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FOIA MARKER

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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:	25847
Folder ID Number:	25847-002

Folder Title:

Off-Shore Drilling Syndicate, 3/65 - GHWB [1965] [1]

Stack:	Row:	Section:	Shelf:	Position:
G	5	1	3	2

ZAPATA OFF-SHORE COMPANY
1701 HOUSTON CLUB BUILDING
HOUSTON, TEXAS 77002

GEORGE H. W. BUSH
CHAIRMAN OF THE BOARD

Returned, 11-11-65

November 2, 1965

Dear Lloyd,

Here's the introductory brochure on the drilling syndicate, about which I talked to you on the telephone.

Participants so far are: Greenbrier, Kirby, Jenney, H. C. Price and Zapata. I believe States Marine Shipping Company is coming in for $300,000 a year.

If this is of interest, let me know and perhaps you, Fred Chambers and I can get together to talk about it.

We have already taken one deal, which will start between December 15th and February 1st.

Best regards,

George

George H. W. Bush

Mr. Lloyd H. Smith
Bank of the Southwest Bldg.
Houston, Texas

ZAPATA OFF-SHORE CO.

AND

CHAMBERS & KENNEDY

EXPLORATORY PROGRAM

ZAPATA OFF-SHORE CO.

AND

CHAMBERS & KENNEDY

EXPLORATORY PROGRAM

George Bush Presidential Library
Transfer Sheet

COLLECTION:
George Bush Personal Papers
Zapata Oil File

ACCESSION NUMBER:
1993.0005

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FOIA/SYSTEMATIC PROCESSING CASE NUMBER (if app.):
2000-0022-S

The following material was transferred to:

☑ **Audiovisual Collection** ☐ **Book Collection** ☐ **Museum Collection** ☐ **Other**

Other (Specify):

DESCRIPTION:
One color photograph of off-shore drilling platform

When transferring material to the museum collection, complete the following.

Donor:
Donor Org.:
Address:
Telephone:

Book Location:
Row: **Section:** **Shelf:** **Position:**

Map Case Location:

Series:
Zapata Oil File; Business Alphabetical Files

Box Number:

Folder Title:
Off-Shore Drilling Syndicate, 3/65 - GHWB [1 of 2]

OA/ID Number:

Transferred by: John Laster **Date of Transfer:** 01/05/00

Received by: Mary Finch **Date Received:** 01/05/00

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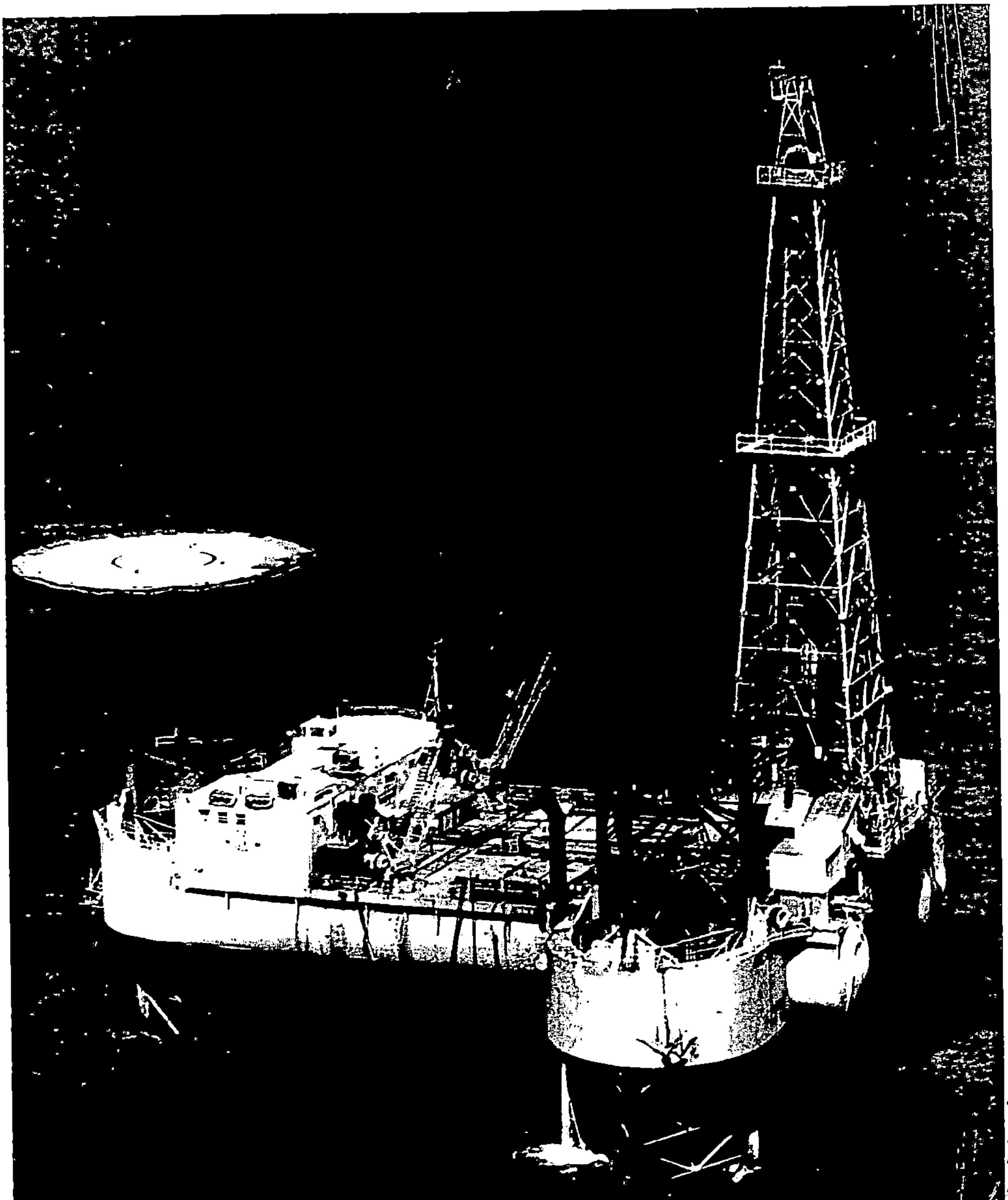


INTRODUCTION

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. Exploratory funds 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 be seeking farmouts for the Group, but encouraging others to bring their farmouts and ideas to the Joint Venture.

To further the objectives of the Venture Group, the Zapata-C&K partnership offers these qualifications:

1. A solid reputation for performance in contract drilling and exploration activities.

2. An excellent working relationship with operating and exploration personnel throughout the offshore industry.

3. A wide range experience in operations and exploration offshore.

These qualifications will allow us to:

1. Quickly recognize farmout opportunities in the area of interest.

2. Exploit in a maximum and efficient manner all available opportunities.

3. Efficiently operate all projects undertaken.

FINANCIAL

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. Only commitments of $300,000 or more ($100,000 per year) to the exploratory program will be considered. 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.

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. Development well costs will <u>not</u> 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.

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. The 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. Other Zapata rigs for deeper waters will, in all probability, be available from time to time.

ORGANIZATION

Screening Committee

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.

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

Zapata-C&K will also participate in the program by a commitment of approximately ten percent of 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 the Committee and participants advised of all material aspects of operations of the venture.

EXPLORATION

WHERE AND WHY

Exploration - Where and Why

We propose to conduct an extended exploratory drilling program in Offshore and Coastal Louisiana and Offshore Texas. Our objective is to discover large reserves of oil and gas.

On the following pages, we will show you why we have chosen these areas, what the exploratory problems are, and how we intend to overcome them.

