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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: 25846-010

Folder Title:
Directors, Board of: GHWB [1965]

Stack:	Row:	Section:	Shelf:	Position:
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Board

November 18, 1965

Dear Don,

I am enclosing a copy of my October 27th memo on the disposition of our drilling rigs and the 1964 Annual Report.

The draft of the 1965 Annual Report is not available today, but I should be able to send it in a day or so.

Best regards,

George H. W. Bush

Mr. Donald L. Connelly
Americana Building
Houston, Texas

November 17, 1965

Dear Don,

This is the notice having to do with the meeting in New York next week. The sole purpose is to re-name me as president.

Will you please sign the waiver and return it to us so that we can get the other signatures?

Best regards,

George H. W. Bush

Mr. Donald L. Connelly
Americana Building
Houston, Texas
GB:as

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: BOARD OF DIRECTORS

FROM: GEORGE BUSH

CC:

DATE: November 15, 1965

SUBJECT: CANCELLATION OF DECEMBER MEETING

We have had to cancel the Board meeting scheduled for December.

I will check with each of you to establish a date for the next Board of Directors meeting. I hope this does not inconvenience any of you.

FORM NO. 128

Bush

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: BOARD OF DIRECTORS

FROM: GEORGE BUSH

CC:

DATE: November 11, 1965

SUBJECT: EXPLORATION PROGRAM - ZAPATA

I'd like to bring you up to date on several phases of our exploration business.

First, the syndicate: The syndicate has been signed with participations totaling $1,200,000. We are hopeful that before the first of the year, the syndicate will be up to $2,000,000. States Marine Shipping, through their president, Bob Stone, indicated to me that they will take $300,000 a year. This would leave $500,000 a year to cover. Several oil companies are considering this. The president of Texas City Refining Company saw the announcement of our syndicate in the paper and wrote to ask if they could participate. Other oil companies are also interested.

The syndicate has taken its first deal, a farm-out from Pan American which will start between December 15th and February 15th. The Scorpion will be used.

Other deals: In addition to the syndicate, you will recall that last summer we took a deal with Forest Oil Company on a farm-out from Texas Gas. Texas Gas is in the syndicate with Forest, did not want to go ahead on this prospect and we are taking over Texas Gas' interest. Forest and the other partners are keeping their interest in the prospect. This deal should start next month. Forest just has not been able to get to the prospect yet. It is a wildcat prospect on a salt dome and could be large if it should hit. It also is a fairly high risk well.

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Ship Shoal, Block 72: This is the area in which we have established a small amount of production in partnership with Apache Oil Company. The other day, Pan American came to Apache and offered to take a farm-out from us on the north part of this block. Their offer entails drilling a deep test to 17,000 ft. and they will carry Apache, et al, for a quarter interest. This could be a large romance deal. It would be a very expensive well and we are proceeding to farm-out to Pan American on this basis. This is a well that should be drilled this year. Zapata will have a very small interest, but Pan Am is looking for the big reserve.

Block 86: No new drilling is planned for Block 86, but we are working on doing some additional shooting. California has a lease offsetting our east line expiring in 1967 so there will probably be some action during next year.

For the first time, we have several extremely interesting prospects on the fire and we are hopeful that some of them develop up well. If you have any questions about this, let me know.

EUGENE ISLAND BLOCK 208 E/2

ASSUMPTION OF 1/4 INTEREST

Description of Project

Tidewater and Continental intend to redrill the productive area around the "A" platform (see enclosed plat) in the E/2 of Eugene Island Block 208. They will do this work from the "F" platform which is now in position with the derrick being erected. The first well will be drilled straight to 5,950 feet at which point it will be deviated due east to be bottomed at 10,100 feet measured depth 2,045 feet from the surface location. It is anticipated that only three wells will be drilled from this platform although there is room for a fourth. Each well will be dually completed if possible with initial production from the three wells amounting to from 780 to 940 barrels a day depending on depth and spacing allowed for each completion. It is suggested that the following figures be used for any economic projection you wish to make.

Economics - 100% Working Interest

Investment

	Tangible	Intangible	Total
Platform	$277,698	$ 315,102	$ 592,800
F-1	109,000	350,000	459,000
F-2	109,000	350,000	459,000
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Move Rig On and Off		100,000	100,000
Equip for Production	50,000	100,000	150,000
Total	$654,700	$1,565,100	$2,219,800

Reserves - Known Reservoirs

Proven	1,403,000 bbls.
Probable	2,029,000 bbls.
Used in Analysis	1,649,900 bbls.

Production and Revenue

Daily Production - Gross	780 bbls.
Monthly Production - Gross	23,400 bbls.

Production and Revenue (Cont'd)

Monthly Production - Net	19,500 bbls.
Price per Barrel (After Transportation)	2.70
Monthly Revenue	$52,650
Less Operating	7,000
Monthly Income	$45,650

Gross Annual Production

1st Year	280,800 bbls.
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5th Year	485,000
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7th Year	123,000
Total	$3,134,000

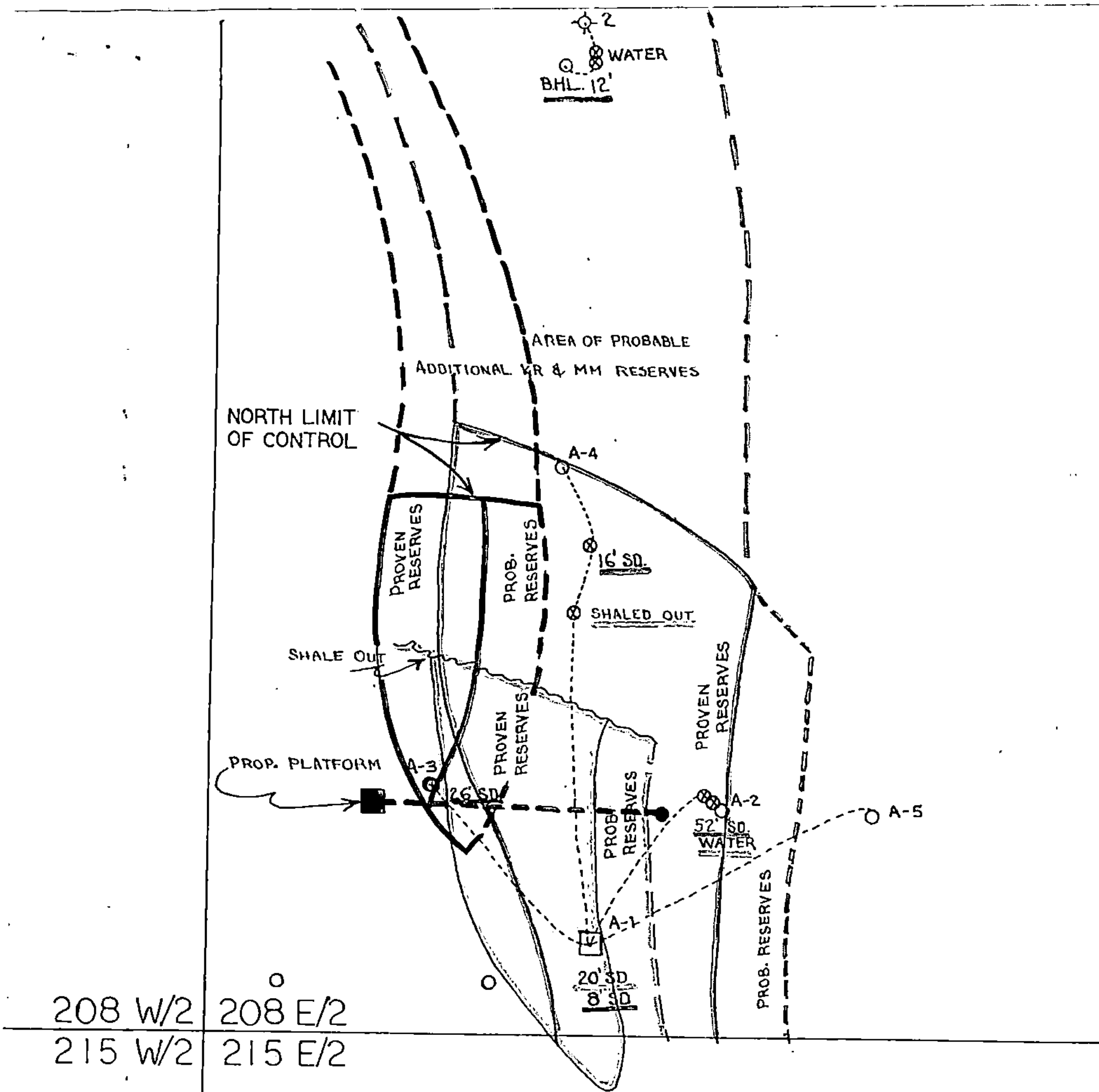
Exploration Potential

We feel there are two areas of exploratory potential on this lease (see enclosed salt map). The first area is in shallow sands between the No. 1 well up-dip and the Nos. 2 and 4 wells down-dip and colored yellow on the enclosed map. This should have net pay sand and economics similar to what we will be developing from the "F" platform with some possibility of better than forecasted results. The second area is in deeper sands which are poorly developed in the Nos. 2 and 4 wells but could possibly fatten up and be excellent reservoirs further down-dip. This area is colored in green on the enclosed map.

On the basis of available information, it is difficult to predict how these sands will be developed or exactly what the reserve potential might be. It is anticipated that drilling in both the up-dip and down-dip areas will be relatively unhazardous because the objective section appears to be normally pressured.

Summary

Because of the unburdened interest being offered, we feel that we can accept the apparent very limited payout on the proposed developmental drilling to get a shot at the exploratory potential remaining on this lease.



