rotary Helper	Aust. \$0.88 " " + " "

In May of next year we have to negotiate with the Union for a new agreement to cover rig workers and it is almost certain that the foregoing rates will be increased by up to 20% for on shore personnel and off shore employees may get as much as 33-1/3% on present rates.

Our rig workers are paid time and a half for all hours worked in excess of 8 and up to 12 hours and double time thereafter. They also receive time and a half for all hours worked in excess of 40 in any one week. Double time is paid when working on a recognised Public Holiday (10 per year). Each employee is entitled to four weeks annual leave with pay.

Messing

I have not been able to find out what it costs Esso to run the messing service on Glomar III but would estimate the charge is in the Aust. \$300.00 to Aust. \$350.00 per day range.

Depreciation

A copy of the maximum rates of depreciation allowed by the Income Tax Department on drilling plant was given to Mark Gardner. These rates, however, apply to land rigs and it is possible that the Department would agree to grant additional concessions on off shore equipment if they were approached on the subject.

Structure of Joint Organisation

The best way for both our organisations to operate in Australia will take time to determine. We favour the simple approach of forming a separate Australian public company. Zapata-ODE Australia Ltd.

The structure of the Company could be :-

US\$2,000,000	Equity Capital
US\$6,000,000	Borrowed Funds
US\$8,000,000	

This would allow US\$7,000,000 Plant purchase and US\$1,000,000 working capital.

The equity capital could be subscribed as under :

Zapata	- US\$ 600,000
ODE	- US\$ 400,000
Aust/US public	- US\$1,000,000
	US\$2,000,000

This newly formed company could have a management contract with both ODE and Zapata whereby it pays a management fee to those companies combined and also a percentage of the gross revenue (in exactly the same way as say Hilton or Intercontinental hotels operate). This would ensure that Zapata and ODE were adequately reimbursed for their technical and physical assistance, yet minimise their equity risk.

Profitability

Before the ODE Board will agree to become involved financially in a joint organisation, no matter what form it finally takes, a report should be submitted to them on the estimated profitability of the venture and ODE's commitments.

Weather Conditions

As mentioned in Section 1, Esso gave us a copy of their chart showing -

Wind velocity and direction
Waves (ft.)
Pitch (degrees)
Roll (degrees)
Heave (ft.)
Temperature
Barometer

conditions encountered from December 1964 to May 1965 while they were drilling Gippsland Shelf #1 with Glomar III.

Very little worthwhile weather information can be obtained on conditions in the Bass Strait. Esso's records would certainly be the most comprehensive available.

While I was in Western Australia recently I visited Mr. Mackie, Director, Bureau of Meteorology, Perth, and discussed the history of cyclones in that state.

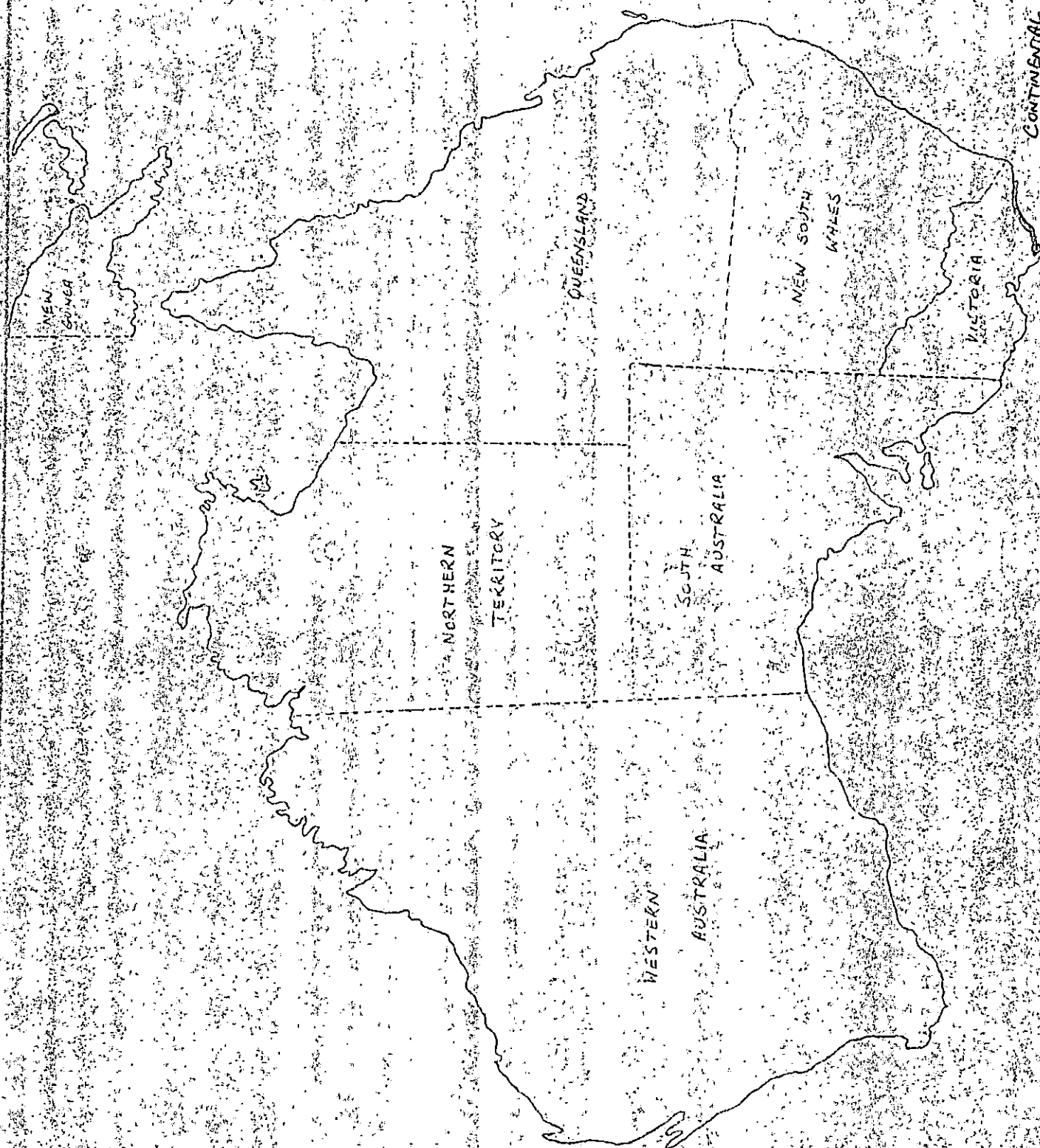
Mr. Mackie gave me copies of the following data :-

Map showing section of WA coast with cyclone tracks (1925-1962)

Summary of Tropical cyclones - NW Coast (1925-1963)

These cyclones are severe and in Mr. Mackie's opinion, can be compared with northern hemisphere hurricanes.

The executives of all the companies we visited expressed the opinion that the proposed off shore association between Zapata-ODE to jointly undertake contract drilling in Australian waters, was a sound move and one that they believed would be an all round success.