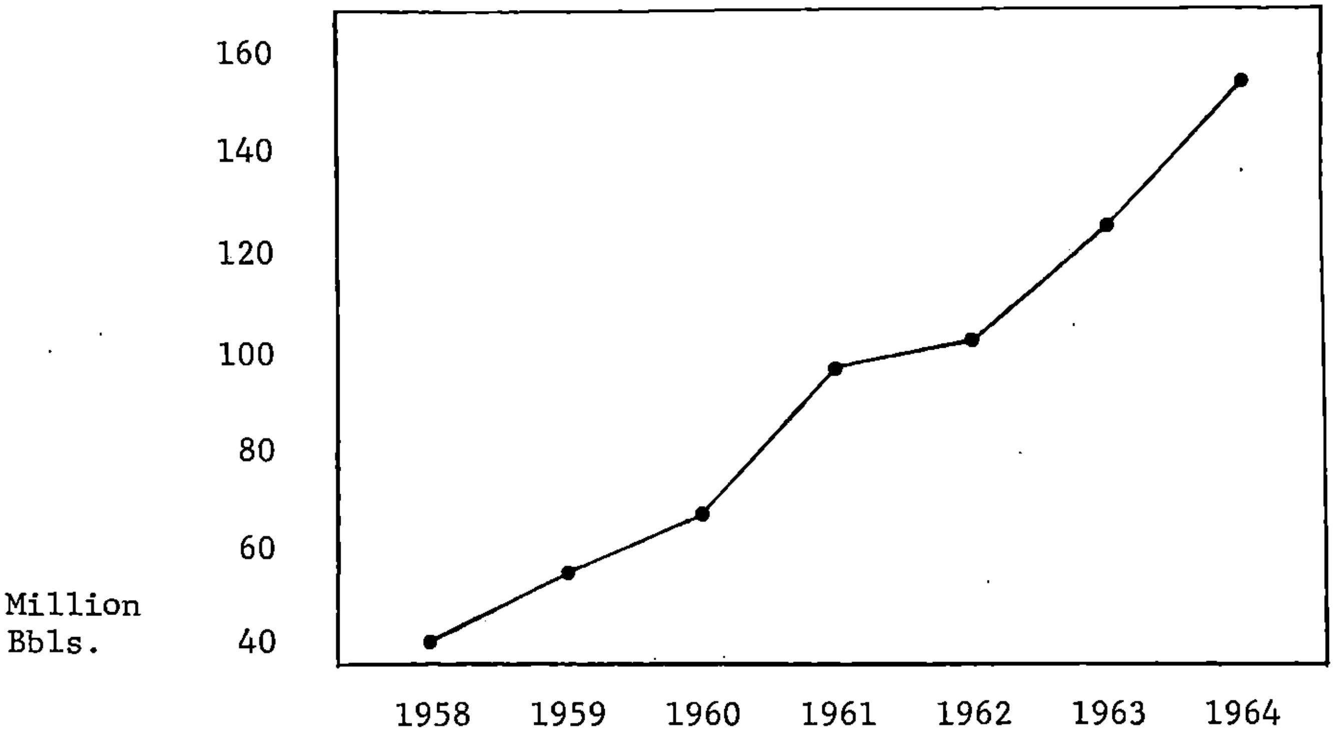
Scope of Opportunity

Offshore Louisiana

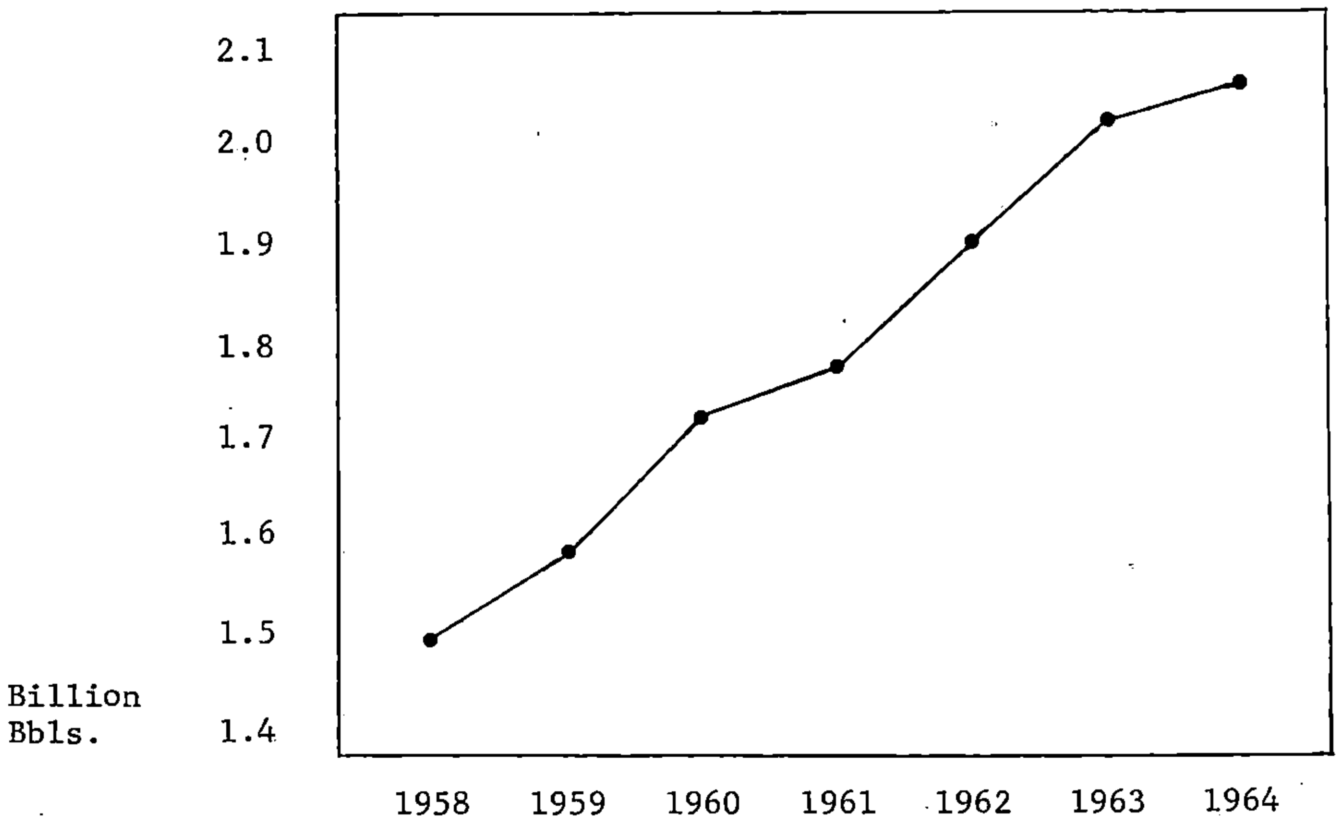
In March, 1962, offshore operators paid out $445,000,000 in bonuses to acquire roughly 1,900,000 wildcat acres in the Federal offshore area of Louisiana. The average cost of acquisition was over $200 per acre, indicating the high quality of the prospects leased.

By January, 1965, production had been established on over 300,000 acres with over 1,500,000 acres still to be validated. With only two years remaining in the primary terms of these leases, a large number of them will become available for farmout.

Production and reserve figures from 1958 through 1964 are dramatic indicators of the tremendous promise of this area. In the period 1958 through 1964, crude production has increased from 41 million barrels annually to over 153 million barrels--<u>a 275% increase</u> as opposed to a 16% increase nationally. (Figure 1.)



Annual Crude Production - Offshore Louisiana



Proven Reserves - Offshore Louisiana

Figure 1.

During the same period, estimated crude reserves climbed from 1.4 billion barrels to over 2.0 billion barrels--an increase of 42.8% compared to a 16% increase nationally. The increase in production and reserves of natural gas and natural gas liquids is equally impressive.

Oil production in the offshore area is especially attractive because producing rates are set at one and one-half times onshore allowables. Most oil fields have multiple pays and multiple completions are commonly made. Each completion zone is assigned a separate allowable. Allowable bonuses up to one and one-half the assigned rate are granted for wells drilled on spacing patterns in excess of 40 acres.

Exploration for gas in the offshore areas is again becoming attractive because of an improving demand for new gas reserves. A number of new offshore pipeline projects have just recently been announced. Gas allowables for a given pool are generally proportionate to the size of the reserve. This allows more efficient production practices (a well program can be tailored to the most efficient withdrawal rates for the particular reservoir) thus bringing payout periods down to very attractive figures even for expensive wells.

While the size of the opportunity is evident, the means of grasping it is not. The most serious problem is the acute shortage of drilling equipment which is expected to extend through 1967 and quite probably longer. Rigs will not ordinarily be available to operators seeking farmouts. A second problem only slightly less serious is the large amounts of risk money necessary to conduct even a limited exploratory program.

In order to fully take advantage of the developing opportunities and get the exposure necessary to insure successful exploration, independent operators and investors should form into a joint venture group. Not only is a broader exposure made possible, but such a group has the services of an organization whose efforts are directed specifically and wholly toward the multiple problems of water exploration, drilling, and producing operations.

Coastal Louisiana

While the offshore areas will be of primary interest to the Venture Group, we feel that we will be exposed to a number of attractive opportunities in the bay areas of South Louisiana where important new discoveries have been made in the last few years. As a result of intensive exploration inland over the past fifteen years, the opportunities of finding important reserves in this area are beginning to diminish. This is reflected in an overall decline in the number of wildcats drilled in South Louisiana. There is one notable exception to this trend: The number of ultra deep wildcats has increased sharply. This ultra deep drilling has been concentrated largely in the bays and marshes of the coastal parishes with an outstanding success ratio (approximately 25% for wildcats drilled below 15,000 feet as opposed to approximately 10% for wildcats drilled to less than 12,500 feet in 1964). These statistics are graphically illustrated on one of the enclosed maps.

Technical improvements in drilling equipment and improved methods of geophysical surveying have made the deep exploration economically attractive.

The minerals under water bottoms are owned by the State of Louisiana. State leases are acquired through competitive bidding--often at very high prices. The terms of a state lease require that annual rentals equaling one-half the bonus consideration be paid. Furthermore, state leases extend for only three years on inland tracts. These two factors lead to a high turnover with consequent high frequency of farmout opportunities. The average reserve uncovered by exploratory wells is considerably larger. Equally important, the operator of the discovery well will control a much larger share of the ultimate proven reserve because the size of acreage blocks is so much larger.

Offshore Texas

Until quite recently, exploratory drilling in Offshore Texas has yielded disappointing results. In the past year, however, Shell has announced two major gas discoveries and recent state lease sales have brought some surprisingly high acreage bonuses. If the attractiveness of this area continued to improve, we will be in a position to take advantage of any opportunities that may arise.

Zapata-C&K's Approach

We intend to employ a full time geologist to be located in New Orleans. His primary duties will be to isolate areas and trends of particular interest. He will be attracted to areas where stratigraphic conditions appear unusually favorable as determined by available well control, and where structure is evidently present but where past success in exploratory drilling is lacking. When a favorable lead is developed, we will approach the present lessor with a farmout query. If the acreage is in fact available, we will evaluate whatever geophysical information is available by use of competent geophysical consultants, and if we find the lease prospective, the material will be presented to the Screening Committee. If a favorable decision is forthcoming, we will negotiate the farmout deal.

If the response to our initial query is negative, we will at least have established our interest in that particular lease and if the acreage should become available at a later date, our name will be at the head of the list.

Syndicate
(Georgia?)

December 20, 1965

Dear Bob,

I got back to the office this morning to find your letter of December 14th.

I am delighted you all have joined us in this deal and I hope it will prove to be a profitable one for all of us.

Please do let me know when you get to Houston or New Orleans. I would like to have you see one of our drilling rigs, and certainly to meet our people. We are very high on our new geologist who worked for John Mecom for many years. John told me the other day that if Lyle Harvey came up with a deal, he, Mecom, would commit to a part of it without checking any further than Harvey's recommendation.

I hope this first one proves to be a good one but I guess this is expecting too much. In any event, we're delighted you're with us.

I hope you and all the family have a wonderful Christmas. Mother and Dad are coming here and so is Johnny Bush, so things will be jumping.