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KR is Probable Selective Zone

EUGENE ISLAND

PROPOSED PLATFORM LOCATION
SE CORNER BLOCK 208 E/2
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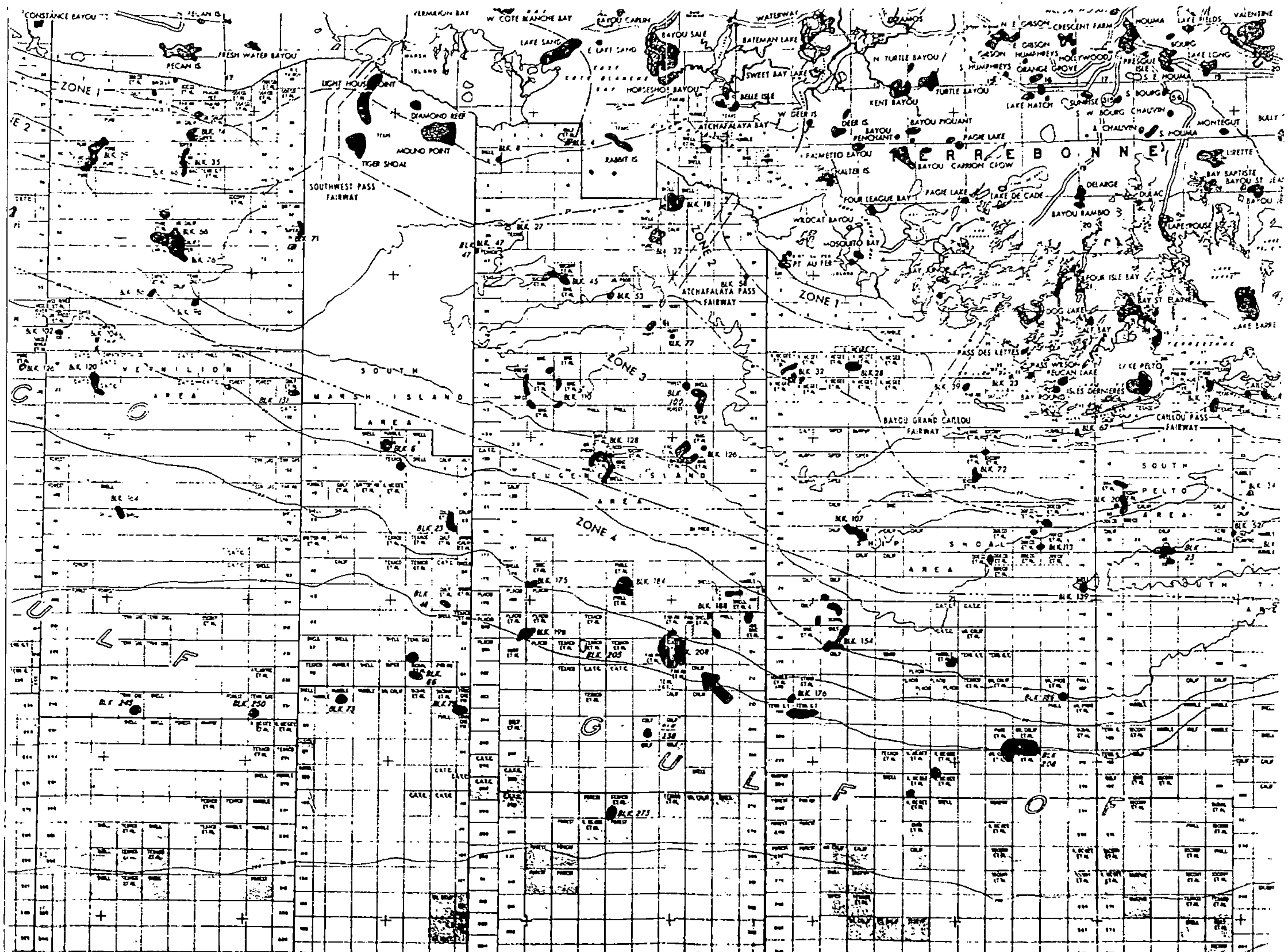

TERREBONNE
GULF OF
SOUTH PELTO AREA
SHIP SHOAL AREA
EUGENE ISLAND AREA
SOUTH MARSH ISLAND AREA
VERMILION AREA
ZONE 1
ZONE 2
ZONE 3
ZONE 4
SOUTHWEST PASS FAIRWAY
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BAYOU GRAND CAILLOU FAIRWAY
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DIAMOND REEF
LIGHT HOUSE POINT
PECAN IS
FRESH WATER BAYOU
CONSTANCE BAYOU
VERMILION BAY
W COTE BLANCHE BAY
LAKE SAND
BAYOU SALE
RABBIT IS
FOUR LEAGUE BAY
WILDCAT BAYOU
MOSQUITO BAY
PT AU FER
LAKE PELTO
ISLES DERNIERES
DOG LAKE
FOUR ISLE BAY
BAY ST ELAINE
LAKE BARRE
HOUMA
MONTEGUT
LIRETTE
DULAC
DELARGE
BAYOU RAMBIO
LAKE DE CADE
BAYOU CARRION CROW
PALMETTO BAYOU
KENT BAYOU
TURTLE BAYOU
LAKE HATCH
BAYOU PIQUANT
PAGIE LAKE

File

ZAPATA OFF-SHORE COMPANY

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FORM NO. 128

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TO: BOARD OF DIRECTORS FROM: GEORGE BUSH

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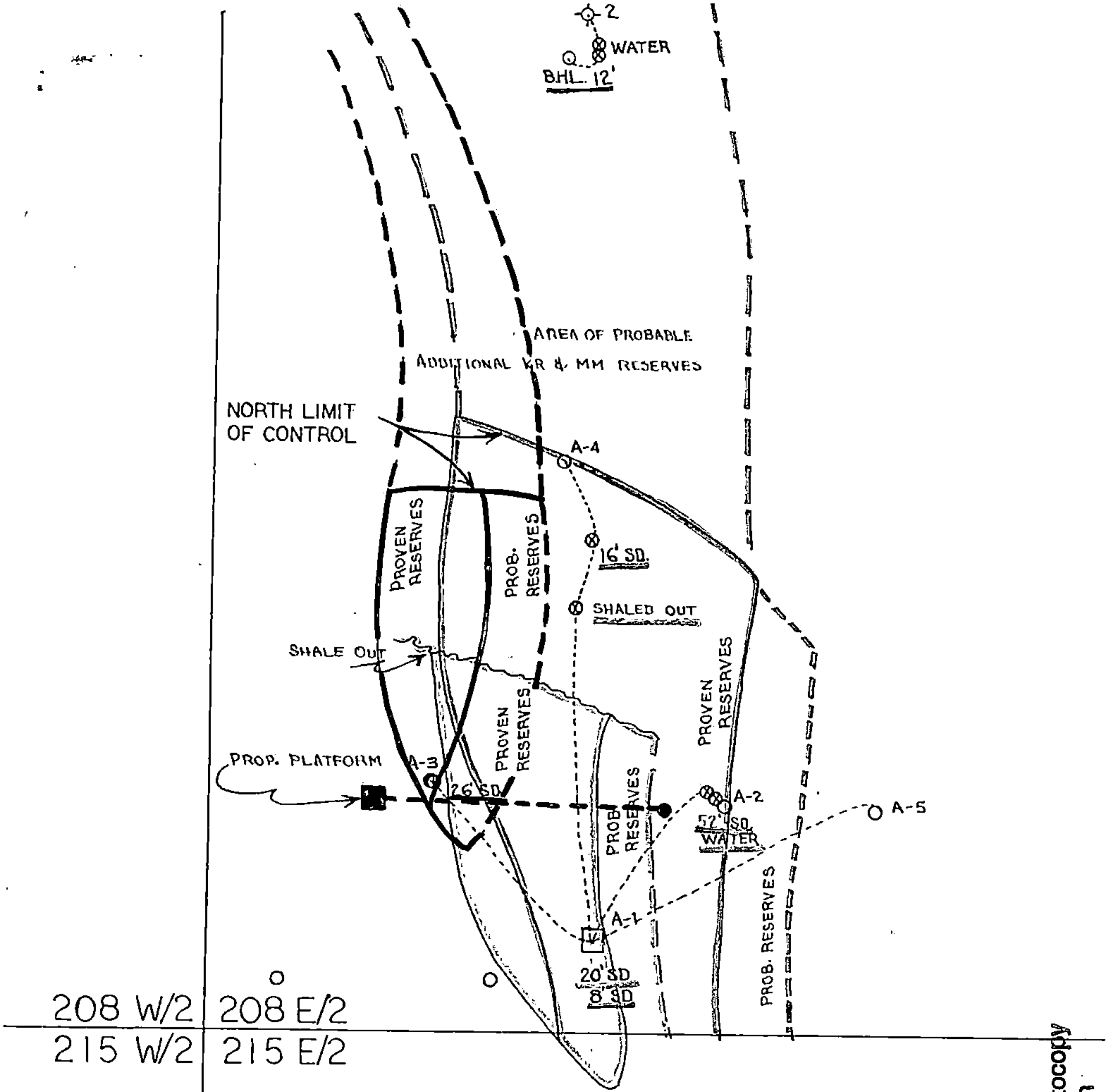