CONTINENTAL OIL CO OF AUSTRALIA LTD

20% INTEREST PER ANNO



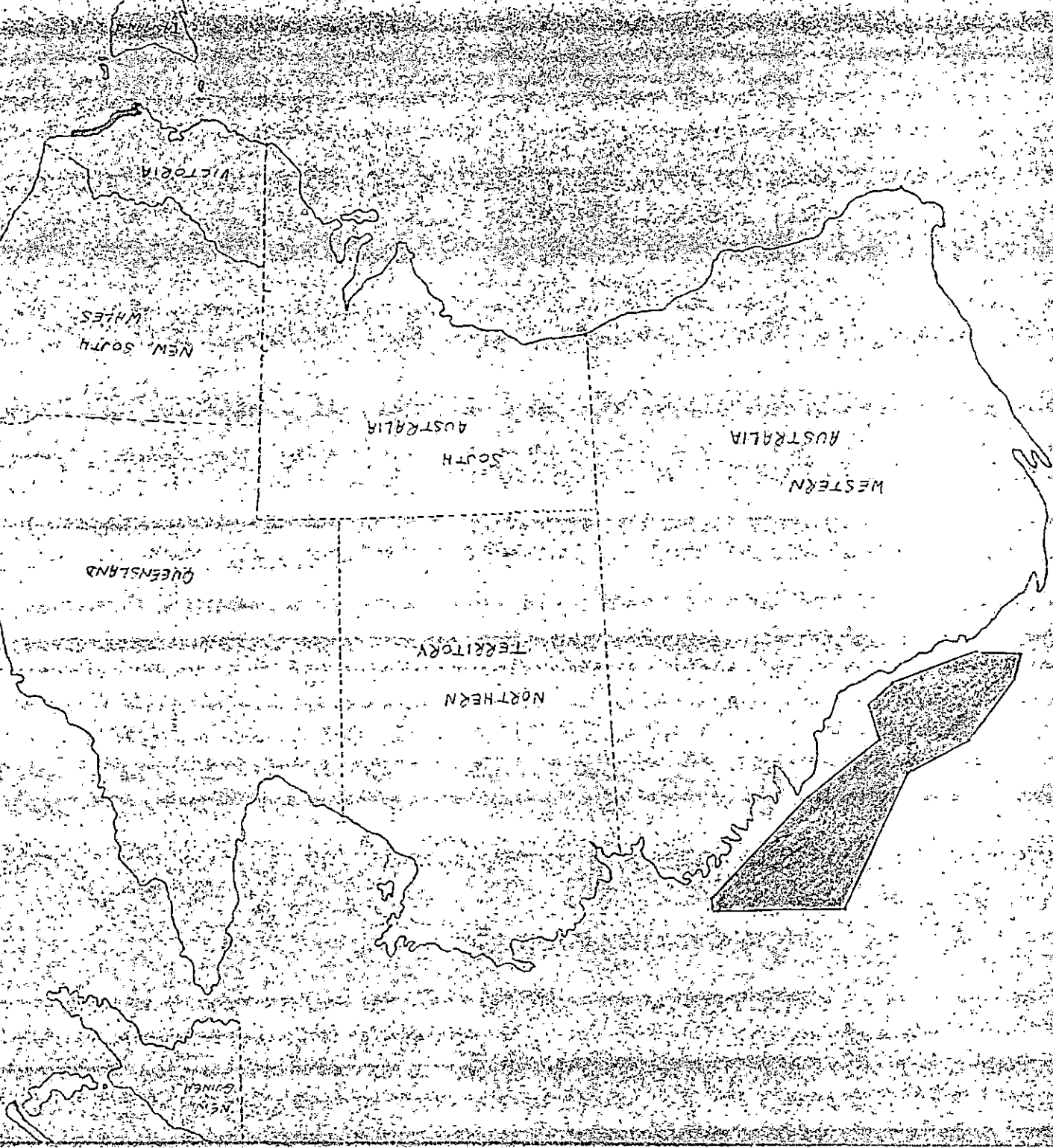
ESSO EXPLORATION AUSTRALIA INC

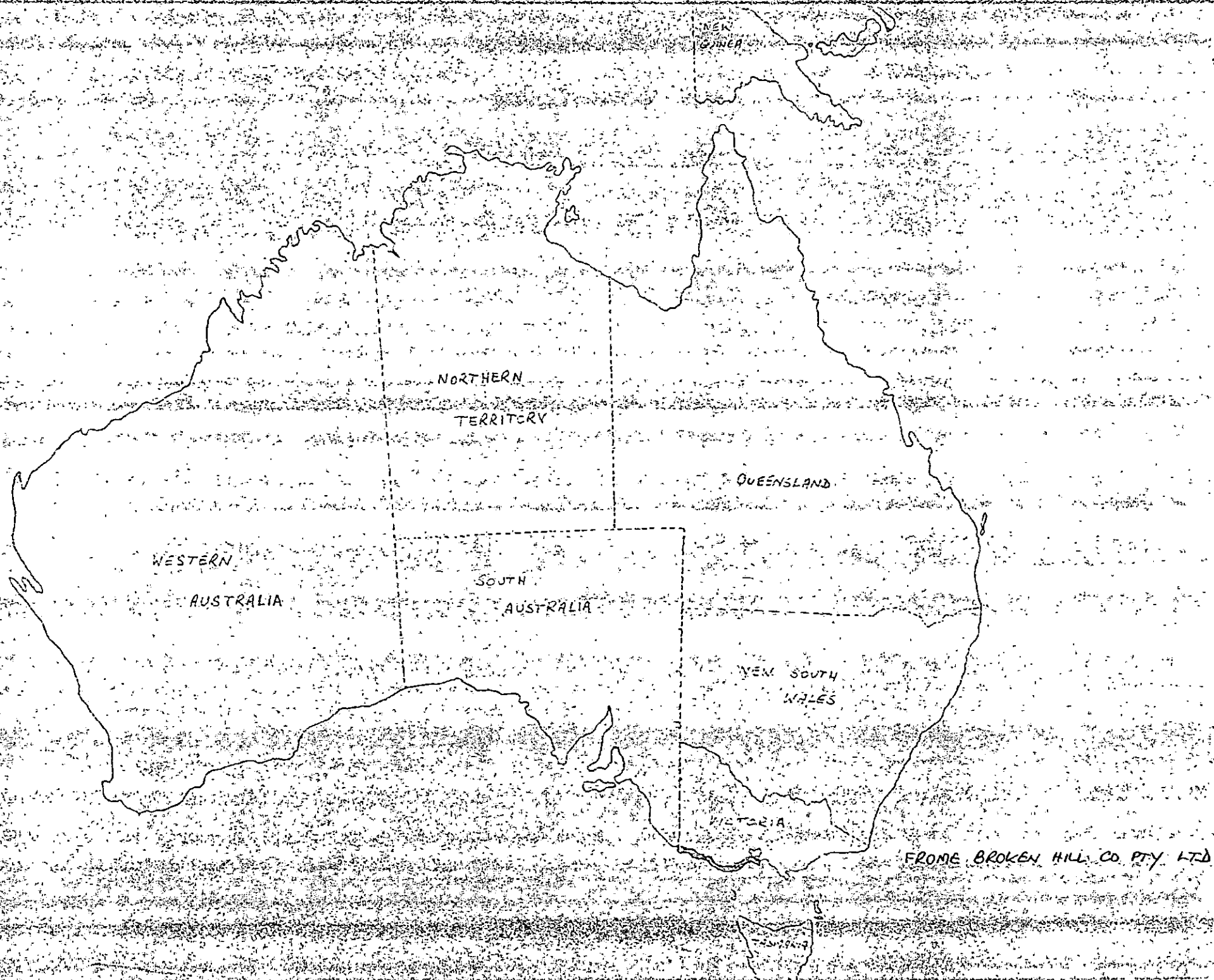