Best regards,

George H. W. Bush

Mr. R. G. Stone, Jr.
States Marine Lines
90 Broad Street
New York, N. Y. 10004
GB:as

States Marine Lines

90 BROAD STREET, NEW YORK, N.Y. 10004

CABLE ADDRESS STATMARINE
HANOVER 2-2000

DEC 16 1965

December 14, 1965

dictate to 1 ltr Bob.

Mr. George H. W. Bush
Zapata C & K
1701 Houston Club Building
Houston, Texas 77002

Dear George:

Thanks very much for your letter of December 1st, which I apologize for not answering before now but, as you know, I just recently returned from a trip around the world, and then last week had to go to San Francisco and Washington, so I am a little behind.

We would like to participate to the extent of $900,000. total, or $300,000. per year for a three year period commencing January 1, 1966.

Accordingly, I have filled in the name of the company and amount in the appropriate spaces, and presume that in due course you will be sending accomplished copies back for our files.

Let me know when you plan to be in New York, or, better still, when I get down to Houston or New Orleans I will let you know and perhaps I can meet some of the people associated with this venture.

With kindest personal regards,

Yours sincerely,

Bob

R. G. Stone, Jr.
President

December 16, 1965

Mr. R. G. Stone, Jr.
President
States Marine Lines, Inc.
90 Broad Street
New York, New York 10004

Re: Zapata-C&K
Joint Venture

Dear Mr. Stone:

This will acknowledge receipt of your commitment in the amount of $900,000.00 to the above captioned Joint Venture program. George Bush is in Honolulu but will be back in his office Monday morning and I am sure will be most elated, as we all are, that you have made the decision to join our program. We are presently circulating your commitment to the other participants for their signatures and approval and will shortly forward you an accomplished copy for your file.

Since our last correspondence with you, an additional participant, Mr. John M. Harbert, III of Birmingham, Alabama, has made a commitment for $300,000.00 to the Joint Venture and we seek your approval of Mr. Harbert's participation by signing and returning the attached supplemental Memorandum of Agreement. Mr. Harbert is President of Harbert Construction Corporation, Birmingham, Alabama and is currently on the Board of Directors of Florida Gas Transmission Company whose subsidiary, Coastal Production Company, is already a participant in the Joint Venture. Zapata-C&K therefore recommends and solicits your approval of Mr. Harbert's participation.

Also attached is correspondence and an AFE concerning the Venture's first exploratory well which should be spudded during the month of January, 1966. As indicated, we are negotiating with Signal Oil & Gas Company for the sale of a 50% interest in this prospect whereby Signal will agree to pay 60% of the actual cost incurred in the drilling of the well to total depth. Based on the present AFE figures of approximately $600,000 for a dry hole, Signal would therefore be paying a premium of $60,000 for participation in this prospect. This amount will of course be deposited in the Joint Venture fund for the mutual benefit of all.

In behalf of Zapata-C&K, let me again express our appreciation for your participation, and we truly anticipate that it will be of mutual benefit to you as well as to all members of the Joint Venture.

Yours very truly,

ZAPATA - C & K

M. J. Kutner
Manager of Operations

MJK/gmd

Attachments

December 22, 1965

Dear Mr. Fetter,

We have not talked further about our offshore drilling syndicate. I thought I would advise you that States Marines did join our group to the tune of $300,000 a year for three years.

Mr. Jack Harbert, a director of Florida Gas, also has joined for $100,000. So the pool now stands at $1,600,000. We would like to round this deal off at $2 Million a year for three years in the near future.

If you are still interested in any way, I'd love to run down there and talk to you about it.

Yours very truly,

George H. W. Bush

Mr. William H. Fetter, Pres.
Texas City Refining, Inc.
Texas City, Texas 77591
GB:as

PO Box 1271

November 9, 1965

Dear Mr. Fetter,

I received your letter of November 5th and gave you a call yesterday only to find that you were at the API.

I am enclosing a brochure on the Zapata-C & K drilling program. At present, the syndicate is $1,200,000 a year for three years. Participants include Kirby Petroleum, Florida Gas, Jenney Oil, H. C. Price Company, Greenbrier and Zapata, which is putting in $200,000 a year.

You will note that Zapata-C & K is promoting the participants to the tune of a 25% carried interest on the first well, with Zapata-C & K paying their way from the casing point on the first well and totally on all subsequent wells.

One feature of the deal that I think would appeal to oil people is the screening committee. Through the active use of the screening committee, we will have the benefit of four separate company opinions in arriving at deals.

It is our hope to increase the size of the syndiate to $2,000,000 a year for three years so there is some of it open. The syndicate will go even if no other people come in, but we feel that we could take more deals and be more active if we had a little larger pot.

One large steamship company in New York is practically committed for $300,000. Should they go through with this, we will then have $500,000 a year open.

I am convinced there will be some excellent farm-out opportunities in the offshore area, and I am also convinced that the way to participate is to join together with other companies.

As you know, the drilling rig situation offshore is pretty tight right now, but Zapata is furnishing one of its rigs on a six-months-a-year basis. I think that the call on this rig will be helpful in getting deals particularly during the next couple of years while people are rushing to validate leases taken in 1962.

I believe the attached brochure will give you the necessary detail to decide whether you want to talk further. If you do, please give me a call. I'd love to run down there with Fred Chambers to discuss this program with you. Thanks for your inquiry.

Best regards,

George H. W. Bush

Mr. William H. Fetter, President
Texas City Refining, Inc.
Texas City, Texas 77591
GB:as

Bc: Mr. C. Fred Chambers

PHONE WI 5-4451

P. O. BOX 1271

Texas City Refining, Inc.

Texas City, Texas 77591

November 5, 1965

Mr. George Bush, Chairman of the Board
Zapata - C&K
1701 Houston Club Building
Houston, Texas

Dear Mr. Bush:

This morning I read an article in the Oil & Gas section of the Houston Post whereby you announced the partnership of Zapata and C&K for oil and gas exploration in offshore areas of Louisiana and Texas. If we might be an acceptable participant in this venture, I would like to talk with you at your convenience about the possibilities.

Yours very truly,

William H. Fetter

William H. Fetter
President

WHF:fl

bc

June 9, 1965

Dear Bob,

I thought you might like to have these papers to glance over.

The Joint Venture Agreement spells out the exploration arrangements. The Drilling Contract gives you the details under which Zapata will drill for the group. The brochure explains in broad terms what we are trying to do.

There has been one major change in the program. The syndicate will contract with Zapata to use the Scorpion for six months a year for three years.

This arrangement has several advantages over our original plan:

1. Capital dollars will not be spent at this time for a rig. Thus, if you were considering a $300,000 participation, you would now spend $300,000 per year for three years on exploratory drilling but would not spend the other $$50,000 which we had set up for rig purchase, nor have additional liability on rig financing.
2. The Scorpion's day rates are $1,000 per day less than those for the projected new rig, since it is older and cost less to begin with.
3. The syndicate will not have as big a commitment to use the rig as it would otherwise have had---18 months now vs. 3 years before.

The only disadvantage lies in the fact that the Scorpion can go in 80' water whereas the new rig could go in 125'. Also, the syndicate won't make any profit from rig ownership, but this is offset by the fact that drilling contract rates are considerably lower now.

Should we find a good field and have a lot of development work, we could consider building another rig at a later date.

It now appears that the total size of the deal will be $1.5 Million to $2 Million per year rather than $3 Million. We feel this size level is more than adequate for a strong program.

I am convinced that we can find some good production. There will be prospects available and I think our basic approach is sound.

I plan to be in your office in time for lunch on Wednesday, the 16th. Should this prove to be inconvenient, call me and I can easily change my schedule.

Yours very truly,

George H. W. Bush

Mr. Robert G. Stone, President
States Marine Lines, Inc.
90 Broad Street
New York, New York
GB:as

To HB

Date 6-9-65 Time 2:10

WHILE YOU WERE OUT

M Harry Benson

of

Phone CA 9-2003 Time Co.

Area Code Number Extension

TELEPHONED	✓	PLEASE CALL	✓
CALLED TO SEE YOU		WILL CALL AGAIN	
WANTS TO SEE YOU		URGENT	
	RETURNED YOUR CALL		

Message

AS Operator

EFFICIENCY LINE NO. 4725

Pace 100
K 150
FG 150
HCP 100
Jerry 300
Greenb. 300-500
Zap. 200

1.300,000

$ 300 @ $ 50

non-bank additional
liability on rig financing.

Withdrawal/Redaction Sheet
(George Bush Library)

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	CLASS.
01. Letter	From C. Fred Chambers to Lyle Harvey RE: Personnel information (2 pp.)	11/23/65	C	

COLLECTION

George Bush Personal Papers
Zapata Oil File
Business Alphabetical Files

FILE LOCATION

Off-Shore Drilling Syndicate, 3/65 - GHWB [1965] [1 of 2]

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]

November 5, 1965

Dear Waymon,

I certainly enjoyed the visit yesterday. I think our meeting was productive, and Chambers will be getting in touch with Mead.

In addition, I have asked Kutner to send you some more brochures.

The political evening was most pleasant for me and I certainly appreciate your hospitality. You gotta admit that at least I provided you with a good table mate.

Thanks, Waymon, and if you have any areas on this syndicate where you feel I can be more helpful, please holler.

Best regards,

George H. W. Bush

Mr. Waymon G. Peavy
Greenbrier, Ltd.
P. O. Box 297
Dallas 21, Texas
GB:as

Offsh Synd

November 2, 1965

Dear Lloyd,

Here's the introductory brochure on the drilling syndicate, about which I talked to you on the telephone.

Participants so far are: Greenbrier, Kirby, Jenney, H. C. Price and Zapata. I believe States Marine Shipping Company is coming in for $300,000 a year.

If this is of interest, let me know and perhaps you, Fred Chambers and I can get together to talk about it.

We have already taken one deal, which will start between December 15th and February 1st.