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PROPOSED PLATFORM LOCATION
SE CORNER BLOCK 208 E/2
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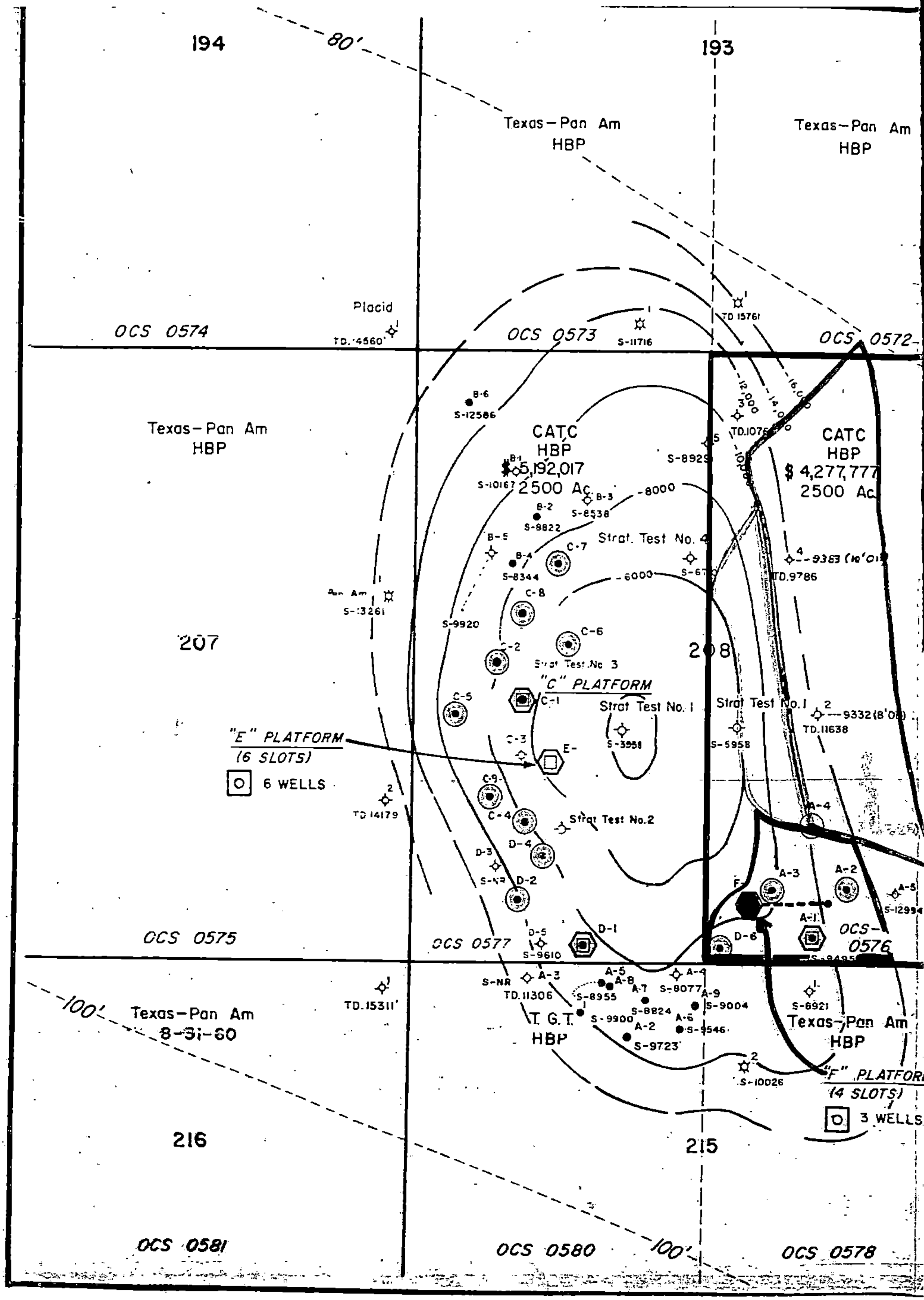
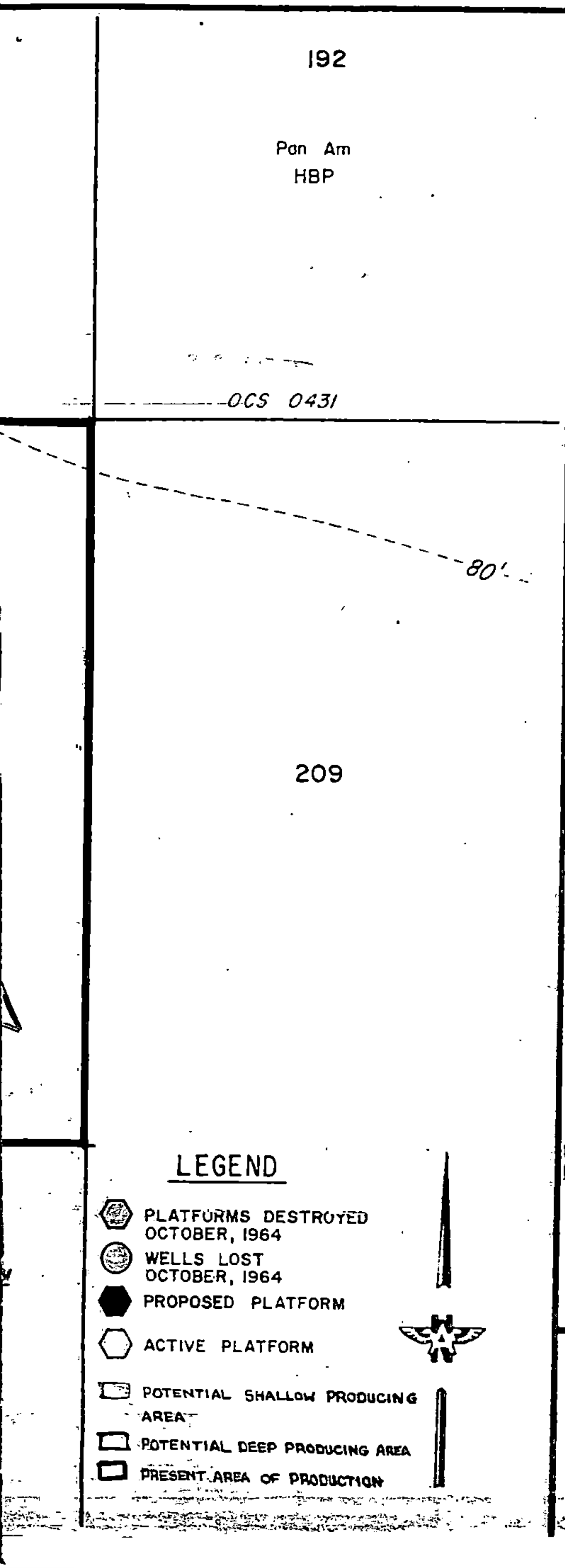

194
193
80'
Texas-Pan Am
HBP
Texas-Pan Am
HBP
Placid
OCS 0574
OCS 0573
OCS 0572
Texas-Pan Am
HBP
CATC
HBP
$5,192,017
2500 Ac
CATC
HBP
$ 4,277,777
2500 Ac
Strat. Test No. 4
207
208
Strat Test No 3
"C" PLATFORM
Strat Test No. 1
Strat Test No. 1
"E" PLATFORM
(6 SLOTS)
6 WELLS
Strat Test No.2
OCS 0575
OCS 0577
OCS 0576
100'
Texas-Pan Am
8-31-60
T. G. T.
HBP
Texas-Pan Am
HBP
"F" PLATFORM
(4 SLOTS)
3 WELLS
216
215
OCS 0581
OCS 0580
100'
OCS 0578



LEGEND

- Tidewater Proposed Well
- Tidewater Drilling Well
- Tidewater Completed Well
- Other Wells of Interest

TIDEWATER LEASES

Full Interest | Partial Interest | Mineral Interest

PRODUCING ZONES

Pay	Color Legend	Depth	Average Thickness
31 Miocene Sands		5,200' to 13,150'	4' to 174' per sand 32' to 391' per well

The Block 208 Field was discovered in September, 1958, by the CATC OCS 0576, #1, which tested 269 BOPD on a 1/8 inch choke, GOR 929:1, TP 3050#, Gr. 37.8°. The structure is a piercement type salt dome located in 95 feet of water 44 miles offshore from St. Mary Parish, Louisiana.

Nearly all the wells drilled have encountered salt; so it is possible to map the dome with good accuracy. The top of the dome is 3,900 feet below sea level. It is elongated north-south and has an areal extent of approximately 2500 acres near 10,000 feet deep.

Of the completed Tidewater interest wells the average number of pay sands per well is 4.7. Since the wells in this field have found an above average multipay section this has offset the fact that the individual reservoirs are not large in areal extent.