AUSTRALIAN OIL & GAS
CORP. LTD





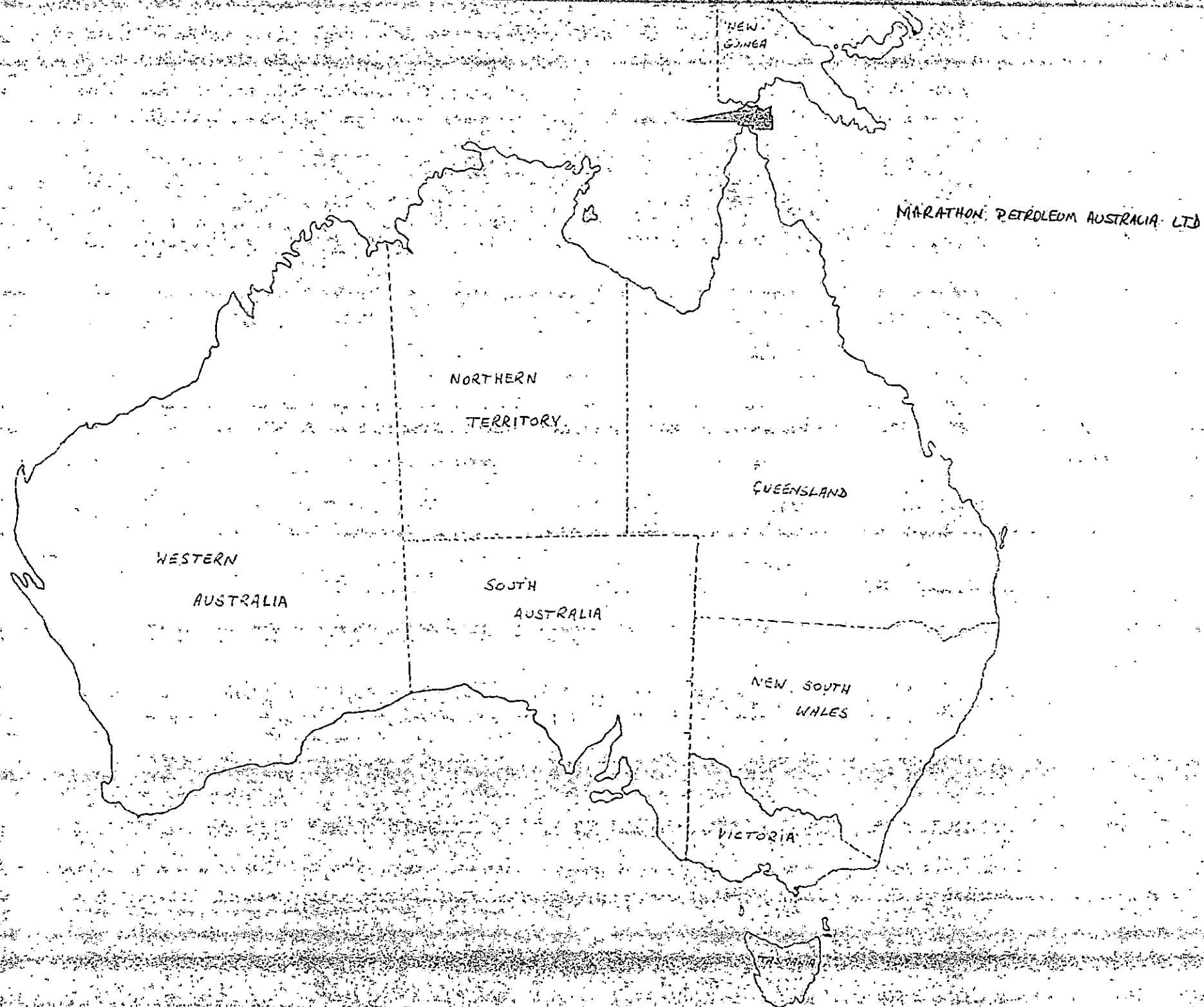
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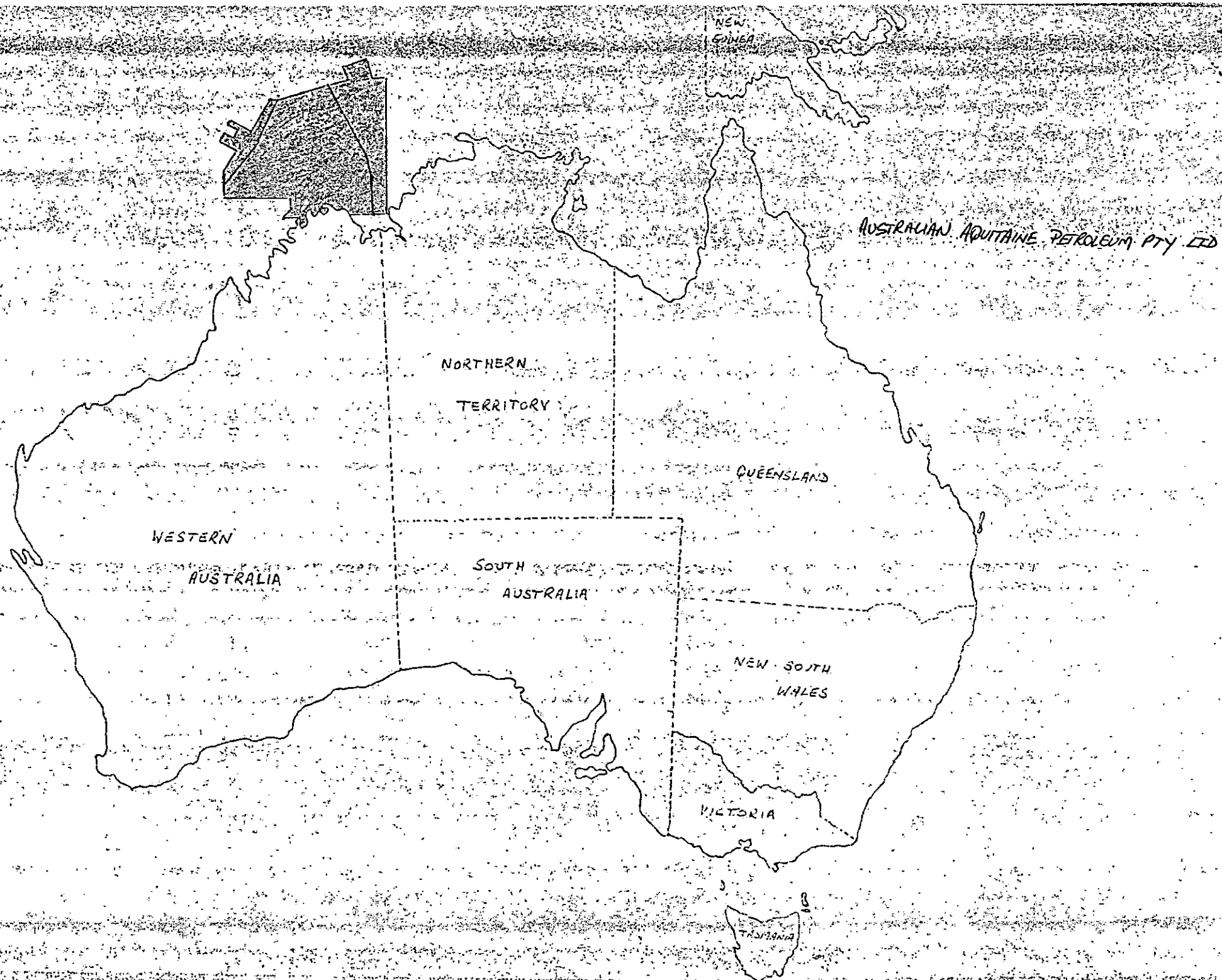