Best regards,

George H. W. Bush

Mr. Lloyd H. Smith
Bank of the Southwest Bldg.
Houston, Texas
GB:as

Same letter to those written April 21, 1965,
attaching additional figures on finance.

as

April 22, 1965

Dear Jeff,

I thought you might like to have the attached map. Its sole purpose is to show you the experience that Zapata has had in drilling off the Texas and Louisiana coasts. In some of the blocks, many more than one well was drilled.

The paper work is coming along and will be in your hands shortly.

Yours very truly,

George H. W. Bush

April 21, 1965

Dear Jeff,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Jeff Montgomery
Kirby Petroleum Company
1st City National Bank Bldg.
Houston, Texas
GB:as

April 21, 1965

Dear Ken,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

Mr. Ken Smith
Crown Central Petroleum Corp.
Bank of the Southwest Bldg.
Houston, Texas
GB:aas

April 21, 1965

KEN

Dear ~~Ed~~,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

* KENNETH E

Mr. ~~Ed~~ Montague (KEN)
General Crude Oil Company
Bank of Southwest Bldg.
Houston, Texas
GB:as

4/23
* per sec'y, Sarah Williams
AS

April 21, 1965

Dear Art,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

George H W. Bush

Mr. A. F. Cox
Amarillo Oil Company
Vaughn Bldg.
Amarillo, Texas
GB:as

April 21, 1965

Dear Bruce,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Bruce McIntyre
Jenney Manufacturing Co.
Box 100
Chestnut Hill 67, Mass.
GB:as

Area 617 - 332 - 4740

April 21, 1965

Dear Waymon,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Waymond G. Peavy
~~Greesbriar~~, Ltd. GREENBRIER
~~211 N. Ervay Bldg.~~
Dallas, Texas (21) PO Box 291 per Ann Adams 6/18/65
GB:as
Copy to: Mr. John Pace

April 21, 1965

Dear Gerry,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Gerald Bennett
Florida Gas Transmission Co.
Southwest Tower
Houston, Texas
GB:as

April 21, 1965

Dear Harold,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Harold C. Price
H. C. Price Company
P. O. Box 1111
Bartlesville, Okla.
GB:as

April 21, 1965

Dear Al,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Al Ulmer
Niarchos London, Ltd.
41 Park Street
London, W 1, England
GB::as

April 21, 1965

Dear George,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. George McBride
Freeport Oil Company
Box 52349
New Orleans, Louisiana

April 21, 1965

Dear Mr. Phillips,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

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If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. M. V. Phillips
Great Lakes Carbon Corporation
Room 2401
225 Baronne
New Orleans, Louisiana

April 21, 1965

Dear Mr. Sevier,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. G. J. Sevier, Jr.
Pubco Petroleum Corporation
1012 de Montluzin Building
New Orleans, Louisiana

Financing Syndicate Rig

Equity Contribution of Partners	$ 500,000
3 Year Loan from Bank	2,500,000
Supply Company Loan	1,500,000
Total Cost of Rig	$ 4,500,000

Equity contribution of the partners will be contributed in proportion to their participation. The rig owning partnership will then charge a $7,000 day rate to the drilling partnership and those who go in with them on individual wells. The resulting figures are projected for the rig owning partnership:

	First Year	Second Year	Third Year	Total
Revenue -	$2,520,000	$2,520,000	$2,520,000	$
Estimated Operating Expenses Including $800 to Zapata -	1,368,000	1,368,000	1,368,000	
Cash Flow before Debt Service -	$1,152,000	$1,152,000	$1,152,000	$3,456,000
Principal to Bank	833,000	833,000	834,000	2,500,000
Approximate Interest to Bank	150,000	100,000	50,000	300,000
Interest to Supply Co.	90,000	90,000	90,000	270,000
	$1,073,000	$1,023,000	$ 973,000	$3,070,000

Total cash accumulation is projected to exceed requirements by approximately $386,000 ($3,456,000 less $3,070,000). Beyond this Zapata buys the rig for $2,304,000 at the end of this period. Zapata's purchase is accomplished by assuming the $1,500,000 supply company debt and paying the partnership an additional $803,000 in cash.

On the rig portion of the deal, partners are projected to receive $1,189,000 back for the $500,000 they put up to finance the rig.

April 21, 1965

Dear Bob,

Here is some additional information on our proposed offshore deal.

The attached memo has to do with the financing of the drilling rig. It represents a vast improvement over the financing which we indicated would be possible in the brochure which you have.

Although these financial arrangements are not complete, we have strong indications they can be achieved without any individual liability on the part of your Company. In other words, the people lending the money will look to the drilling contract and also to the credit of Zapata Off-Shore Company. The supply company will, of course, be looking solely to Zapata for payment since we will buy the rig before they start getting payments on principal.

We feel that this makes the deal a great deal more attractive since capital dollar expenditures are kept to a minimum.

If you have any questions about this, please let me know.

Yours very truly,

George H. W. Bush

Mr. Robert Reed
Wilshire Oil
551 Fifth Avenue
New York 17, New York

Indicated Participation on Three Million Per Year Drilling Program

Kirby Petroleum Company First City National Bank Bldg. Houston, Texas	5%	Jeff ~~Joe~~ H. Montgomery
General Crude Oil Company Bank of Southwest Bldg. Houston, Texas CA 4-9261	25%	Ed Montague - President
Crown Central Petroleum Corp. Bank of Southwest Bldg. Houston, Texas	15%	Ken Smith
Amarillo Oil Company Vaughn Building, Amarillo	10%	Art A. F. Cox
Jenny Manufacturing Co. Box 100 Chestnut Hill 67, Mass.	10%	Bruce McIntyre
Greenbriar, Ltd. 211 North Ervay Building [illegible] Bldg. DALLAS ~~Houston~~, Texas	15%	Waymon G. Peavy John Pace, 700 1st City Bldg, Hou
Florida Gas Transmission Co. Southwest Tower Houston, Texas	5%	Gerald Gerry Bennett, V. P.
Zapata - Chambers & Kennedy	10%	
H. C. Price Co. Box 1111 Bartlesville, Oklahoma	5%	Harold Price
Total	100%	

(Also see attached)

Indicated Participation on Three Million Per Year Drilling Program

1	Kirby Petroleum Company	1st City Natl Bk Bldg	5%	J. H. Montgomery
CA 2	General Crude Oil Company	Bank of SW Bldg	25%	KEN ~~Ed~~ * (KENNETH Montague) ~~[illegible]~~ president
3	Crown Central Petroleum Corp.		15%	Ken Smith
4	Amarillo Oil Company	Vaughn Bldg	10%	Art A. F. Cox
5	Jenny Manufacturing Co.	Box 100 Chestnut Hill 67 Mass.	10%	Bruce McIntyre
~~Waymon~~ 6*	Greenbriar, Ltd.	John Pace 700 1st City Natl Bank Bld	15%	ask Fred
7	Florida Gas Transmission Co.		5%	ask ~~Fred~~ Gerald ~~Jerry~~ Bennett VP SW Tower
	Zapata - Chambers & Kennedy		10%	
8	H. C. Price Co.	Box 1111	5%	Harold Price Bartlesville
	Total		100%	

10 Al ~~Ulmer~~ ulmer – Niarchos London Ltd 41 Park St London W1 Eng.

11 & Bob Robt Reed – Wilshire Oil. NY 17, NY 551 FIFTH AVE. Oil Co. New Orleans

12 George McBride – Freeport Box 52349

13 ~~Dear~~ M.V. PHILLIPS Mr. Phillips – Great Lakes Carbon Corp RM 2401, 225 BARONNE, New Orleans ~~ask Cossum~~

* WAYMON G. PEAVY ~~Waymon Peavy~~ Greenbriar Ltd 211 N. Ervay Bldg

14 G J SEVIER, JR ~~Pubco New Orleans ask Cossum~~

Dear Mr Sevier, Pubco Petroleum Corp 1012 de Montluzin Bldg New Orleans

show 9 cc: to John Pace

4/23

* per sec'y, Darrow Williams

AD

BAKER, BOTTS, SHEPHERD & COATES
NIELS ESPERSON BUILDING
HOUSTON, TEXAS

ZAPATA-OAK

PARTNERSHIP AGREEMENT

Off-Shore Syndicate

(Suggested Resolutions to be adopted by the Board of Directors of Zapata Off-Shore Company to authorize the Company entering into a partnership with Chambers & Kennedy to act as Agent in the Off-Shore Oil & Gas Exploration Program)

The Chairman then presented to the meeting a form of partnership agreement between Zapata Off-Shore Company and Chambers & Kennedy setting forth the agreement between the parties with respect to the formation of a partnership to act as Agent under the Joint Venture Agreement to be entered into by the parties to that certain Memorandum of Agreement dated July 28, 1965 by and between Waymon G. Peavey, Jenney Manufacturing Company, Zapata Off-Shore Company, Kirby Petroleum Company, Coastal Production Company, H. C. Price Company, John Pece, and Zapata-C&K. After full discussion, upon motion duly made, seconded and unanimously adopted, it was

RESOLVED, that the Partnership Agreement between Zapata Off-Shore Company and Chambers & Kennedy be and it is hereby approved and adopted by this Company in the form presented to this meeting, and the appropriate officers of this Company be and they are hereby authorized and directed to execute said Partnership Agreement for and on behalf of the Company, with such changes therein as may be approved by such officers, their approval to be evidenced conclusively by their execution thereof.

ZAPATA-C&K

Partnership Agreement

AGREEMENT, by and between ZAPATA OFF-SHORE COMPANY, and CHAMBERS & KENNEDY.

WITNESSETH:

WHEREAS, the parties have organized a joint venture for off-shore oil and gas exploration, as evidenced by that Memorandum of Agreement dated July 23, 1965 by and between Waymon G. Peavey, Jenney Manufacturing Company, Zapata Off-Shore Company, Kirby Petroleum Company, Coastal Production Company, H. C. Price Company, John Pace, and Zapata-C&K, a partnership to be formed by the parties hereto; and

WHEREAS, the parties desire to form a partnership to act as Agent under a Joint Venture Agreement ("Joint Venture Agreement" herein) which is to be entered into by the parties to the Memorandum of Agreement pursuant to the provisions thereof.