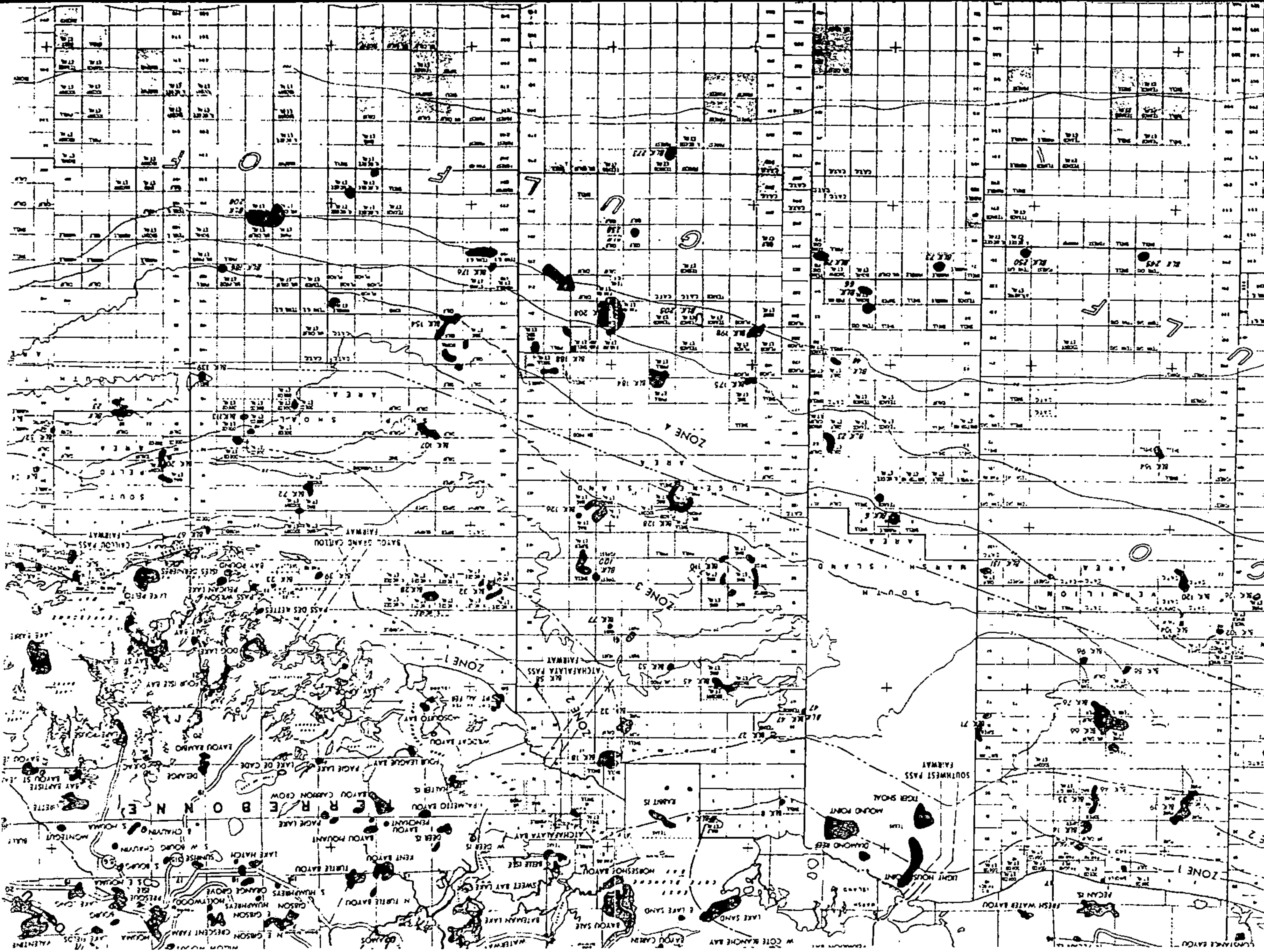
CONTOURS ON SALT

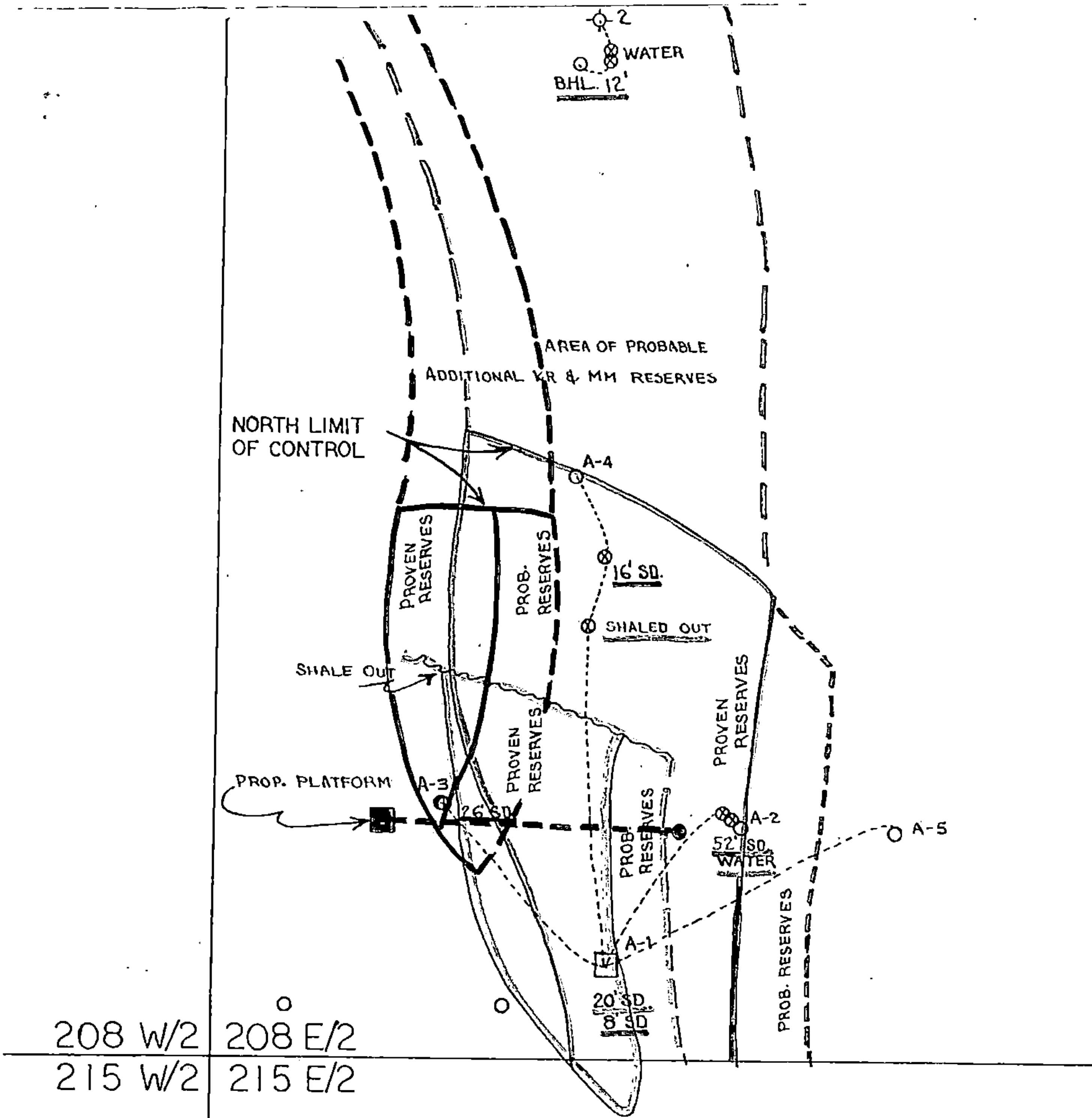
TIDEWATER OIL COMPANY

PLAT OF

P-34 BLOCK 208 FIELD
EUGENE ISLAND AREA
LOUISIANA

SCALE 1" = 3000' DATE SEPTEMBER, 1965


TERREBONNE
ZONE 1
ZONE 2
ZONE 3
ZONE 4
ATCHAFALAYA BAY
ATCHAFALAYA PASS
SOUTHWEST PASS
FAIRWAY
MOUND POINT
TIGER SHOAL
FRESH WATER BAYOU
LAKE SAND



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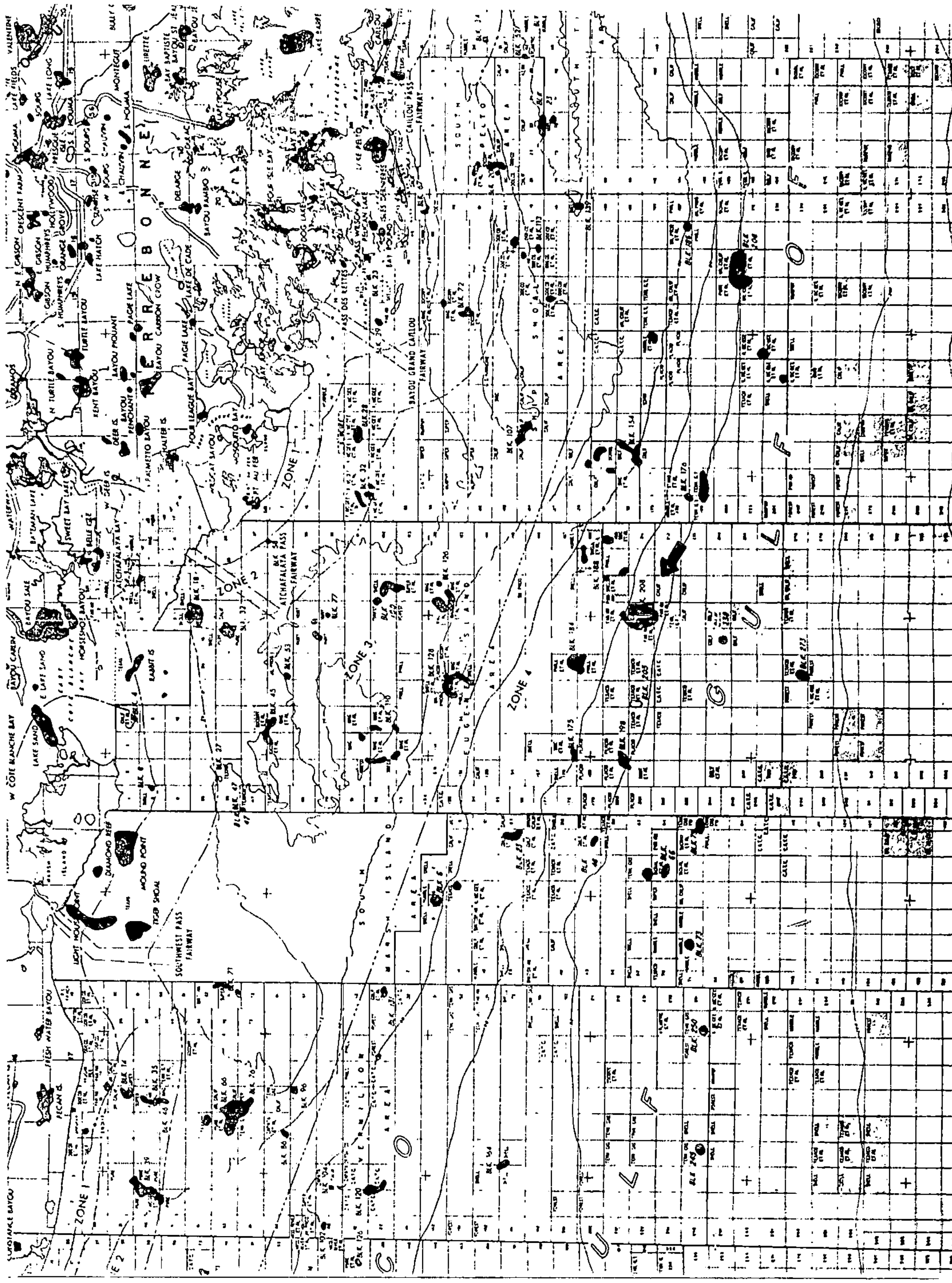
ZONE 1
ZONE 2
ZONE 3
ZONE 4
SOUTHWEST PASS FAIRWAY
ATCHAFALAYA PASS FAIRWAY
BAYOU GRAND CAILLOU FAIRWAY
CAILLOU PASS FAIRWAY
SOUTH MARSH ISLAND AREA
EUGENE ISLAND AREA
VERMILION AREA
SOUTH PELTO AREA
LAKE PELTO
DIAMOND REEF
TIGER SHOAL
RABBIT IS
FOUR LEAGUE BAY
LAKE DE CADE
BAYOU SALE
LAKE SAND

October 27, 1965

Dear Don,

Here is a memo on our equipment, a copy of our Annual Report, a copy of our brochure on drilling rigs and a projected income and balance sheet. From the financial figures, we believe these estimates to be reasonable and, if anything, on the conservative side. The estimates do not take into consideration the construction of any equipment other than what we have presently contracted for. Zapata's history would indicate that this is most conservative since there has not been any period of prosperity during which we have not had large capital expansion.