SHELL DEVELOPMENT (AUST) PTY LTD







AUSTRALIAN AQUITAINE PETROLEUM PTY LTD

NORTHERN
TERRITORY

QUEENSLAND

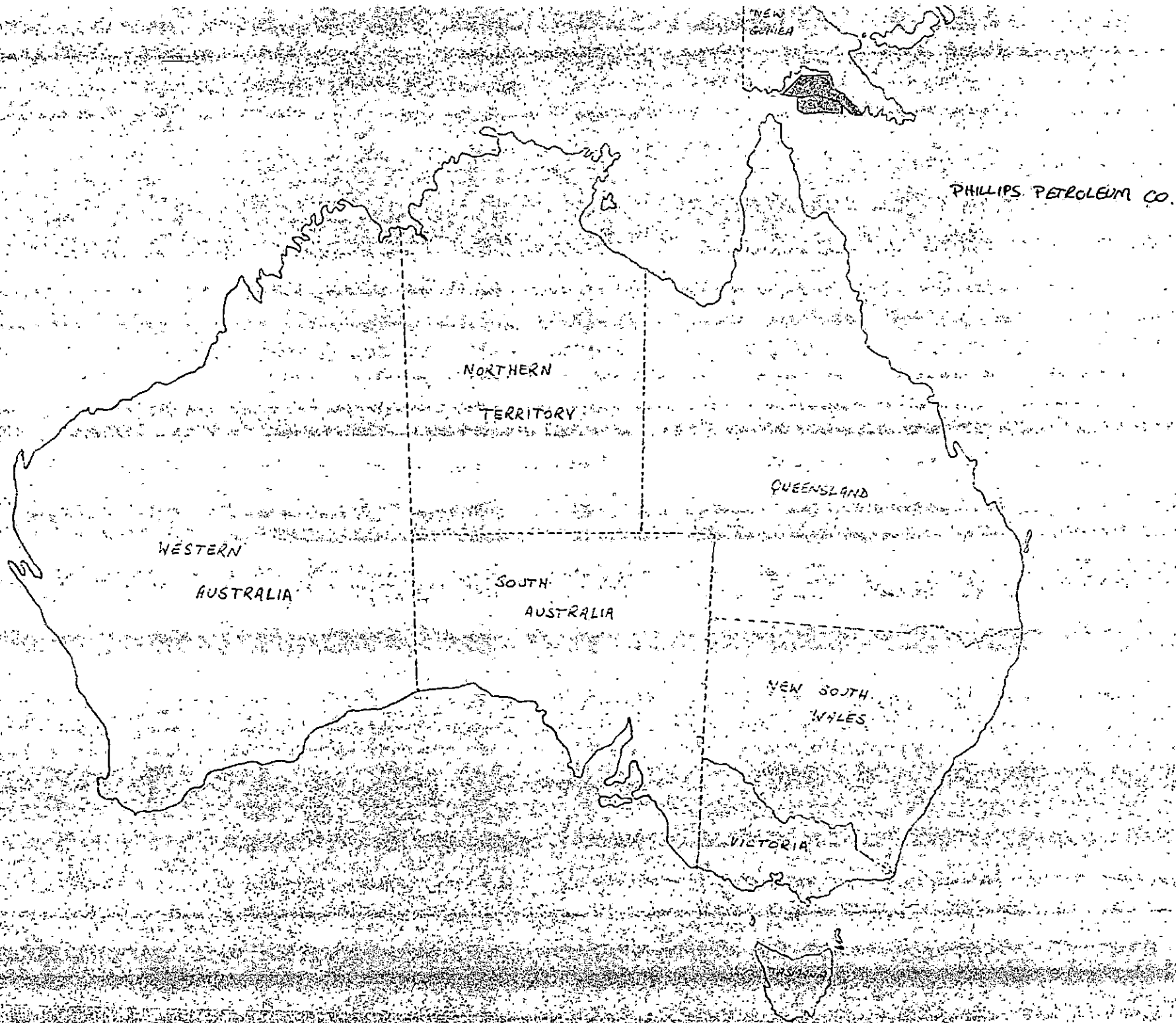
WESTERN
AUSTRALIA

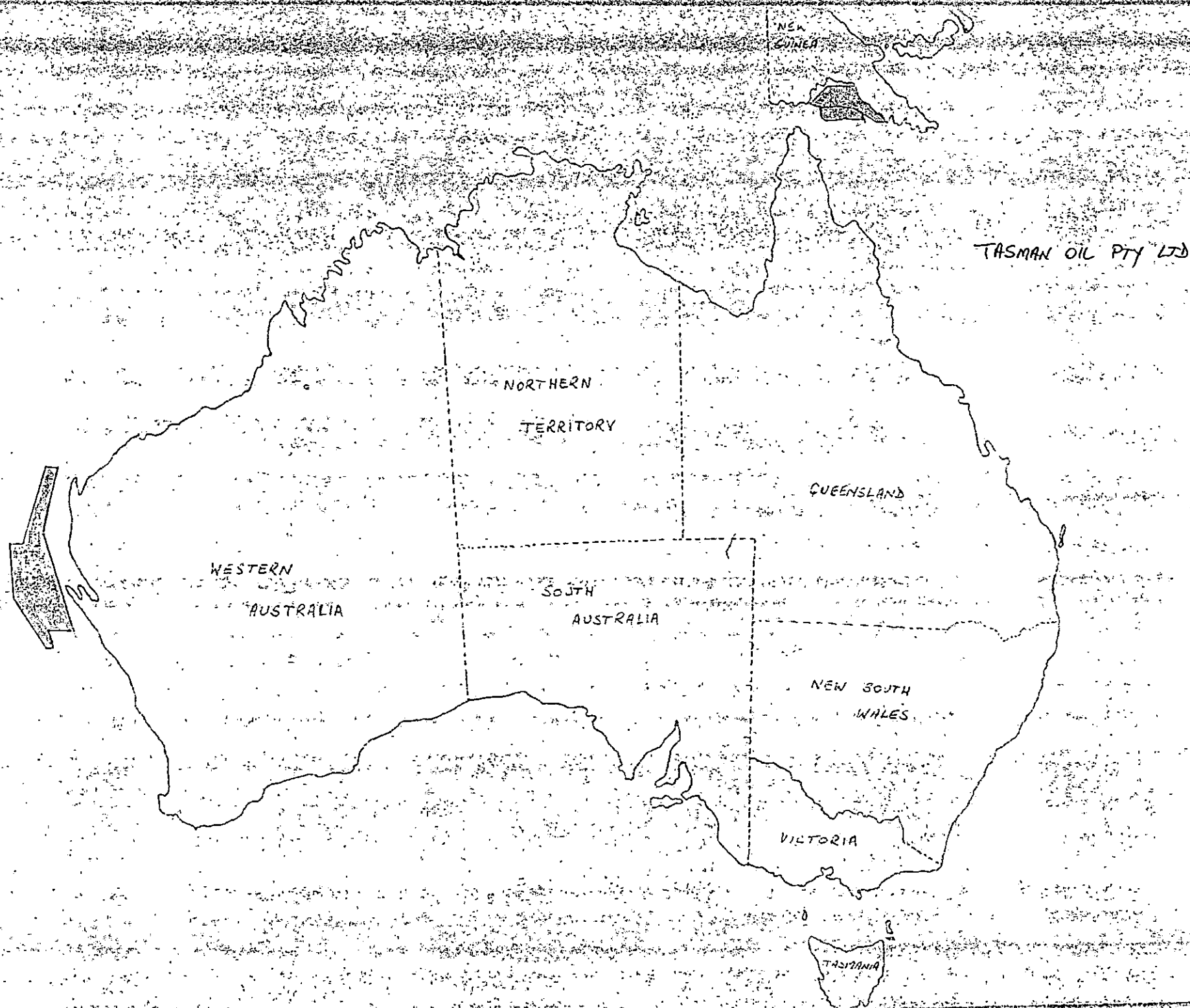
SOUTH
AUSTRALIA

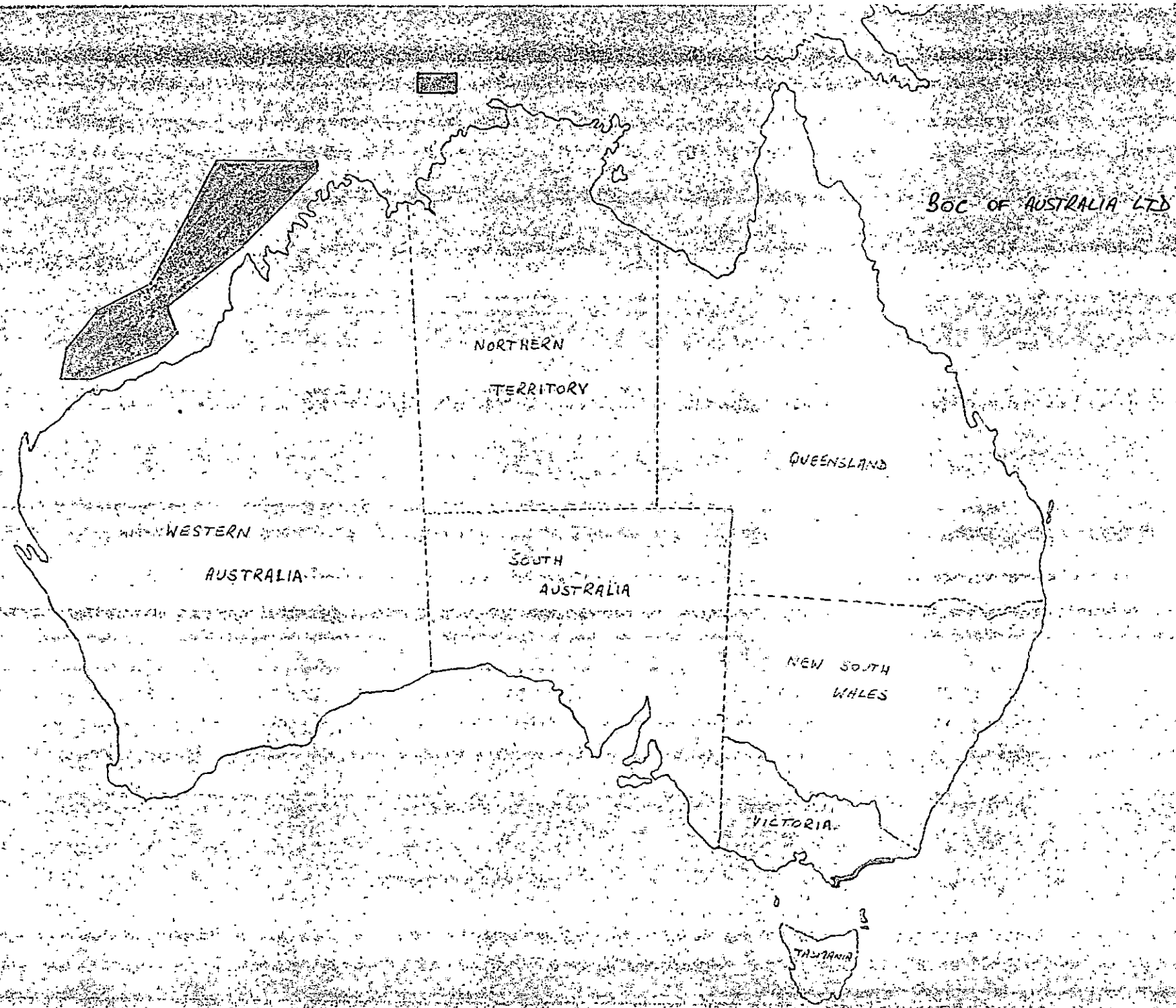
NEW SOUTH
WALES

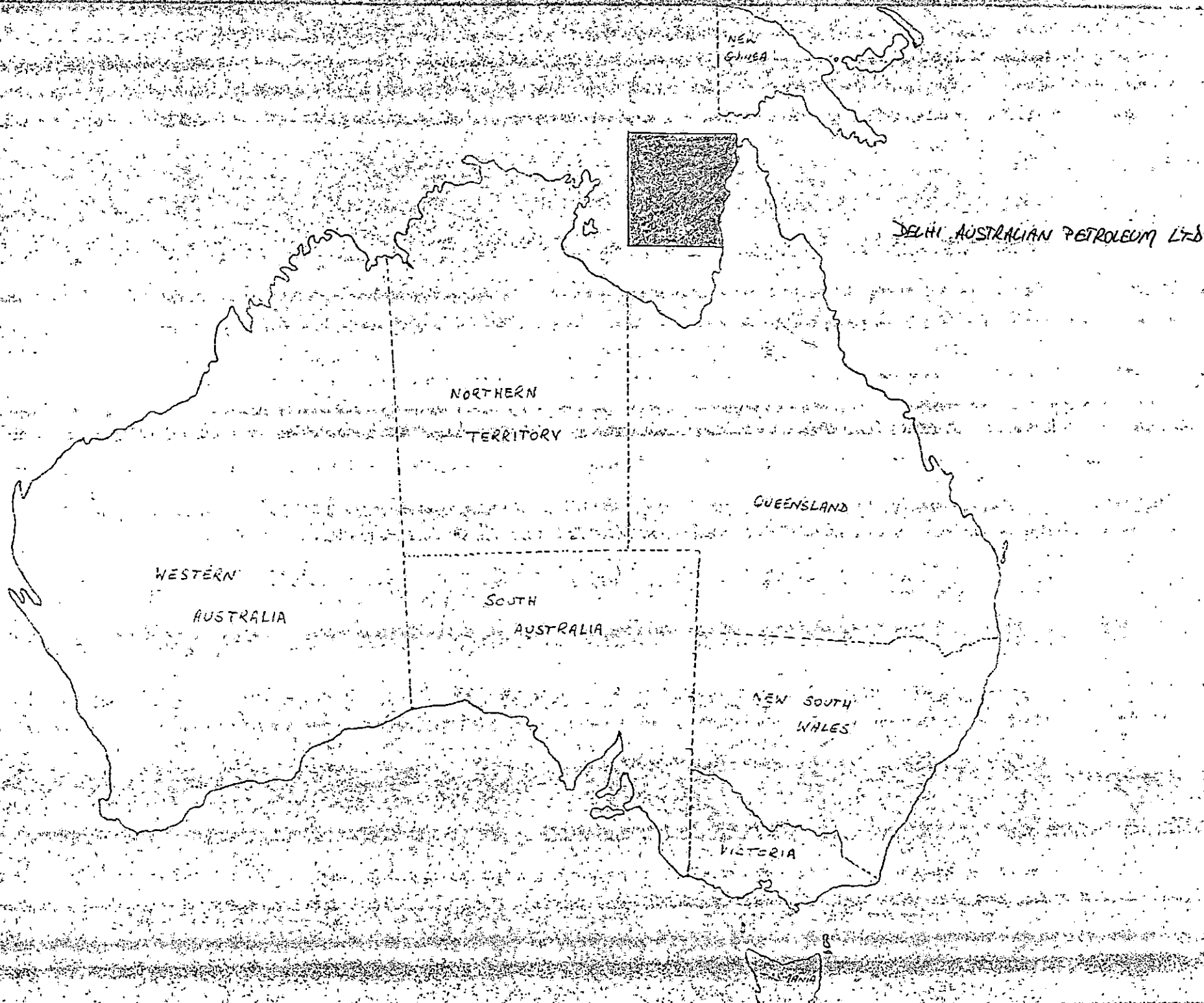
VICTORIA

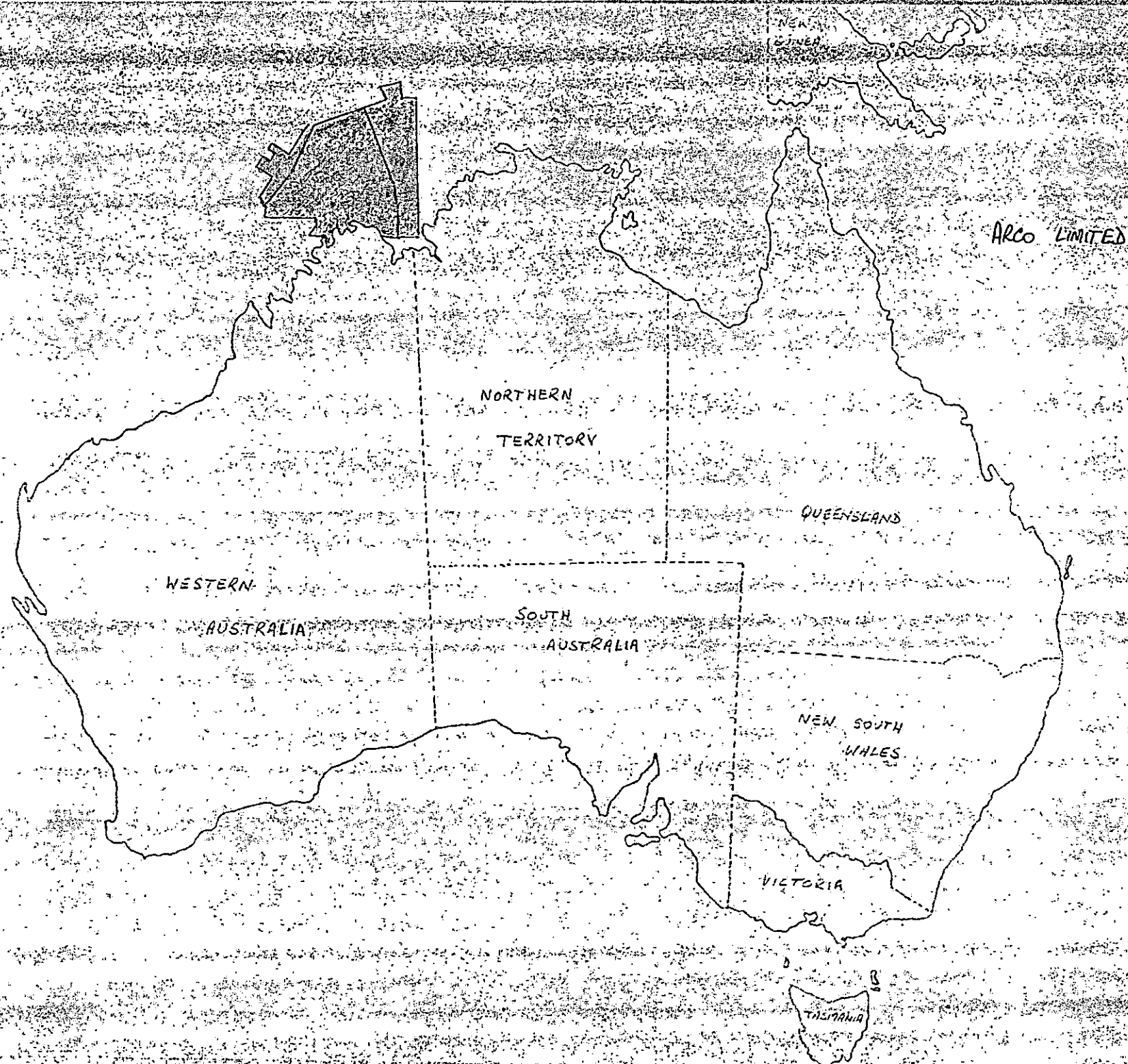
TASMANIA

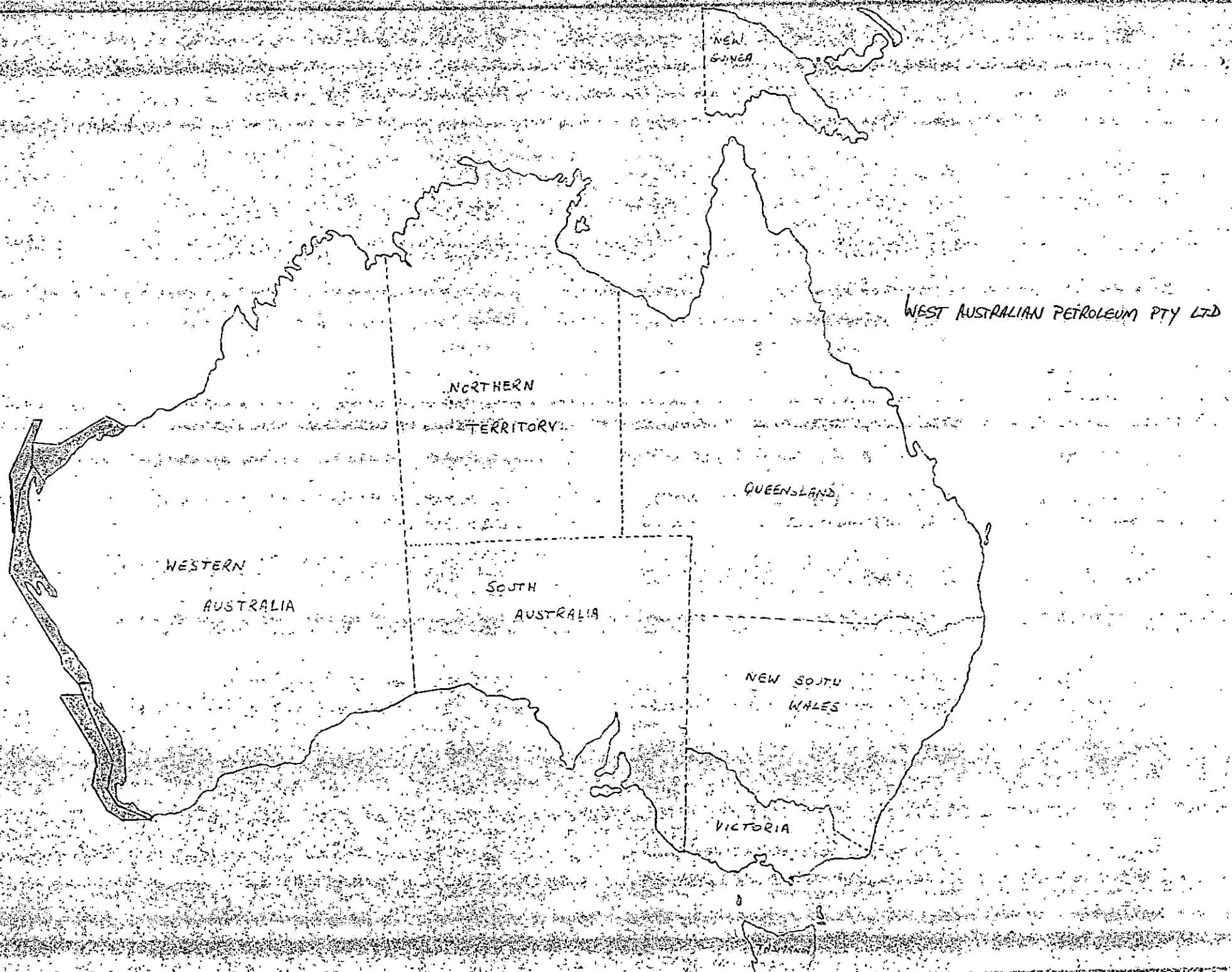












RD/JMV

July 28, 1965

Mr. J. P. G. Wilson,
Manager,
Whyalla Shipbuilding & Engineering Works,
P.O. Box 349,
WHYALLA. S.A.

Dear Sir,

Early this year our company became associated with Zapata Off-Shore Company of Houston, USA. It was agreed that we would join forces in providing contract drilling services to exploration companies who planned to drill on the Australian Continental Shelf.

We are at present investigating the possibilities of constructing sections of off shore equipment in Australia (hull and legs, etc) and the purpose of this letter is to obtain some information on your organisation's construction facilities.

We are enclosing our company's last Annual Report and also Zapata's. On the cover of Zapata's Report is a picture of their self elevating drilling platform "Maverick" which was constructed at Vicksburg, Mississippi by Le Tourneau. It is a "Maverick" type unit that we are interested in at the present time.

Some general data on the Le Tourneau Dixilyn Two Fifty Offshore Platform which is an earlier edition of the "Maverick" is :

Overall platform length	-	184'
Overall platform width	-	169'
Hull depth	-	22'