NOW, THEREFORE, the parties hereby agree to form a general partnership on the terms and conditions set forth in this Agreement.

ARTICLE I - GENERAL

1.1 <u>Parties</u>. The Parties (sometimes called the Partners) to this Agreement are Zapata Off-Shore Company, a Delaware corporation, and Chambers & Kennedy, a partnership composed of C. Fred Chambers and W. D. Kennedy.

1.2 <u>Effective Date</u>. The Effective Date of this Agreement shall be October 1, 1965.

1.3 <u>Name</u>. The Partnership name shall be ZAPATA-C&K.

1.4 <u>Purpose</u>. The purpose of the Partnership shall be to act as Agent under the Joint Venture Agreement described above.

1.5 Place. The Partnership business shall be conducted at 1701 Houston Club Building, Houston, Texas 77002, and/or such other places as the Partners may determine.

1.6 <u>Term</u>. The Partnership shall continue until dissolved pursuant to paragraph 6.1.

ARTICLE II - CAPITAL AND INCOME

2.1 <u>Initial Capital Contributions</u>. The initial capital contribution of each partner shall be as follows:

Zapata Off-Shore Company	$700.00 cash
Chambers & Kennedy	500.00 cash

2.2 Subsequent Capital Contributions. The Partners, in proportion to their Distributive Shares (as defined in Paragraph 3.3), shall make such subsequent capital contributions as are needed by the Partnership. Upon any change in the Distributive Shares of the Partners, the Partner whose Distributive Share is increased shall promptly make such additional Capital Contribution as is necessary to bring the balances of the Capital Accounts of the Partners into the same proportionate relationship with each other that the Distributive Shares of the Partners bear to each other. If either Partner fails to make any such contributions, the other Partner, at its option, may consider the sums advanced by it to be loans to the Partnership.

2.3 Capital Accounts. An individual Capital Account shall be maintained for each Partner. It shall be credited with the Partner's contributions and debited and credited in accordance with paragraphs 2.5 and 2.7.

2.4 Income Accounts. An individual Income Account shall be maintained for each Partner. It shall be credited with the Partner's Distributive Share of profits and debited with the Partner's Distributive Share of losses (except as provided in paragraph 2.5) as soon as practicable after the close of each Fiscal Year and at such times during the Fiscal Year as the Partners may determine. It shall also be debited with the Partner's withdrawals.

2.5 <u>Relation of Income Accounts to Capital Accounts.</u> Any losses exceeding the credit balances in the Income Accounts shall be debited to the individual Capital Accounts. If the Capital Account of a Partner is depleted by thus debiting losses, future profits of that Partner shall be credited to his Capital Account until such depletion has been restored.

2.6 <u>Limitation on Withdrawals.</u> Withdrawals shall be made only upon the mutual agreement of both Partners. No Partner shall make any withdrawal which would exceed the combined net credit balance of the following:

(a) His Capital Account,
(b) His Income Account, and
(c) His Distributive Share of estimated profits or losses since the last entries in his Income Account.

Any excessive withdrawals shall be promptly restored.

2.7 <u>Closing of Accounts.</u> As soon as practicable after the closing of each Fiscal Year, the Income Accounts shall be closed to the Capital Accounts.

ARTICLE III

OTHER FINANCIAL AND ACCOUNTING MATTERS

3.1 <u>Method of Accounting.</u> The Partnership shall keep accounts on the cash basis. The accounts shall readily disclose items which the Partners take into account separately for income tax purposes. As to matters of accounting not provided for in this Agreement, generally accepted accounting principles shall govern.

3.2 Fiscal Year. The Fiscal Year of the Partnership shall be the calendar year.

3.3 Distributive Shares. The profits or losses of the Partnership shall be distributable or chargeable, as the case may be, in the proportions of 7/12 to Zapata Off-Shore Company and 5/12 to Chambers & Kennedy; provided, however, that if additional participants join in the Joint Venture Agreement described above, then from and after such time the Distributive Shares shall be adjusted in order that Zapata Off-Shore Company's Distributive Share shall exceed Chambers & Kennedy's Distributive Share by a percentage of the total Distributive Shares equal to the percentage of the total commitments of Participants under the Joint Venture Agreement that is represented by the commitment of Zapata Off-Shore Company under the Joint Venture Agreement.

3.4 Other Compensation to Partners.

(a) No interest shall be paid on Capital Accounts.

(b) Neither Partner shall receive compensation for services rendered to the Partnership by individuals who are officers, partners, principals, or executives of such Partner. However, if either Partner furnishes accounting, clerical, or other personnel to the Partnership to perform services under the Joint Venture Agreement for which the Partnership is reimbursed, the Partnership shall reimburse such Partner in the amount received under such Joint Venture Agreement for such services.

3.5 Indemnification of Partners. The Partnership shall promptly indemnify each Partner in respect of payments reasonably made and personal liabilities reasonably incurred by such Partner in the ordinary and proper conduct of Partnership business, or for the preservation of business or property of the Partnership.

ARTICLE IV - ASSETS AND PROPERTY

4.1 Partnership Assets. All contributions made by the Partners to the Partnership pursuant to paragraph 2.1 or 2.2 and all property acquired and fees earned by the Partnership under the Joint Venture Agreement shall become Partnership assets and shall be so recorded in the Partnership books and records.

4.2 Method of Holding Partnership Property. Partnership property (including real property) may, by the mutual agreement of the Partners, be acquired and conveyed in the name of any Partner or any other person as nominee for the Partnership.

4.3 Property Made Available for Partnership Use. Property owned by either Partner may be made available for Partnership use on such terms as the Partners may mutually agree. This property shall remain the property of the Partner owning it, but it shall be withdrawn from Partnership use prior to dissolution only in accordance with the mutual agreement of the Partners.

ARTICLE V - OPERATIONS

5.1 Management. The Partners shall have equal rights in the management and conduct of the Partnership business. All questions relating to activities and operations of the Partnership and all questions relating to the sale or other disposition of Partnership assets shall be determined by mutual agreement of the Partners.

5.2 Matters Requiring Unanimity. Neither Partner shall, without the consent of the other Partner (which consent shall not be unreasonably withheld), do any of the following:

(a) Assign Partnership assets in trust for creditors or on the assignee's promise to pay the debts of the Partnership.

(b) Dispose of the good will of the Partnership business.

(c) Do any other act which would make it impossible to carry on the ordinary business of the Partnership.

(d) Confess a judgment.

(e) Submit a Partnership claim or liability to arbitration.

(f) Make, execute or deliver for the Partnership any mortgage, deed of trust, guaranty, indemnity bond, surety bond or accommodation paper or accommodation endorsement.

(g) Borrow money in the Partnership name or use Partnership assets as collateral.

(h) Assign, transfer, pledge, compromise or release any claim of or debt owing to the Partnership except upon payment in full.

(i) Convey any Partnership real property.

(j) Pledge or transfer in any manner its interest in the Partnership.

(k) Any of the acts for which unanimity is required by other paragraphs of this Agreement.

5.3 Books. The Partnership books shall be kept at the principal place of business of the Partnership, and each Partner shall at all times have access to and may inspect and copy any of them.

5.4 Bank Accounts. The Partnership shall maintain such bank accounts as the Partners shall determine. Checks shall be drawn for Partnership purposes only, and may be signed by any person or persons designated by the Partners. All moneys received by the Partnership shall be deposited in such account or accounts.

ARTICLE VI - DISSOLUTION

6.1 Causes of Dissolution. The Partnership shall be dissolved upon the first to occur of the following:

(a) Termination of the Joint Venture Agreement pursuant to its terms.

(b) Death of either C. Fred Chambers or W. D. Kennedy.

(c) Dissolution or bankruptcy of Zapata Off-Shore Company.

(d) Mutual consent of the Partners to dissolve.

(e) Withdrawal of a Partner.

6.2 Withdrawal. Each Partner agrees not to withdraw from the Partnership and further agrees that if it breaches this Agreement by withdrawing, the other Partner shall have, in addition to any other rights available to it under Texas law, the right to damages for breach of this Agreement.

6.3 Notice of Dissolution. In the event of dissolution either Partner may, at the expense of the Partnership, take reasonable steps to give actual and/or constructive notice of such dissolution to persons who have extended credit to the Partnership within two years prior to such dissolution or who have otherwise known of the Partnership prior to such dissolution.

6.4 Accounting on Dissolution. The Capital and Income Accounts shall be posted as of the date of dissolution. Assets and liabilities shall be taken at book value unless either party requests that one or more assets be appraised, in which event such assets shall be appraised by a competent independent appraiser acceptable to both Partners and taken at their appraised value in lieu of their book value. No value shall be assigned to good will or firm name.

6.5 Winding Up and Liquidation. Upon dissolution, the Partnership business shall be wound up and liquidated as rapidly as business circumstances will permit. The assets of the Partnership shall be applied to the following purposes in the following order:

(a) To pay or provide for all amounts owing by the Partnership to Creditors other than Partners, and for expenses of winding up.

(b) To pay or provide for all amounts owing by the Partnership to Partners other than for capital and profits.

(c) To pay or provide for all amounts owing by the Partnership to Partners in respect of capital.

(d) To pay or provide for all amounts owing to the Partners in respect of profits.

6.6 Authority to Wind Up. If dissolution occurs because of the withdrawal of a Partner, the other Partner shall have the authority to wind up. If dissolution occurs for any other reason, both Partners shall jointly have the authority to wind up.

6.7 Method of Distribution of Assets. To the extent feasible, all distributions in liquidation should be made equally to the Partners in kind.