Please let me know if you need additional data.

Yours very truly,

George H. W. Bush

Mr. D. L. Connelly
Americana Building
Houston, Texas
GB:as

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DON CONNELLY FROM: GEORGE BUSH

CC: DATE: October 27, 1965

SUBJECT:

You asked about the disposition of our drilling rigs. They are as follows:

The SCORPION, a self-elevating mobile drilling barge, built by LeTourneau, capable of drilling in 80' of water, is now employed by Forest Oil Company. Until January of 1967, it will be employed half by Forest Oil Company and the other half by Zapata-C & K, our drilling syndicate.

Work for this type of barge appears to be good and we see no slackening either in 1966 or 1967. The Scorpion is our oldest rig, built in 1956. It has worked for many major oil companies here, in Mexico and the Cay Sal bank off of Cuba. The rig is in excellent condition. As do all of our offshore rigs, it has drilling equipment capable of 20,000'.

The VINEGARROON, built by LeTourneau in 1957, is capable of drilling in 105' of water, is currently working for the California Company off Louisiana. It's under a contract which expires in March. The California Company has indicated that they will renew this contract for a year. This rig has been doing development work for California Company in the Main Pass area. It was the second LeTourneau rig built and has stayed busy most of the time.

RIG 8 is a deep-drilling diesel electric rig, rigged up on a stationary platform for Gulf Oil. This is a conventional offshore platform set-up and should be busy on development work for Gulf for some time.

OTHER DOMESTIC CONSTRUCTION: At present, we have under construction two deep water LeTourneau rigs, both capable of drilling in 300' of water. One of them will be outfitted at the outset for 250' of water and the other for 200' of water. The first rig off will work for Shell Oil Company for one year and the second rig will go to work for Forest Oil Company on a fifteen months' contract.

Four other rigs of this type are in operation now. These are the most modern self-elevating offshore rigs in the Gulf. Both of these rigs should be in operation in the Spring of 1966.

FOREIGN WORK: Through our 50%-owned affiliated Seacat-Zapata, we are working with a self-contained floating drilling vessel in Tunisia for Signal Oil Company. This rig has six months to go on a one-year contract. If work should not be available in Tunisia for it at the conclusion of that contract, it will move to Ethiopia. The rig is actually operated by Southeastern Drilling Company, but we are 50% owners. This is one of our most profitable investments.

FORM NO. 128

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: DON CONNELLY

FROM: GEORGE BUSH

CC:

DATE: October 27, 1965

SUBJECT:

SEDCO 135-A: Southeastern-Zapata operates the $6.6 Million semi-submersible floating barge 135-A for Shell in Borneo. Zapata Off-Shore Company owns one-third of the stock in Southeastern-Zapata. This rig is operating on a two-year contract for Shell. It is of modern design and is the largest drilling rig in the world. It can drill on the bottom in 120' of water or can drill in floating position up to 600' of water.

LABOR CONTRACT, IRAN: Seacat-Zapata (50% owned by Zapata) is operating the Shell-owned drilling barge SIDEWINDER for Shell in Iran. The Sidewinder was designed by Zapata, used in the Gulf and then shipped to Borneo for Shell, after which Shell excercised an option to purchase this rig. This is the only rig upon which a company has had such a purchase option. None of Zapata's other equipment is subject to purchase. This labor contract is profitable and should continue for some time.

In addition to these major pieces of equipment, Zapata owns a 42% interest in AMATA GAS CORPORATION, a small gas gathering company. This company operates small portable plants which can be moved from area to area. This investment is not a major asset of Zapata's.

GENERAL: Zapata has approximately 1,900 shareholders; the stock is listed on the American Stock Exchange. Head offices of the company are at 1701 Houston Club Building, Houston, Texas. Office is also maintained in New Orleans, La. In addition, we have a foreign sales representative in London.

Telefax **WESTERN UNION** Telefax

SENDING BLANK

CALL LETTERS TDW   CHARGE TO ZAPATA OFF-SHORE COMPANY

August 30, 1965 6B

R.H. GOW
HOTEL COZUMEL CARIBE
COZUMEL, YUCATAN, MEXICO

BOARD MEETING 10 A.M. SEPTEMBER 10. PLEASE ADVISE IF YOU WISH RESERVATIONS MADE BEFORE YOU RETURN HOUSTON

GARDNER

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 unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated 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 unrepeated-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 repeated-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 repeated-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 intrastate 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 95 days after the cause of action, if any, shall have accrued in the case of an intrastate 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 messages 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.

4-54

CLASSES OF SERVICE

DOMESTIC SERVICES

TELEGRAM

The fastest domestic service.

DAY LETTER (DL)

A deferred same-day service, at low rates.

NIGHT LETTER (NL)

Economical overnight service. Accepted up to 2 A. M. for delivery the following morning, at rates lower than the Telegram or Day Letter 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 22 words applies.

SHIP RADIOGRAM

For messages to and from ships at sea.

August 30, 1965

Mr. B. N. Powell, Jr.
4100 Clinton Drive
Houston, Texas

Dear Ben:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G. H. Walker & Company, 45 Wall Street, New York.

As has been mentioned before, we will be most happy if you can attend this meeting. I am sure our Directors have some questions they would like to pose, and I have no doubt that you would like to talk with them also.

If you wish us to make plane and hotel reservations for you, please call my secretary, Mrs. Wilcox, and she will be glad to take care of whatever arrangements you desire.

Sincerely,

Mark Gardner

August 30, 1965

Mr. Bowman Thomas
Movible Offshore, Inc.
Bank of the Southwest Bldg.
Houston, Texas

Dear Bowman:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G. H. Walker & Company, 45 Wall Street, New York.

As has been mentioned before, we will be most happy if you can attend this meeting. I am sure our Directors have some questions they would like to pose, and I have no doubt that you would like to talk with them also.

If you wish us to make plane and hotel reservations for you, will you please call my secretary, Mrs. Wilcox, and she will be glad to take care of whatever arrangements you desire.

Sincerely,

Mark Gardner

August 30, 1965

Mr. J. Porter Brinton, Jr.
500 Fifth Avenue
New York, New York

Dear Porter:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G. H. Walker & Company, 45 Wall Street, New York.

Hope to see you then.

Sincerely,

Mark Gardner

August 30, 1965

Mr. D. L. Connelly
Americana Building
Houston, Texas

Dear Don:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G.H. Walker & Company, 45 Wall Street, New York.

Hope to see you then.

Sincerely,

Mark Gardner

August 30, 1965

Mr. Thomas J. Devine
375 Park Avenue, Room 1906
New York, New York

Dear Tom:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G.H. Walker & Company, 45 Wall Street, New York.

Hope to see you then.

Sincerely,

Mark Gardner

August 30, 1965

Mr. Milton R. Underwood
Inwood Manor
3711 San Felipe Road
Houston, Texas

Dear Milton:

We have scheduled the next Zapata Board meeting for 10 A.M. Friday, September 10, at the offices of G. H. Walker & Company, 45 Wall Street, New York.

I hope it will be possible for you to attend this meeting but if not, then I hope to see you soon.

Sincerely,

Mark Gardner

Mr. Bush

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: BOARD OF DIRECTORS

CC:

FROM: GEORGE H. W. BUSH

DATE: March 31, 1965

SUBJECT: BOARD MEETING

We have scheduled the next regular Zapata Board meeting for Thursday, June 24, at 2:30 p.m. in Zapata's office, 1701 Houston Club Building, Houston.

It just so happens that the New York Mets will be playing in the Domed Stadium that night, and when we are through our business, we should adjourn for a drink and a visit to the Domed Stadium.

I realize this is well in advance, but I do hope you'll be able to make it.

CJ

FORM #120

Lein

June 22, 1965

Dear Mrs. Connelly,

I mentioned this to Don, but lest he be like I am on these things and forget to tell his wife, I wanted to tell you we are having a get-together at the Astrodome on Thursday for the Zapata directors and their wives.

We will meet in the Sky Boxes at a quarter of six (I will give Don the tickets at the directors' meeting.) We will have dinner out there and then watch the ball game.

Barbara and I hope you will be with us.

Yours very truly,

George H. W. Bush

Mrs. Donald L. Connelly
3215 Huntingdon
Houston, Texas
GB:as

June 15, 1965

Dear Porter,

Just a reminder that the Board of Directors meeting will be held at 2:30 p.m., Thursday, June 24th.

We have made a reservation for you at the Warwick Hotel for Thursday night.

Following the meeting on Thursday afternoon, we are going to adjourn to the Astrodome where we will have drinks and some dinner and watch the New York Mets vs. Houston game. John Mecom has graciously given us the use of his Sky Box for the occasion and Herbie is arranging for the Club box as well so we can watch some of the game from the upper stratosphere and some from the field level.

I hope you'll be with us.

Best regards,

George H. W. Bush

Mr. J. Porter Brinton, Jr.
500 Fifth Avenue
New York, New York
GB:as

File

Board of Dir

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: BOARD OF DIRECTORS

CC:

FROM: GEORGE H. W. BUSH

DATE: March 18, 1965

SUBJECT: OCEANOGRAPHIC RESEARCH

You will recall that at the Directors Meeting I discussed with you the interest that various space companies are taking in Zapata.

Bob Gow has been doing some looking into the oceanographic field. In fact, he has even set up some experiments in his garage. He and I together have looked into several deals which would involve Zapata's getting further into the oceanographic field, but we've not come across anything too attractive.

Both Westinghouse and Lockheed have shown interest in doing some business with Zapata.

With all these things in mind, I today have authorized Zapata's spending $20,000 a year on oceanographic research. This is a small amount, and I have asked Bob Gow to handle these expenditures, reporting to both Mark Gardner and me.

This is a very small expenditure as far as Zapata is concerned but Bob feels, and I agree with him, that it will get our foot into several doors and we can try some experiments always with the idea of keeping our experimentation aimed towards "making a buck." Bob has in mind taking on a man experienced in oceanographic research, to be understood by this man that should Zapata abandon this project after a year, the man would seek other employment.