Overall spud leg length	-	376'
Spud tank diameter	-	32'
Spud tank overall height	-	55'
Spud leg angularity on location	-	3 to 10 degrees
Drilling slot length	-	35'
Drilling slot width	-	37'

As I will be leaving for Houston on August 6 for further discussions with Zapata it would be greatly appreciated if you could let me have some general information on your shipbuilding facilities before I leave.

I plan to return from the States before the end of August with details and specifications on the off-shore platform we may use in Australia and at that time, if you are interested, I will be pleased to discuss the possibility of local manufacture of the major components with you.

Yours sincerely,
OIL DRILLING & EXPLORATION LTD.

R. Dumbrell
General Manager

Encls :

RD/JMV

July 22, 1965

The Secretary,
Department of Shipping & Transport,
497 Collins Street,
MELBOURNE. VIC.

Dear Sir,

Attention : Mr. Norris

Our Company recently became associated with Zapata Off-Shore Co. of Houston, Texas, to jointly conduct off shore contract drilling operations in Australia. The joint operation would be owned 60% by Zapata and 40% by Oil Drilling & Exploration Ltd.

Yesterday I discussed with Mr. E.S. Clark of the Australian Ship Building Board, the possibility of constructing an off shore platform hull in Australia and whether such a venture would be eligible for Commonwealth Subsidy.

Mr. Clark was able to give me some information on local construction facilities available but suggested that I write to you to ascertain the following :