ARTICLE VII - MISCELLANEOUS

7.1 Notice. Any notice to a Partner required or permitted by this Agreement shall be in writing and shall be sufficient if sent by registered or certified mail to the last known address of the Partner to whom such notice is to be given. Any notice may be waived in writing by the Partner entitled to receive it.

7.2 Construction of Agreement. The captions used in this Agreement are for convenience only and shall not be construed in interpreting this Agreement. If any portion of this Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible the remainder of this Agreement shall be considered valid and operative and effect shall be given to the intent manifested by the portion held invalid or inoperative.

7.3 Binding Effect. This Agreement shall bind the Partners, their heirs, personal representatives, successors and assigns.

7.4 Controlling Law. This Agreement is made under the laws of the State of Texas, which shall control in all matters relating hereto and involving the construction hereof.

EXECUTED at Houston, Texas, in multiple copies this _____ day of ___________, 1965.

ZAPATA OFF-SHORE COMPANY

By ___________________________

ATTEST:

____
Secretary

CHAMBERS & KENNEDY

By ___________________________
G. Fred Chambers

By ___________________________
U. D. Kennedy

Sgnd

C. H. SPRAGUE & SON CO.
125 HIGH STREET
BOSTON, MASS. 02110

P. SHAW SPRAGUE
CHAIRMAN OF THE BOARD

September 20, 1965

Dear George:

It certainly was nice to see you the other day at the Farm. I was slightly worried about you when you left because your boat seemed to hesitate about a mile offshore and we had no boat to send out, but as we watched your boat picked up and I know you got home all right as we did not hear from you.

As you know, I am in the process of digesting what I have already bought, namely, the entire family business, and it does not seem fit for me to tie myself up to anything else just yet. I hope you will keep me in mind for a not too far future date, as I think you have an excellent set-up with a grand group of people.

Hope you get back to New England soon and certainly next summer, so that we can have a game of golf or tennis together.

Sincerely,

Shaw

Mr. George H. W. Bush, Chairman
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas 77002

Off Synd

September 20, 1965

Dear Bob,

I got your letter of September 14th on returning to my office from a trip to New Orleans and the West Coast.

I also received a 'phone call in California from Jeff Coolidge. We are set up to see each other on Thursday (changed from Wednesday by a call today from Mr. Coolidge's secretary) and I am looking forward to visiting with him.

Thanks for your good note.

Yours very truly,

George H. W. Bush

Mr. Robert A. G. Monks
84 State Street
Boston, Mass., 02109
GB:as
P. S. Don't you wish we were back in Maine?
I sure do.

Bc: Mr. Robert Jenney - On his copy only.
Bc: Mr. C.Fred Chambers -On his copy on

ROBERT A. G. MONKS
84 STATE STREET
BOSTON, MASSACHUSETTS 02109
RICHMOND 2-2200. AREA CODE 617

September 14, 1965

Mr. George H. W. Bush
Chairman of the Board
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas 77002

Dear George:

Thank you very much for your letter of September 7. I am certain that Uncle Shaw, myself and my partners are very seriously interested in participating in this program. We have talked to Bruce McIntire at Bob Jenney's office, and have satisfied ourselves as to the economics.

We are considering two other alternatives at the present time but expect to be in a position to respond to your offer within the month.

In the meantime, one of my partners, Jeff Coolidge, will be passing through Houston, and I have suggested that he get in touch with you directly in the hopes of furthering our collective exposure and confidence in the Zapata syndicate.

Sincerely,

Bob.

Robert A. G. Monks

RAGM:is

Withdrawal/Redaction Sheet
(George Bush Library)

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION	CLASS.
02. Letter	From George Bush to Bob Jenney RE: Financial information (1 pp.)	9/7/65	C	

COLLECTION

George Bush Personal Papers
Zapata Oil File
Business Alphabetical Files

FILE LOCATION

Off-Shore Drilling Syndicate, 3/65 - GHWB [1965] [1 of 2]

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]

September 8, 1965

Dear Mr. Sprague,

In the rush of the first day of Mr. Bush's return to the office after his vacation, I mailed his letter of yesterday to you without the enclosure he mentioned in the last paragraph.

Here's his check---please excuse this omission.

Sincerely,

Mrs. Hargrove Smith
Secretary to Mr. Bush

Mr. Shaw Sprague
Cape Elizabeth, Maine

Offshore Drilling

September 7, 1965

Dear Mr. Sprague,

I'm back in Houston and I must say we miss the Maine air. I want to tell you how much Jebbie, Neil and I enjoyed being at your house last Thursday. That is a most terrific place and it was a great treat for us. You know how kids are---when I asked them to go up to the Bay with me, they were all for the boat ride but they didn't know quite what they'd run into at the other end of the line. When you and I showed up back at the dock at 5:30 to take them home, all they could do was rave about the wonderful place you have and the wonderful time they had had there on Cape Elizabeth. Many thanks.

Regarding our offshore drilling syndicate, I am hoping that you and Bobbie Monks will be able to take a participation. Bob Jenney has come in definitely for $300,000 a year for a three-year period. There are many tax advantages to all of this as I'm sure you know, but more important, we feel that we are in a position to build up really good reserves.

Perhaps you and Bobbie would feel that you could, as you mentioned to me, split a participation. This could be done as individuals or in the company, whichever suits you best. We would love to have you in. Could you visit with Bobbie about this and then let us know?

I'm sure Bob Jenney would be happy to answer any questions and, of course, I would be glad to talk to you on the 'phone about it or come up there if you need any additional information. We'd like to have you in for the same participation as Jenney but if this seems a little steep, it can be cut back.

We are hoping that Bobby Stone will put States Marine into the group for the same size participation as Jenney. My last talk with Bobby indicated they were going to join us.

Thanks again for all your hospitality---the lunch in Boston, the great day in Maine and the lesson on the golf course. Attached is my check for five bucks for the greens fees. I like to pay my own---that way if I should ever win a bet on the golf course, I would have no hesitancy in accepting it.

Best regards,

Mr. Shaw Sprague
Cape Elizabeth, Maine

September 7, 1965

Dear Bob,

You and I did not get a chance to talk about our offshore drilling syndicate when I was there at Cape Elizabeth with Mr. Sprague. He told me that he felt that it might not be suitable for the Sprague Company at this particular point due to some other financial commitments but that he thought that perhaps you would like to go in and you and he could split a participation. We'd love to have you.

Jenney Oil has come in for $300,000 a year for three years. You have the sheet showing what other companies are going to do.

This program is good for an individual just as well as for a company and if you and Mr. Sprague were so inclined, there is no reason in the world why you could not participate.

If you have any more questions, I'm sure Jenney's office would be glad to answer them right there in Boston; or, if not, I would be delighted to talk further with you about it. We are trying to get this thing finalized in the next couple of weeks.

The program has been definitely signed up for $1,250,000 a year for three years, but we want to increase this to $2 Million if we can. Let me know your views.

I do want to thank you for the hospitality you showed my two boys there at Cape Elizabeth. They really had one whale of a day. Best regards, and I hope our paths cross soon again.

Yours very truly,

Mr. Robert A. G. Monks
84 State Street
Boston, Mass.

(Richmond 2-2200)
Portland - 799-3421; 799-0020

forwarded for your information

BRUCE M. McINTYRE

BOX 100, CHESTNUT HILL, MASSACHUSETTS, 02167

syndicate file

RECEIVED

MAY 21 1965

WALL STREET JOURNAL
MAY 14, 1965

...s GM Charging ...ent of Patents ...Cleaning' Oven

...all Street Journal
...eneral Electric Co. filed ...strict court here charg-...'s Frigidaire division ...ents covering a "self-

...he company's P-7 ...n the market in ...ce the fall of ...GM, which is ...d its self-...E's range

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Suit for $21.5 Million Filed Over Oil Drilling Platform

NEW ORLEANS — Two oil development companies filed a $21.5 million suit in civil district court here against R. G. LeTourneau, Inc., Longview, Texas construction company, in connection with damages to what is said to be the world's largest offshore oil drilling platform.

Mid-Continent Supply Co. and Loffland Brothers Co. are seeking $14,000,000 on the ground that the LeTourneau platform, as tall as a 60-story building, developed defects in the leg supports before it was accepted. An additional $7,578,000 damages is sought in connection with a similar drilling rig currently under construction. The plaintiffs claim this rig has similar defects.

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A Wall Str...
Fibreboard ... crease prices o... by 5%, effectiv... J. H. Grady, ... nounced. Excl... folding cartons ... and milk.

Mr. Grady ... the increased ... items. The co... the associati...

Telefax

WESTERN UNION

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CALL LETTERS TDW

CHARGE TO ZAPATA OFF-SHORE COMPANY

8-31-65

3 pm

GEORGE H. W. BUSH
WALKER'S POINT
KENNEBUNKPORT, MAINE

OFFSHORE DEAL ALL SIGNED UP. HAD MEETING TODAY TO LOOK AT OUR FIRST PROSPECT. GOOD LUCK WITH SPRAGUE.

FRED CHAMBERS

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)

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: C. FRED CHAMBERS

CC:

FROM: GEORGE H. W. BUSH

DATE: August 30, 1965

SUBJECT: DRILLING SYNDICATE

Fred, I have a golf game set up with Mr. Sprague for this coming Thursday (two days before I get home). I hope we can get him to say that he'll go along on the deal.

I had another call from Bruce McIntyre asking if we'd heard anything out of Sprague.

See you soon.

FORM NO. 128

485 Madison Avenue
New York

May 14, 1965

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston 2, Texas

Dear Mr. Bush:

I am returning to you herewith the brochure you left in our office when you were here.

I am sorry to report that we believe our present budget will not allow us to participate at this time.

Sincerely,

John S. Minary

JSM:emm
Enclosure

PUBCO PETROLEUM CORPORATION
BOX 1419
ALBUQUERQUE, NEW MEXICO 87103

TELEPHONE
(505) 247-8836
(505) 247-8837

May 10, 1965

RECEIVED

MAY 12 1965

Mr. George H. Bush
Zapata Offshore Exploration Company
1701 Houston Club Building
Houston, Texas

Dear Mr. Bush:

In accordance with Mr. Sevier's letter of May sixth to you, we are returning herewith your Offshore Exploratory Group brochure.