I think this program will help us in establishing communities of interest with the large companies mentioned above and, even more important, I think from it we might come up with some ventures which will be real money makers.

We're not going to say anything about all this publicly at this time due to the small size of the program, but I did want you to know where we stood.

FORM #128

March, 1965

Board of Directors

ZAPATA OFF-SHORE COMPANY

George H. W. Bush, Chairman of the Board
1701 Houston Club Building
Houston, Texas 77002
713 - CApitol 2-0395

J. Porter Brinton, Jr.
500 Fifth Avenue
New York, New York
212 -CHickering 4-5118

Donald L. Connelly
Americana Building
Houston, Texas
713 - CApitol 7-0840

Thomas J. Devine
375 Park Avenue, Room 1906
New York, New York
212 - PLaza 1-1944

J. M. Gardner
1701 Houston Club Building
Houston, Texas 77002
713 - CApitol 2-0395

Robert H. Gow
1701 Houston Club Bldg.
Houston, Texas 77002
713 - CApitol 2-0395

Milton R. Underwood
724 Travis Street
Houston, Texas
713 - CApitol 3-4941

G. H. Walker, Jr.
45 Wall Street
New York 5, New York
212 - HAnover 2-4000

George H. W. Bush

Board of Directors Meeting

June 24, 1965

AGENDA

Meeting of BOARD OF DIRECTORS

June 24, 1965

1. Forecasts of future ZOS earnings and balance sheet positions.

2. Personnel changes and changes to the stock option plan.

3. Discussion of acquisition of Movible Off-Shore

   a) Projections Movible's earnings

   b) Pro-forma combined projection

4. Proposed Exploratory Syndicate ✓

5. Discussion of possible future plans ✓

West
Ludwig

***

Zapata Off-Shore Company
Actual & Projected Earnings
Years Ending September 30, 1963 thru 1967

000 omitted	1963	1964	1965	1966	1967
Gross Income	6,483	7,341	8,000	12,257	13,672
Operating Expenses	4,210	4,361	4,100	6,575	6,940
Depreciation	1,265	1,132	800	1,454	1,714
Total Expenses	5,475	5,493	4,900	8,029	8,654
Income from Contract Drilling	1,008	1,848	3,100	4,228	5,018
Oil & Gas Income & Exploration	(406)	(99)	(205)	(210)	(210)
Equity Undistributed Earnings Affiliate	802	805	350	800	800
Interest Expense & Other	(141)	(215)	(250)	(649)	(603)
Gain on Sale of Assets	-	119	-	-	-
Net Income Before F. I. Taxes	1,263	2,458	2,995	4,169	5,005
F. I. Taxes Payable	-	-	550	100	-
F. I. Taxes Deferred	630	1,150	887	1,900	2,400
Net Income	633	1,308	1,558	2,169	2,605
Net Income Per Share	\$0.63	\$1.26	\$1.51	\$2.10	\$2.51
Cash Flow	3,158	3,938	3,540	5,733	7,019
Proceeds from Bank Loans	1,120	3,775	5,200	4,200	-
Capital Expenditures	1,320	4,600	6,900	7,000	400
Loan Repayment	490	927	1,535	2,005	2,475
Loan Balance	2,510	5,200	8,845	11,040	8,565

6-15-65

Zapata Off-Shore Company
Actual & Pro Forma Balance Sheets
Years Ending September 30, 1963 thru 1967

ooo omitted	1963	1964	1965	1966	1967
Assets					
Cash & Time Deposits	1,354	2,934	3,120	3,500	6,251
Notes & Accounts Receivable	1,901	1,935	2,500	2,612	2,700
Prepaid Expenses	181	139	149	175	200
	3,436	5,008	5,769	6,287	9,151
Investments & Advances in Affiliates	1,180	1,887	2,283	3,083	3,883
Property & Equipment	13,201	16,678	21,927	28,927	29,327
Less allow for Depreciation	(7,607)	(7,681)	(7,763)	(9,307)	(11,021)
	5,594	8,997	14,164	19,620	18,306
Deferred Charges & Other Assets	-	300	300	-	-
	10,210	16,192	22,516	28,990	31,340
Liabilities					
Current Maturities Long Term Debt	887	1,685	2,000	2,400	2,400
Accounts Payable & Accrued Liabilities	657	1,165	1,200	1,300	1,300
Reserve for Deferred F.I.T.	1,092	2,318	3,218	5,118	7,518
Long Term Debt	1,583	3,394	6,845	8,640	6,165
Notes Payable	400	325	325	435	255
Stockholder's Investment					
Common Stock	503	503	524	524	524
Capital in Excess of Par Value	3,547	3,549	4,099	4,099	4,099
Retained Income	2,047	3,355	4,370	6,539	9,144
	6,096	7,407	8,993	11,162	13,767
Less Treasury Shares	146	102	65	65	65
	5,950	7,305	8,928	11,097	13,702
	10,210	16,192	22,516	28,990	31,340

SOME SIGNIFICANT PROJECTED BALANCE SHEET RATIOS FOR ZAPATA OFF-SHORE COMPANY

	Current (1) Ratios	Working (1) Capital	Long Term Debt as (2) % of Total Capitalization
September 30, 1965	1.8 to 1	R.B. F.S. 2,569,000	45%
September 30, 1966	1.7 to 1	2,587,000	45%
September 30, 1967	2.5 to 1	5,451,000	32%

Footnotes

(1) Current portion long term included as a current liability.

(2) Includes stockholders equity, noncurrent portion long-term debt and excludes deferred Federal Income Tax.

PROJECTED BARE ASSET VALUE OF ZAPATA OFF-SHORE COMPANY
SEPTEMBER 30, 1965, 1966, 1967
(approximates liquidation value in good rig market)

3 Mavericks	18
Rig 8	2
Scorpion	3
Vinegarroon	4
½ Nola 3	1
	28 MM

	Sept. 1965	Sept. 1966	Sept. 1967 (1)
Rigs	$ 21 MM	$ 28 MM	$ 28 MM
Block 86	2	2	2
W. C.	3	2	5
	$ 26	$ 32	$ 35
Less long-term debt	7	9	6
	$ 19 MM	$ 23 MM	$ 29 MM

(1) Assumes sale value of drilling rigs does not decrease appreciably in a year. Most rigs are relatively new at this point.

Above figures make no allowance for "going business" factors, contracts, personnel, etc.

Personnel Changes and Changes in the
Stock Option Plan

1. Discussion of personnel change

2. Changes in stock option plan

   (a) Amend both the old and new plans so that the non-current portions of options become exercisable upon the signing of an agreement for the sale of Zapata Off-Shore Company.

   This has been the intent of the plans, but is unclear under some conditions.

   (b) Provide that upon receipt of a letter of resignation from an employee, those options (to the nearest month), which he has earned by his employment with the company, become current.

   For example, an employee option grants him the right to exercise 208 additional shares each year. If he resigns after working six months of the year, 104 shares become exercisable upon his resignation.

3)

ZAPATA OFF-SHORE COMPANY

Extract from Minutes of Meeting of Board of Directors

The Chairman then directed the attention of the meeting to the Company's stock option plans. He stated that more adequate provisions needed to be made in both the restricted and the qualified plans for the employee whose employment is terminated for reasons other than disability or death. Under the present restricted stock option plan, such an employee has only the right prior to such termination to exercise those options which had matured as of the end of the previous option year, and all of his rights under the option plan end on the effective date of the termination of his employment. Under the qualified stock option plan, any employee who is terminated for reasons other than death may exercise only matured options, but on voluntary retirement or disability the Stock Option Committee has discretion to accelerate for immediate exercise the unmatured option installments, and the employee, in any event, has three months after termination during which to exercise options which were exercisable as of the termination date.

The Chairman expressed the view that it is desirable as further incentive to employees to permit an employee who is to be terminated other than by death to have the right to exercise at least his matured options plus a ratable portion of the options which would have become exercisable at the end of that option year based on the portion of the year elapsed as of the termination date. The employee would thereby be permitted to exercise a portion of the options maturing as of the end of that year just as if such options became exercisable in equal installments each month of the option year. The Chairman stated further that counsel had advised that the proposed amendments to the plans would not affect the status of the option plans for tax purposes, since they do no more than accelerate the time at which the options may be exercised and do not confer any additional benefits on employees under the plans. A discussion of these proposed amendments to the stock option plans then ensued.

Thereafter, on motion duly made, seconded and unanimously adopted, it was:

> RESOLVED, that the Company's restricted stock option plan be amended by adding to paragraph 9 thereof a new subparagraph (e) as follows:
>
> "(e) If an employee submits a letter of resignation to the Company prior to the maturity of all installments of any option granted to him by the Company, there shall be accelerated and immediately exercisable by such employee, but only during the period he remains an employee of the Company, in addition to his previously matured option installments,

a ratable portion of the unmatured installment of such option for the then current option year, being a number of shares equal to the total number of shares of the unmatured installment for such option year multiplied by a fraction, the numerator of which is the number of months, to the nearest month, which have elapsed as of the date of such letter of resignation and the denominator of which is twelve."

FURTHER RESOLVED, that the Company's qualified stock option plan be amended by changing the last sentence of paragraph 7 (b) thereof to read as follows:

"In the event of termination of employment for any reason other than death, if the Stock Option Committee fails for any reason to take action to approve acceleration of then unmatured installments of any outstanding option, such option shall be exercisable by the employee or his legal representative within three months of the date of termination as to all then matured installments and as to a ratable portion of the unmatured installment for the then current option year, being a number of shares equal to the total number of shares of the unmatured installment for such option year multiplied by a fraction, the numerator of which is the number of months, to the nearest month, which have elapsed as of the termination date and the denominator of which is twelve."