1. If an off shore platform hull and other sections could be made in Australia, would we be eligible to receive a Commonwealth Subsidy ?
2. If a Subsidy were granted, would there be any restrictions placed on the future disposition of the drilling platform in the event that no further work were available in Australia ?
3. Would we be ineligible for Subsidy because the drilling platform would be owned and controlled (60%) by a US public company ?

Enclosed is copy of Zapata Off-Shore Company's 1964 Annual Report and on the cover is a photo of their Maverick No. 1 drilling platform. This platform is made by R. G. Le Tourneau in the USA and is similar to the type we are interested in building in Australia. The drilling equipment - mast, drawworks, motors, pumps, etc. would be obtained from overseas and installed in the unit as these components are not made in Australia.

As I propose to be in Houston on August 7 for a week to discuss off shore drilling plans with Zapata I hope you might be able to give me some indication of the Department's attitude on the questions raised before I leave Sydney on August 6.

Yours sincerely,
OIL DRILLING & EXPLORATION LTD.

R. Dumbrell
General Manager

Encl :

RD/JMV

July 16, 1965

Mr. H. P. Kendall,
Director of By Law Branch,
Department of Customs & Excise,
CANBERRA. A. C. T.

Dear Sir,

We have recently become associated with a US drilling organization, Zapata Off-Shore Company, to jointly conduct drilling operations off the Australian coast.

At the present time there is only one off shore drilling unit in Australia, a floating drilling ship, Glomar III, which is working for Esso Exploration Australia, Inc.

We have had recent discussions with many of the companies who hold off shore drilling exploration licences in Australia and are preparing a bid for one of these companies to provide a self elevating model drilling platform. The drilling platform that we will be quoting on is an RG Le Tourneau self elevating platform and is similar to Zapata's Maverick which is now working in the Gulf of Mexico. We are enclosing a page from a recent US magazine which describes the Maverick and there are 3 photographs of the unit.

This unit would have to be towed to and from drilling locations but could drill as many as 6 wells without having to move from the one position. This equipment is not made in Australia and in all probability the barge and legs would have to be manufactured in either Japan or the US and the drilling rig components would also have to be imported from the latter country.

What we need to know from your Department is what rate of duty if any will be applicable to this Maverick type mobile off shore drilling platform.

- (a) if it is manufactured 100% in the USA
- (b) if the barge and leg sections only are manufactured in Japan and the drilling rig components are made in the USA.

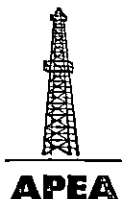
It should be assumed that all of the components will be new.

Another point we seek clarification on is whether or not duty is applicable if the platform operates beyond the 3 mile limit. At this time it is considered highly unlikely that this type unit would work within 3 miles of the coast.