Very truly yours,

Patricia M. Todd

(Mrs.) Patricia M. Todd
Secretary to Mr. Gorham

Enclosure

cc Gilbert J. Sevier, Jr.

Signed

July 30, 1965

Dear Bob,

I certainly enjoyed the speech on the new stadium center. I took the liberty of passing this along to Herbie Walker up in Maine.

Incidentally, I will be at Walker's Point, Kennebunkport, Maine, and can be reached at Area Code 207 WO 7-2556. Should the Spragues want to get together for lunch and go over this syndicate thing, let me know. Incidentally, all the people shown on the front page of that agreement are signed up now except John Pace. I think we really should expand the program and that's why I am most eager to follow up on Sprague and Bobby Stone.

If you are cruising by Kennebunkport at all, drop by.

In the meantime, best regards,

George H. W. Bush

Mr. Robert M. Jenney
JENNEY
Chestnut Hill, Mass. 02167
GB:as

July 14, 1965

Dear Al,

Thanks for your cable.

The deal is now in final form and will be signed by the parties which I mentioned to you in my previous letter.

I understand perfectly about the tax situation and I will not plan a special trip; however, should I find some legitimate excuse for coming over that way, I will most certainly let you know and we can visit further.

What we really ought to do is figure out some excuse to get back down there to Greece so we could go on the "Creole" again. I'm sure you saw the big spread in LIFE magazine. It made me a little homesick for that one day we spent there.

Business is rocking along reasonably well. I hope someday we can get something going with the shipyard although right now our plans for building have been stymied. We just don't have a contract to use the rig yet.

Del Breit was impressed with the shipyard and liked their prices very much. I have passed this information along to Costi.

Hope things are going well with you, and I want very much to get back that way before too many moons.

Best regards,

George H. W. Bush

Mr. Alfred C. Ulmer, Jr.
41 Park Street
London W 1, England
GB:as

Telefax WESTERN UNION Telefax

1227P CST JUL 12 65 DB224
AA234 A ACRA457/X502 VIA ITT
LONDON 40 12 618P

GEORGE BUSH ZAPATA OFFSHORE HOUSTON CLUB BUILDING
HOUSTONTEXAS

OWNERS UNREACTED APPARENTLY DUE TAX DOLLAR SITUATION HENCE
BELIEVE PERSONAL VISIT UNWARRANTED STOP HOWEVER SHOULD YOU MAKE
TRIP EUROPE OTHER REASONS PLEASE ADVISE AND WILL ARRANGE DISCUSSION
MEETING. SORRY DELAY REGARDS
ULMER

FAX-1

1270 (1-51)

7/12

GB

4:15 PM

RECEIVED

JUL 12 1965

noon

Copy given to C7C —

GB

~~Diever~~ Alexander

Les Ahrends —

Republican Cong Boosters Clubs

June 15, 1965

Dear Herb,

Here is the letter that I think will take care of the matter we discussed in your office yesterday. I have left out language such as that we will work with you to satisfy you on scheduling of the rig, etc. I believe this goes without saying.

I recognize, from our conversation, that you do not plan to use the rig next year excepts perhaps a very little bit. Nevertheless, we'll certainly keep in close touch on it to see that this program does not conflict with any possible change in scheduling which you may have.

I would appreciate your signing this letter if it is acceptable to the partners.

Yours very truly,

George H. W. Bush

Mr. Herbert J. Warner
Forest Oil Corporation
Oil & GasCBuilding
Houston, Texas
GB:as

June 15, 1965

Forest Oil Corporation
Oil & Gas Building
Houston, Texas

Gentlemen:

Forest Oil Corporation, by contract dated January 2, 1965, was granted certain refusal rights on Zapata's drilling vessel Scorpion.

It is Zapata's intention to enter into a drilling contract with Zapata-C & K, a partnership, which will provide that Zapata will furnish the Scorpion to Zapata-C & K for periods aggregating six months during each of the three consecutive one-year periods commencing on January 1, 1966.

Zapata will continue to give Forest Oil the refusal rights referred to in the January 2, 1965, contract subject only to the commitment to Zapata-C & K referred to above.

If this arrangement is satisfactory to you, will you please return to us one signed copy of this letter.

Very truly yours,

George H. W. Bush

____

Agreed to____________________

GB:as

Bc: Mr. J. Mark Gardner
Mr. Russell C. Mosby
Mr. Malcolm Kutner

Offshore

Gude, Winmill & Co.

Members New York Stock Exchange
Established 1907

RECEIVED
JUL 8 1965

Telephone Digby 4-7060
Cable Address: GUDEWIN

Partners
John A. Morris
James G. Tremaine
Frederick F. Alexandre
Walter G. Rohne
Coleman B. McGovern
Member N.Y. Stock Exchange
Theodore N. Danforth
Peter E. Paris
James M. Wareham
John J. Kraus
Member N.Y. Stock Exchange
Theodore C. Romaine, Jr.
Member Amer. Stock Exchange

One Wall Street
New York, N.Y. 10005

Branch Offices

41 East 42nd Street
New York, N.Y. 10017
Telephone MUrray Hill 7-2800

180 Montague Street
Brooklyn, N.Y. 11201
Telephone TRiangle 5-8500

July 7, 1965

Mr. George H. W. Bush, Chairman of the Board
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas 77002

Dear Pop:

Thank you very much for your thought in writing me regarding Bob Reed. It was a shock and a sad blow to all of us who were associated with him. He was a dynamic, tireless person of great ability as well as a fine friend.

Mr. A. Bruce Robertson, a member of the Board since the inception of the company, and formerly President and Chairman of the Board of B. C. Power Corporation of Vancouver, has been elected Chairman of the Board and Chief Executive Officer, and naturally there are certain management problems that have to be met with. Therefore we have no suggestions as to any association with other companies at this time. However, we certainly would welcome any ideas that might be of mutual benefit. I certainly have a high regard for the manner in which you and your associates have managed your company and would be glad to hear from you in any way that might be of benefit to both companies.

Thanks again. Best regards.

Sincerely yours,

Pop

James G. Tremaine

April 21, 1965

Dear Mr. Reed,

Thanks ever so much for your letter of April 19th.

We have been very encouraged with the way the off-shore program is shaping up. I think we will have five or six independent oil companies as partners. I do hope that Wilshire will be able to go along, and certainly we would be delighted to meet you anywhere to discuss it further should you be interested.

We are having the lawyers prepare some papers and if you'd like to see this paper work to keep up with the progress of the deal, let me know and I'll send it along to you.

Best regards.

Yours very truly,

George H. W. Bush

Mr. Robert L. Reed
Wilshire Oil Company of Texas
551 Fifth Avenue
New York 17, N. Y.
GB:as
P. S. Please give my best to Jim Tremaine when you see him.

Ans. Signed

WILSHIRE OIL COMPANY OF TEXAS

551 FIFTH AVENUE

NEW YORK 17, N. Y.

OFFICE OF THE PRESIDENT

MURRAY HILL 2-8707

April 19, 1965

Mr. George H. W. Bush,
Chairman of the Board,
Zapata Off-Shore Company,
1701 Houston Club Building,
Houston, Texas 77002.

Dear Mr. Bush:

My trip to California and Colorado took me longer than expected, and this is the first opportunity I have had since my return to drop you a line to tell you how much I enjoyed meeting you and how sorry I was that I did not have more time with you to discuss our respective companies.

Our annual meeting of shareholders will take place here in New York on April 30th, following which I expect to return to Denver, and to have, I hope, a bit more leisure time than I have had for the past two months. I assure you the next time I come to Houston I will get in touch with you in advance in the hope we may be able to get together when I am there and further explore the possibility of not only Wilshire taking a position in your proposed off-shore exploration program, but likewise whether it would be to our mutual advantage to consider putting our two companies together.

Sincerely yours,

Robert L. Reed

Robert L. Reed

hp

Agnd

June 25, 1965

Dear Harold,

Those were not final documents. Others will be coming along soon.

Thanks for your note of June 23rd.

Best regards,

George Bush

Mr. Harold C. Price, Jr.
P. O. Box 1111
Bartlesville, Oklahoma
GB:as

Bc: Mr. Malcolm Kutner (w/copy Mr. Price's letter)

H. C. PRICE CO.

Pipeline Constructors

BARTLESVILLE, OKLAHOMA

June 23, 1965

HAROLD C. PRICE, JR.
PRESIDENT

Dear George:

We have reviewed terms of the Agreement and find everything satisfactory.

I assume these are not the final documents requiring signature?

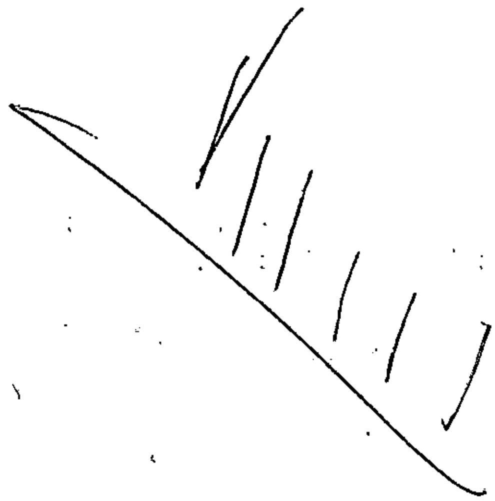
Sincerely,

Harold C. Price

MAL KUTNER

Mr. George H. W. Bush
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas 77002

(1) John Tyran.



Sept. 1967

Offsh Dyna

June 17, 1965

Dear Harold,

Under separate cover, we are sending some papers to finalize the drilling program. Take a look at them and see if it spells out your understanding of the deal.

We've managed to get the Scorpion so we won't have to build the new rig at this point. Frankly, I think this is a good development.