The Chairman further suggested amendments to the plans to protect option holders in the event of a sale of the Company or its merger or reorganization with another corporation. Under the plans as presently written, in the event of merger, reorganization or sale the Company may accelerate all outstanding and unmatured options during the thirty day period preceding such event by giving option holders notice of termination of their options as of the effective date of such event. The Chairman suggested that to protect fully option holders, provisions should be added providing for the automatic acceleration of the time at which outstanding options could be exercised in the event of an impending merger or sale and that, in keeping with the purpose of such an amendment, such acceleration should be made to occur on the execution by the Company of an agreement for the sale, merger, or reorganization of the Company. Thereby the employees could protect their benefits under the option plans. The Chairman also noted that under these proposed amendments, as under those discussed above, the result would be merely to effect an acceleration of the time for exercise of options and thus the tax status of the option plans would not be altered. A discussion of these proposed amendments by the members of the Board then ensued.

Thereafter, upon motion duly made, seconded and unanimously adopted, it was:

> RESOLVED, that paragraph 13 of the Company's restricted stock option plan be revised so that the last sentence thereof reads as follows:
>
> "* * * If the Company is reorganized, or merged or consolidated with another corporation while unexercised Options remain outstanding under the Plan, there shall be substituted for the Shares subject to the unexercised portions of such outstanding Options an appropriate number of shares of each class of stock or other securities of the reorganized or merged or consolidated corporation which were

distributed to the shareholders of the Company in respect of the Shares; provided, however, that all such Options may be cancelled by the Company as of the effective date of any such reorganization, merger or consolidation, or as of the effective date of any sale or other disposition of substantially all of its assets, or of any dissolution or liquidation of the Company; provided further, however, that immediately on the execution of a contract or agreement to effect such a transaction, if the Company is not to be the surviving corporation, all outstanding Options which are not yet exercisable under the installment provisions set forth in paragraph 8 hereof shall become fully exercisable from the date of such contract or agreement until such effective date without regard to the provisions of paragraph 8."

FURTHER RESOLVED, that paragraph 9 (c) of the Company's qualified stock option plan be revised to read as follows:

"(c) If the Company is reorganized, or merged or consolidated with, or sells or otherwise disposes of substantially all its assets to another corporation while unexercised options remain outstanding under the Plan, there shall be substituted for the shares subject to the unexercised portions of such outstanding options an appropriate number of shares, if any, of each class of stock or other securities of the reorganized, merged, consolidated or acquiring corporation which were distributed to the shareholders of the Company in respect of such shares; provided, however, that all such options may be canceled by the Company as of the effective date of any such reorganization, merger, consolidation or sale or other disposition of assets, or of any dissolution or liquidation of the Company; provided further, however, that immediately on the execution of a contract or agreement to effect such a transaction, if the Company is not to be the surviving corporation, all outstanding options which are not yet exercisable under the installment provisions set forth in paragraph 7 hereof shall become fully exercisable from the date of such contract or agreement until such effective date without regard to the provisions of paragraph 7."

PROJECTED INCOME AND BALANCE SHEET FIGURES FOR ZAPATA, MOVIBLE AND COMBINED COMPANIES
WITH PER SHARE FIGURES AS NOTED

1965 - (000's omitted except in per share figures)	ZAPATA	MOVIBLE	TOTAL
Gross Income	$ 8,000	$ 9,121	$ 17,121
Less: Cash Operating Expenses	4,100	6,281	10,381
Depreciation	800	1,808	2,608
Total Expenses	$ 4,900	$ 8,089	$ 12,989
Gross Margin	$ 3,100	$ 1,032	$ 4,132
Other Income or (Expense)	(105)	(200)	(305)
Income Before Taxes	$ 2,995	$ 832	$ 3,827
Taxes:			
Cash	550	77	627
Deferred	887	322	1,209
Total	$ 1,437	$ 399	$ 1,836
Net Income	$ 1,558	$ 433	$ 1,991
Earnings/Share[1]	$ 1.50	$ 2.01	$ 1.59
Cash Flow	$ 3,540	$ 2,563	$ 6,103
Cash Flow/Share[1]	$ 3.42	$ 11.87	$ 4.87
Net Working Capital	$ 2,569	$ (87)	$ 2,482
Property (Net)	14,164	6,341	20,505
Long-Term Debt	7,170	5,322	12,492
Deferred Income Taxes	3,218	796	4,014
Net Worth	8,928	1,312	10,240
Total Capitalization	$16,098	(1)$ 6,634	$ 22,732
Long-Term Debt as a % of Total Capitalization	44.5%	80.2%	55.0%
Book Value Per Share[1]	$ 8.62	$ 6.07	$ 8.18

[1]Assuming 216,000 shares for Movible; 1,035,940 shares for Zapata; and 1,251,940 for both.

RJF - 6-23-65

(1) Includes stockholder's equity, noncurrent portion long-term debt and excludes deferred Federal Income Taxes

1966 -(000's omitted except in per share figures)	ZAPATA	MOVIBLE	TOTAL
Gross Income	$12,257	$10,281	$ 22,538
Less: Cash Operating Expenses	6,575	7,204	13,779
Depreciation	1,454	1,907	3,361
Total Expenses	$ 8,029	$ 9,111	$ 17,140
Gross Margin	$ 4,228	$ 1,170	$ 5,398
Other Income or (Expense)	(59)	(190)	(249)
Income Before Taxes	$ 4,169	$ 980	$ 5,149
Taxes: Cash	100	239	339
Deferred	1,900	87	1,987
Total	$ 2,000	$ 326	$ 2,326
Net Income	$ 2,169	$ 654	$ 2,823
Earnings/Share[1]	$ 2.10	$ 3.03	$ 2.26
Cash Flow	$ 5,823	$ 2,648	$ 8,471
Cash Flow/Share	$ 5.62	$ 12.26	$ 6.77
Net Working Capital	$ 2,587	$ 61	$ 2,648
Property (Net)	19,620	4,834	24,454
Long-Term Debt	9,075	3,122	12,197
Deferred Income Taxes	5,118	883	6,001
Net Worth	11,097	1,966	13,063
Total Capitalization	$20,172	(1)$ 5,088	$ 25,260
Long-Term Debt as a % of Total Capitalization	45.0%	61.4%	48.3%
Book Value Per Share	$ 10.71	$ 9.10	$ 10.43

[1]Assuming 216,000 shares for Movible; 1,035,940 shares for Zapata; and 1,251,940 for both

1967 - (000's omitted except in per share figures)	ZAPATA	MOVIBLE	TOTAL
Gross Income	$13,672	$10,281	$ 23,953
Less: Cash Operating Expenses	6,940	7,144	14,084
Depreciation	1,714	1,520	3,234
Total Expenses	$ 8,654	$ 8,664	$ 17,318
Gross Margin	$ 5,018	$ 1,617	$ 6,635
Other Income or (Expense)	(13)	(180)	(193)
Income Before Taxes	$ 5,005	$ 1,437	$ 6,442
Taxes:			
Cash	-	810	810
Deferred	2,400	(169)	2,231
Total	$ 2,400	$ 641	$ 3,041
Net Income	$ 2,605	$ 796	$ 3,401
Earnings/Share[1]	$ 2.52	$ 3.69	$ 2.72
Cash Flow	$ 7,019	$ 2,147	$ 9,166
Cash Flow/Share	$ 6.78	$ 9.94	$ 7.32
Net Working Capital	$ 5,451	$ 568	$ 6,019
Property (Net)	$18,306	$ 3,714	$ 22,020
Long-Term Debt	6,420	1,787	8,207
Deferred Income Taxes	7,518	708	8,226
Net Worth	13,702	2,762	16,464
Total Capitalization	$20,122	(1) $ 4,549	$ 24,671
Long-Term Debt as a % of Total Capitalization	31.9%	39.2%	33.3%
Book Value Per Share	$ 13.23	$ 12.79	$ 13.15

[1] Assuming 216,000 shares for Movible; 1,035,940 shares for Zapata; and 1,251,940 for both.

Zapata Off-Shore Company and Chambers & Kennedy

EXPLORATORY PROGRAM

Purpose and Objective

The Zapata - C&K exploratory program will consist of a joint venture group formed for the specific purpose of conducting an extended exploratory drilling program in Offshore and Coastal Louisiana and Offshore Texas. The principal objective will be to commit only to prospects with large ultimate reserves, and exploratory capital will be applied mainly to quick in-and-out ventures, such as drilling farmouts rather than buying or bidding on leases. The venture intends to take advantage of the joint venture group's rig availability not only by seeking farmouts for the group but encouraging others to bring their farmouts and ideas to the joint venture.

Rig Availability

Not later than December 31, 1965, Zapata - C&K, as operator of the joint venture, and Zapata Off-Shore Company, as drilling contractor, shall execute and deliver a drilling contract whereby Zapata Off-Shore Company will conduct drilling operations for the joint venture for periods selected from time to time by mutual agreement but aggregating six months during each of the three one-year periods commencing on January 1, 1966, using Zapata's drill barge SCORPION which has an 80-foot water depth capability. Said drilling contract will provide for the following day rates: $5,300 towing, $6,000 operating, $5,640 standby, $3,800 repair, and $3,800 force majeure.

Scope and Opportunity

In March 1962, offshore operators paid $445,000,000 in bonuses to acquire approximately 1,900,000 acres in the Federal offshore area of Louisiana, an average of $200 per acre. Production has now been established on approximately 300,000 acres with 1,500,000 still to be validated. With only two years remaining in the primary terms of these leases, a large number will certainly be available for farmout. A serious problem is the acute shortage of drilling equipment which is expected to extend through 1967 and quite probably longer; a secondary problem is the large amount of risk money necessary to conduct even a limited offshore program. The Zapata - C&K program will solve the first problem, and at the same time provide enough financial leverage to reduce the burden of the second problem. Previous exploratory drilling in offshore Texas waters has yielded disappointing results; however, in the past year two major gas discoveries and a recent state lease sale bringing suprisingly high bonuses indicate future exploratory activity in this area.

Joint Venture Group

The joint venture group will be composed of participants making respective commitments of venture capital in the Zapata - C&K exploratory program for a period of three years. Additional parties approved by the present participants may become parties to the joint venture agreement on or before December 31, 1965. It is anticipated that before this date subscribed joint venture funds will total a maximum of nine and a minimum of six million dollars for the three-year term. Zapata - C&K will act as agents for the participating group under terms of a joint venture agreement that has been prepared and approved by present participants, and a four-member Screening Committee will govern and control operations and major decisions of the joint venture group. Zapata - C&K will jointly serve as one member of the committee with the additional three members being composed of representatives of the three participants making the largest commitments to the venture. All action taken by the committee shall require the affirmative vote of three of the four members of the committee. Only commitments in excess of $300,000 ($100,000 per year) to the exploratory program will be considered.