As we are most anxious to finalize our quotation an early reply on the foregoing matters would be greatly appreciated.

Yours sincerely,
OIL DRILLING & EXPLORATION LTD.

R. Dumbrell
General Manager



CONFERENCE INFORMATION

RECEPTION.

The President looks forward to welcoming Delegates and their wives at an informal reception on Sunday, 13th March, at 6.30 p.m.

AIR TRAVEL.

APEA has negotiated with Ansett-ANA for registered Delegates to enjoy most favourable arrangements for air travel to and from Surfers Paradise.

ACCOMMODATION.

Limited reservations have been arranged for Conference visitors to Surfers Paradise at the Chevron Paradise Hotel and the Seabreeze Holiday Hotel. To facilitate bookings please indicate your requirements on the Registration Form.

BANKING FACILITIES.

Full banking facilities at the Conference will be provided by the Bank of New South Wales.

DINNER DANCE.

A winding-up function for Delegates and their wives and friends is to be held in the Corroboree Room on Wednesday, 16th March, 1966.

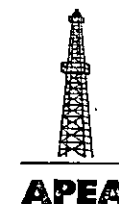
ENTERTAINMENT FOR LADIES.

In addition to functions within the Hotel, arrangements are being made to provide day trips for wives of Delegates not attending the Technical Sessions.

ENQUIRIES.

For any other information required, please contact
The Executive Director,
APEA,
G.P.O. Box 834, Sydney.
Telegrams : " Petrexion "
Telephone : 28 - 6884.

APEA 1966 CONFERENCE



AUSTRALIAN PETROLEUM
EXPLORATION ASSOCIATION

1966 CONFERENCE

AT
CHEVRON PARADISE HOTEL
SURFERS PARADISE
QUEENSLAND
FROM
14th to 16th MARCH, 1966

INFORMATION BROCHURE
AND
ADVANCE REGISTRATION
FORM

APEA 1966 CONFERENCE

APEA 1966 Conference will be held at the Chevron Paradise Hotel, Surfers Paradise, Queensland from 14th to 16th March, 1966. The Conference will be officially opened at 10.00 a.m. on Monday, 14th March, by the Premier of Queensland, The Hon. G. F. R. Nicklin, M.L.A.

TECHNICAL SESSIONS.

First of the Technical Sessions will commence immediately after the opening addresses. Full details of the subjects and the names of the authors of each paper will be issued later.

THE APEA JOURNAL.

Copies of the papers presented will be published in the next issue of THE APEA JOURNAL after the Conference, and one copy will be issued to each subscribing Delegate. Additional copies may be purchased at £3/3/- each.

AWARDS.

Prizes will be awarded for the best papers presented at the Conference, judged on quality of their content and manner of presentation.

REGISTRATION

It will assist if you will register upon receipt of this advance notice, but in any event, not later than 1st February, 1966, by completing the attached Registration Form and forwarding it to the Executive Director of APEA, together with the appropriate registration fee.

A further notice furnishing full details of the programme will be sent to all registered Delegates after 1st February next.



APEA

SUNDAY, 13th MARCH, 1966.

4.00 p.m. Registration Office opens.

6.30 p.m. Reception and Buffet for Delegates and lady guests.

MONDAY, 14th MARCH, 1966.

9.00 a.m. Registration of Delegates.

10.00 a.m. Official Opening by the Premier of Queensland, The Hon. G. F. R. Nicklin, M.L.A.

Inaugural Address by APEA Chairman.

Keynote Address

2.15 p.m. Session III.

Papers of general interest.

6 - 8 p.m. Buffet and Cocktail Party for Delegates and guests.

PROGRAMME

TUESDAY, 15th MARCH, 1966.

9.30 a.m. Session III.

Part I. Basin Symposium.—
Great Artesian Basin.

2.15 p.m. Session IV.

Part II. Basin Symposium.—
Western Australian Basins.

5 - 6 p.m. Cocktail Party.

WEDNESDAY, 16th MARCH, 1966.

9.30 a.m. Session V.

Part III. Basin Symposium.—
Coastal Basins.

2.15 p.m. Session VI.

Part IV. Papers on Geophysics and of
general interest.

4.30 p.m. Concluding Address by APEA Vice-
Chairman.

5.00 p.m. Conference ends.

8.00 p.m. Dinner Dance in Corroboree Room.

NOTE.—Full details of the programme will be sent to all registered Delegates after 1st February, 1966.

March 16, 1965

Dear George,

It has been a long time since our paths have crossed.

The purpose of this letter is to tell you about a new association which Zapata has entered into. We have joined forces with Oil Drilling & Exploration Company of Australia in order to participate in future offshore drilling in Australian waters.

I understand that there was an announcement to this effect in the Australian papers, but I wanted to personally call this association to your attention.

Mark Gardner, our new president, has known the Oil Drilling & Exploration people for some time and we at Zapata are delighted to have made this connection.

I am hopeful that if you get into the offshore drilling in that area, you will give us a chance to figure on some of your work.

Things at Zapata are getting along reasonably well. I am attaching a copy of our latest annual report which will bring you up to date on what we have been doing. We are no longer in Trinidad as I'm sure you know. We do have some interests abroad. We are building a rig with Southeastern in Japan for Borneo, and we're also operating a labor contract in the Persian Gulf. The Nola III is going to Tunisia for Signal Oil.

If you ever get to Texas, please be sure to give me a ring. In the meantime, my very best regards to you.

Yours very truly,

George H. W. Bush

Mr. George Furnival
Western Australia Petroleum Pty. Ltd.
251 Adelaide Terrace
Perth, West Australia
GB:as

Bc: Mr. Dick Dumbrell

Dick, perhaps you know Furnival. I understand he is out there. We have done some work for him and I thought this letter might not hurt. We sent out our press release on the association with your Company and it got good coverage in the trade papers and in the dailies in Texas and New York. We are now following up with letters to individuals we know at the various companies.

Copy to: Mr. Mark Gardner


G.B.

3/11/65

By phone from New York - Mr. Mosby said he did not get a list prepared of Australian Companies and concessions. He did say that perhaps you would wish to write to

Western Australia Petroleum Pty. Ltd. (WAPET)
251 Adelaide Terrace
Perth, West Australia

Attn: Mr. Furnival ? (I am not sure of the spelling -
but a friend of yours according
to R.M.)

The 1963 Petroleum Register (latest we have - a new one
has been ordered) shows the mailing address as

Box 5 1580 G.P.O.

C.W.

March 4, 1965

Dear Dick,

Mark Gardner passed along to me your letter of February 9th and the copy of the joint statement. I have been away until now on a 'round-the-world business trip which, unfortunately, did not take me to Australia.

The statement looks fine and I am delighted with the arrangement. Please convey these sentiments to Mr. Arthur D. Bridges.

We will make our announcement here very soon and will circulate the news of our new association by letter to various companies.

If there is ever anything we can do on this end to follow up on a specific lead, please don't hesitate to call on us.

I hope our paths will cross very soon. In the meantime, best regards.

Yours very truly,

George H. W. Bush

Mr. Dick R. Dunbrell, General Manager
Oil Drilling & Exploration, Ltd.
93 York Street
Sydney, N.S.W., Australia
GB:as
Copy to: Mr. Mark Gardner