If you have any questions or criticisms, don't hesitate to let me know.

Best regards,

George H. W. Bush

Mr. Harold C. Price
P. O. Box 1111
Bartlesville, Okla.
GB:as

RECEIVED
MAY 11 1965

May 10, 1965

Mr. C. Fred Chambers
Chambers & Kennedy
Houston Club Building
Houston, Texas

Dear Fred:

The various instruments pertaining to the proposed joint offshore venture unfortunately came a few days after our Directors' meeting which was held in Baltimore, but I did have enough information from our previous meetings to discuss the overall plan fairly intelligently. You have done an excellent job in drafting these agreements, and it appears they would need very little change to put them into effect with a group of operators going into the offshore combine.

For the past one and one-half years I have been attempting to get involved in such an offshore venture with the idea that if a group had a rig and would drill, that above average farmouts would be available to the groupprior to big lease expiration time in May of 1967 for leases in the Louisiana offshore area which appear to be the most attractive area for finding and developing oil and gas at this time.

After long consideration, it is our feeling that by the time a rig was delivered and ready to drill, that there would not be sufficient time left until the expiration date to realize maximum benefit and advantages from having such a rig under lease. It appears that there would only be one year in which the rig could be utilized to its maximum advantage in regard to acquiring farmouts. The following two years could only be used for drilling on prospects already held by production or leased.

I certainly appreciate the invitation to join your group and wish everyone the best of luck, but we must decline on joining it. The four agreements transmitted byyour letter of April 30 are enclosed.

Very truly yours,

Kenneth L. Smith

KLS:bcg
cc - Mr. George Bush, Zapata Offshore Company, Houston

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

239P CST JUN 15 65 DB458
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LT GEORGE BUSH
HOUSTON CLUB BLDG HOU

RECEIVED
JUN 16 1965

THANKS FOR INFORMATION HOPE SITUATION HAS BEEN SO
OUT
AL
(18).

C 7-6131

Return for clarification

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

DH HOUSTON TEXAS JUNE 16 1965 NFT

MO DLY HOUSTON TEXAS

GEORGE BUSH
HOU CLUB
HOU

1965 JUN 16 PM 4 06

MAKE YOUR CABLE READ HAS BEEN ALL STRAIGHTENED OUT

WU TEL CO

BS 407P

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

June 9, 1965

Dear Al,

It was nice talking to you the other day. Here is an up-to-date report on the syndicate:

The following groups are firmly committed to join:

Greenbriar Oil Company
Jenney Oil Company
H. C. Price
Kirby Petroleum Company
~~Florida Gas Transmission Company~~ — Coastal Production Co. (Bussed 1100 S.W. Towers Bennett, Pres.)
Zapata Off-Shore Company

Several others are actively considering participation.

Time is of the essence and, therefore, we plan to finalize the paper work and close with these people within the next couple of weeks.

We now find that it will be possible to get the use of our "Scorpion", a mobile barge capable of drilling in 80' of water. This barge is working for Forest Oil, but they are agreeable to releasing it to us for six months a year.

The syndicate will contract with Zapata to use the Scorpion for six months a year for three years.

This arrangement has several advantages over our original plan:

1. Capital dollars will not be spent at this time for a rig. Thus, if you were considering a $300,000 participation, you would now spend $300,000 per year for three years on exploratory drilling but would not spend the other $$50,000 which we had set up for rig purchase, nor have additional liability on rig financing.
2. The Scorpion's day rates are $1,000 per day less than those for the projected new rig, since it is older and cost less to begin with.

3. The syndicate will not have as big a commitment to use the rig as it would otherwise have had---18 months now vs. 3 years before.

The only disadvantage lies in the fact that the Scorpion can go in 80' water whereas the new rig could go in 125'. Also, the syndicate won't make any profit from rig ownership, but this is offset by the fact that drilling contract rates are considerably lower now.

Should we find a good field and have a lot of development work, we could consider building another rig at a later date.

It now appears that the total size of the deal will be $1.5 Million to $2 Million per year rather than $3 Million. We feel this size level is more than adequate for a strong program.

I am convinced that we can find some good production. There will be prospects available and I think our basic approach is sound.

I understand your tax problems, but should you get by them, let us know and I'll come over to present any additional dope you may need. We want to have Mr. Niarchos aboard should this fit his picture.

Yours very truly,

George H. W. Bush

Mr. Alfred C. Ulmer, Jr.
41 Park Street
London W 1, England
GB:as

MEMORANDUM OF AGREEMENT

The undersigned Participants agree to participate in a joint venture for offshore oil and gas exploration substantially as provided in the attached form of Joint Venture Agreement and for that purpose to make the following respective commitments, which shall be payable as described in Section 4.1 thereof:

Participant	Commitment
Greenbriar Limited	$ 900,000
Jenney Manufacturing Company	900,000
Zapata Off-Shore Company	600,000
Kirby Petroleum Company	450,000
Coastal Production Company	450,000
H. C. Price Company	300,000
John Pace	300,000
	$ 3,900,000

Additional parties approved by all of the undersigned may become Participants in the joint venture by becoming parties to this agreement on or before December 31, 1965, stating the amounts of their respective commitments. In that event (1) Zapata Off-Shore Company shall be allowed to increase its commitment to an amount equal to 10% of aggregate commitments hereunder (including the commitments of the additional Participants), and (2) Greenbriar Limited shall increase its commitment to an amount equal to 20% of such aggregate commitments but not to exceed $1,500,000.

Not later than December 31, 1965 Zapata - C & K (a partnership to be formed, composed of Zapata Off-Shore Company and Chambers & Kennedy) and each of the Participants (including the undersigned Participants and all additional Participants who shall have theretofore joined in this agreement) shall execute and deliver Joint Venture Agreements substantially in the form attached. Any oil and gas property located in, or to be derived from any location in, the Area of Interest as defined in said form of Joint Venture Agreement, or any portion thereof, acquired by Zapata - C & K (or any partner or prospective partner therein) or any Participant after the date of this agreement but before such acquiring party shall have become bound by a Joint Venture Agreement shall be offered to all other Participants for purchase (in proportion to their respective commitments hereunder) on the same terms and conditions as those of, and at the actual cost to, said acquiring party; provided that this option shall not apply to any property located within three (3) nautical miles of any property in said Area of Interest owned by said acquiring party as of the date of this agreement.

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 substantially in the form attached 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 6 months during each of the three consecutive one-year periods commencing on Jan 1, 1966, using the drill barge SCORPION (or, in the discretion of Zapata Off-Shore Company, another drill barge owned by or available to Zapata Off-Shore Company and having 80 foot water depth capability), said Drilling Contract to provide for the following day rates: $5,300 towing, $6,000 operating, $5,640 stand-by, $3,800 repair, and $3,800 force majeure.

if in deeper waters get now.

It is contemplated that Zapata - C & K will incur geological and administrative expenses for the benefit of the proposed joint venture from and after July 1, 1965. Each of the undersigned Participants agrees to reimburse Zapata - C & K for the Participant's proportionate share of such expenses, which reimbursement shall be credited to the Participant's commitment hereunder.

WITNESS EXECUTION at Houston, Texas, this ___ day of June, 1965.

PARTICIPANTS:

GREENBRIAR LIMITED

By ______________________

JENNEY MANUFACTURING COMPANY

By ______________________

ZAPATA OFF-SHORE COMPANY

By ______________________

KIRBY PETROLEUM COMPANY

By ______________________

COASTAL PRODUCTION COMPANY

By ______________________

H. C. PRICE COMPANY

By ______________________

____
JOHN PACE

For Zapata - C & K

CHAMBERS & KENNEDY

By ______________________

Off Fmys

May 27, 1965

Dear Al,

We are getting the drilling project pretty well finalized and I'm wondering if you still feel that it might be of interest to Niarchos.

Although it is not definite, it looks like we might be able to get the Scorpion loose for some of the time and if we can, this means we will postpone the building of a new drilling rig. This would cut down on a person's capital contribution.

I tried to catch you in New York on your quick trip, but I understand that you may be back soon. Why not give me a call when you get here and maybe I can run up to visit with you about this if you still have any interest at all. If your trip is delayed and if there is some interest, I certainly would be glad to run over there for a day or two.

I hope you got some of that Southeastern Drilling Company stock.

Best regards,

George H. W. Bush

Mr. Alfred C. Ulmer, Jr.
Niarchos, Ltd.
41 Park Street
London W 1, England
GB:as

Offshore Synd

May 12, 1965

Dear Harold,

Fred Chambers talked to Bruce McIntyre of Jenney the other day and apparently Jenney has decided to join us in our syndicate. Fred asked me to pass this along to you since Bruce apparently had mentioned your name.

I hope that we'll have a chance to review this in a few days. We now have about 50%-55% firmly committed.

Best regards,

George H. W. Bush

Mr. Harold C. Price, Jr.
H. C. Price Company
P. O. Box 1111
Bartlesville, Oklahoma
GB:as

COASTAL STATES GAS PRODUCING COMPANY
PETROLEUM TOWER
PHONE TULIP 3-5211
CORPUS CHRISTI, TEXAS

C. HAYDEN ATCHISON
VICE-PRESIDENT
EXPLORATION

MAILING ADDRESS
P. O. DRAWER 521

May 10, 1965

RECEIVED

MAY 11 1965

Mr. George H. W. Bush
Chairman of the Board
Zapata Off-Shore Company
1701 Houston Club Building
Houston, Texas

Dear George:

I appreciate having the opportunity to consider your proposal concerning Coastal States' participation in the drilling and rig owning partnerships which you are proposing.

We have decided that our future efforts in the off-shore of Texas and Louisiana will be determined, in part, by an active exploration program of our own combined with the intention of developing farm-in prospects for which we believe rig availability will be provided.

I feel certain that your plan will bear fruit as it is well conceived and timely. I wish you the greatest success in your endeavor.

With warmest personal regards, I am

Yours very truly,

C. H. Atchison

CHA:fm