Screening Committee

Powers and duties of the Screening Committee will consist of approval of all items of expense in connection with the seismic or geophysical evaluation of properties, acquisition of any venture property, including terms and provisions of farmout contracts, approval of any program for the exploration, testing and investigation of any prospect, consultation and advice on the operation and management of the venture, and approval of the completion and equipping of any exploratory well.

Zapata - C&K

As organizers and operators of this program, Zapata - C&K will receive a one-quarter carried interest to casing point on the initial exploratory well of each prospect. Zapata - C&K will also participate in the program by a commitment of approximately ten percent to the joint venture exploratory fund. The powers and duties of Zapata - C&K will consist of obtaining information and reports on potential acquisition of properties and maintaining a continuing program leading to the acquisition of suitable properties for the venture. They will engage necessary personnel, open and maintain offices, arrange legal, accounting, and insurance services and incur other expenses for the purpose of conducting the activities contemplated by the venture. They will develop and recommend programs for exploration, contract for the acquisition of properties, maintain all records and accounts necessary to fulfill the requirements of the Joint Venture Agreement, and will furnish such information to the Screening Committee as may be necessary, and will keep said committee and participants advised of all material aspects of operations of the venture.

Expenditures from Venture Funds

The Venture Fund shall be applied to the payment of exploratory costs incurred on behalf of the venture, including completion costs on the initial exploratory well in the event completion for production is attempted. All funds shall be expended in proportion to the total expenditures from the Venture Fund which a participant's commitment bears to the total commitment of all participants. Development well costs will not be paid out of the Venture Fund; all development wells will be subject to an operating agreement between Zapata - C&K and the participants. Zapata - C&K will receive a $50,000 per year management fee to cover the compensation for executive services rendered by Zapata - C&K, such management fee to be paid out of the Venture Fund. All other costs, expenses, liabilities and obligations resulting from conducting the exploration program, including general administrative expenses and overhead, shall be payable out of the Venture Fund. An accounting of such expenditures shall be mailed to each participant at six-month intervals, and an annual audit will be conducted by an outside accounting firm.

Summation

It is anticipated that Zapata Off-Shore Company's background of experience in drilling in the offshore areas of Texas and Louisiana, as indicated by the attached map, will be a definite advantage to the Venture Group not only in the exploratory drilling phase of the program, but also in the pursuit of attractive geological areas for joint venture operations.

ZAPATA OFF-SHORE COMPANY

FINANCIAL STATEMENTS

MAY, 1965

	Revenue Days Working	Days Idle or Under Tow
SCORPION	31	-0-
VINEGARROON	31	-0-
MAVERICK	-0-	31
RIG #8	31	-0-

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ZAPATA OFF-SHORE COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENT OF INCOME AND INCOME RETAINED
FOR EIGHT MONTHS ENDED MAY 31, 1965

	MAY 1965	MAY 1964	YEAR TO 1965	MAY 31, 1964
CONTRACT DRILLING REVENUE	$ 470,340	$ 598,568	$5,284,458	$4,268,870
EXPENSES:				
Contract drilling expenses	$ 231,707	$ 294,731	$2,228,245	$2,351,724
Depreciation	66,050	71,282	536,220	580,111
General and Administrative	38,678	43,552	462,607	442,037
Total contract drilling expenses	$ 336,435	$ 409,565	$3,227,072	$3,373,872
Net income from contract drilling	$ 133,905	$ 189,003	$2,057,386	$ 894,998
OIL AND GAS REVENUE	14,372	15,426	129,918	122,276
OPERATING EXPENSE	(9,437)	(5,898)	(74,873)	(66,565)
OIL AND GAS EXPLORATION EXPENSES	(35,553)	(25,933)	(213,053)	(214,183)
INTEREST INCOME (EXPENSES)	(24,755)	(22,387)	(160,117)	(143,315)
EQUITY IN UNDISTRIBUTED EARNINGS OF AN AFFILIATE-CURRENT	100,000	50,000	75,000	405,000
GAIN OR (LOSS) ON SALE OF ASSETS, ETC.	-	6	(4,448)	9,235
Net income before estimated income taxes	$ 178,532	$ 200,217	$1,809,813	$1,007,446
ESTIMATED INCOME TAXES	86,000	100,000	868,693	503,000
NET INCOME	$ 92,532	$ 100,217	$ 941,120	$ 504,446
INCOME RETAINED, beginning of period	3,655,174	2,450,880	2,806,586	2,046,651
INCOME RETAINED, end of period	$3,747,706	$2,551,097	$3,747,706	$2,551,097
NET INCOME PER SHARE 1,035,940 shares	$ 0.09	$ 0.10	$ 0.91	$ 0.51

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ZAPATA OFF-SHORE COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATED DRILLING REVENUE AND EXPENSES

MAY, 1965

000 OMITTED

	SCORPION	VINEGARROON	SIDEWINDER	MAVERICK	RIG #8	TOTAL
DRILLING REVENUE	$ 175	$ 200		$ -	$ 95	$ 470
DRILLING EXPENSES						
Direct Expenses	$ 72	$ 68		$ 36	$ 55	$ 231
Depreciation	5	5		44	12	66
General and Adm.	10	10		10	10	40
Total Expenses	$ 87	$ 83		$ 90	$ 77	$ 337
PRE-TAX INCOME Rigs	$ 88	$ 117		$ (90)	$ 18	$ 133
YEAR TO DATE 1965						
DRILLING REVENUE	$1,338	$1,501	(1) $357	$1,669	$420	$5,285
DRILLING EXPENSES						
Direct Expenses	$ 647	$ 611	$ 66	$ 623	$280	$2,227
Depreciation	40	40	52	352	55	539
General and Adm.	124	123	35	123	57	462
Total Expenses	$ 811	$ 774	$153	$1,098	$392	$3,228
PRE-TAX INCOME Rigs	$ 527	$ 727	$204	$ 571	$ 28	$2,057
YEAR TO DATE 1964						
DRILLING REVENUE	$1,336	$1,482	(1) $358			$3,176
DRILLING EXPENSES						
Direct Expenses	$ 786	$ 815	$170			$1,771
Depreciation	158	240	46			444
General and Adm.	147	147	33			327
Total Expenses	$1,091	$1,202	$249			$2,542
PRE-TAX INCOME Rigs	$ 245	$ 280	$109			(2) $ 634

(1) Two Months
(2) Cumulative for 1964 does not agree with Income Statement due to elimination of Nola I & Sidewinder.

sc/6/22/65

ZAPATA OFF-SHORE COMPANY AND SUBSIDIARY COMPANIES
CONSOLIDATING BALANCE SHEET
MAY 31, 1965 AND SEPTEMBER 30, 1964

	MAY 31, 1965	SEPTEMBER 30, 1964
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,466,739	$ 2,933,768
Note receivable	222,100	272,100
Accounts receivable	1,982,277	1,812,436
Prepaid expenses	176,538	139,222
Total current assets	$ 4,847,654	$ 5,157,526
PROPERTY AND EQUIPMENT:	$18,961,628	$16,678,267
Less: Depreciation	(7,466,095)	(7,681,441)
Total	$11,495,533	$ 8,996,826
INVESTMENTS:		
Amata Gas	$ 121,288	$ 88,300
Southeastern Zapata	16,500	16,500
Seacat Zapata	1,819,935	1,744,935
Zapata Lining	30,000	37,500
Total investments	$ 1,987,723	$ 1,887,235
DEFERRED INSURANCE PREMIUM	$ 150,000	$ 150,000
Total Assets	$18,480,910	$16,191,587
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities on long-term debts	$ 1,616,667	$ 1,460,000
Accounts payable and accrued liabilities	1,276,264	1,390,106
Total current liabilities	$ 2,892,931	$ 2,850,106
DEFERRED FEDERAL INCOME TAXES PAYABLE	$ 3,143,444	$ 2,318,237
LONG-TERM DEBT	$ 4,138,559	$ 3,718,562
STOCKHOLDER'S EQUITY:		
Common stock	$ 523,711	$ 503,169
Capital in excess of par value	4,099,062	3,548,673
Income retained	3,747,706	3,354,995
	$ 8,370,479	$ 7,406,837
Less: Common stock repurchased	(64,503)	(102,155)
Total Stockholders Equity (1,035,940 Shares)	$ 8,305,976	$ 7,304,682
Total Liabilities	$18,480,910	$16,191,587

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ZAPATA OFF-SHORE COMPANY & SUBSIDIARY COMPANIES
GENERAL & ADMINISTRATIVE EXPENSES

	MAY 1965	EIGHT MONTHS ENDING MAY 31, 1965	MAY 1964	EIGHT MONTHS ENDING MAY 31, 1964
Office Salaries	$13,710	$120,536	$13,250	$118,955
Officers Salaries	7,169	98,295	10,311	85,358
Office Maintenance & Supplies	1,712	22,675	2,261	23,299
Office Rent	2,198	19,699	2,376	21,747
Stockholders Reports	2,063	10,523	35	526
Advertising	367	2,081	95	3,032
Dues & Subscriptions	134	2,171	195	3,991
Registrar & Transfer Fees	-	14,713	75	5,397
Donations	-	883	475	4,654
Telephone & Telegraph	2,371	20,780	2,397	20,311
Taxes	10	2,215	1,439	9,862
Legal & Auditing	2,275	42,774	1,157	44,369
Geological	-	613	835	2,672
Insurance	822	3,352	920	14,745
Depreciation	316	2,528	587	3,612
Stock Purchase Plan	1,102	9,230	-	-
Club Dues	206	2,140	242	2,084
Travel & Personal	5,961	93,842	13,040	91,682
Miscellaneous	(1,141)	16,005	912	4,660
Overhead Billed	(1,000)	(23,155)	(7,050)	(22,052)
Pakistan Project	-	-	-	3,133
Syndicate	108	411	-	-
Oceanographic Research	295	295	-	-
Total	$38,678	$462,606	$43,552	$442,037

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