Originally Processed With FOIA(s): S

FOIA Number: S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

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: 25847-028

Folder Title:
Texas, Gulf and Louisiana Exploration Company, Inc. [n.d.]

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

<u>NOTICE OF AVAILABILITY</u>

PARTICIPATIONS

In The

TEXAS, GULF, AND LOUISIANA EXPLORATION COMPANY INC.
(In Formation)

1959 OFFSHORE OIL AND GAS EXPLORATION PROGRAM

CONTENTS

	Page
The Program	1
Use of Proceeds	2
Program Policies	2
Participants Commitment	3
Property Interests	4
Operating Agreements	4
Development of Properties	5
Services of T G & L	5
Compensation	5
Termination	6
Management	6

NOTICE OF AVAILABILITY

$4,250,000 OF PARTICIPATIONS IN THE

TEXAS, GULF, AND LOUISIANA EXPLORATION COMPANY INC.
(In Formation)

1959 Offshore Oil and Gas Exploration Program

	Price to Participant (1)	Underwriting Discounts and Commissions (2)	Proceeds to Program (3)
Participants Minimum Unit	$20,500	$500 + (2)	$20,000
Total	$4,356,250	$106,250 + (2)	$4,250,000

(1) Participants may be requested to expend additional funds for development wells, reworking wells and certain other expenses. There is no limit to these funds possibly to be requested although participants are not obligated to participate in such wells. However, in some instances failure to pay such additional funds will result in a forfeiture of all or part of participants interests in properties acquired under this program.

(2) Certain Investment Dealers, and Brokers, and other individuals will sell portions of the above Participations. As compensation they will receive 1-1/2% cash commissions from Texas, Gulf and Louisiana Exploration Co., Inc. and a 2-1/2% commission from the participant, thereby making a total of 4% cash commissions payable to dealers etc. In addition they will receive a 1/12 (.0833) carried interest out of the 1/4 (.250) carried interest reserved by Texas, Gulf, and Louisiana Exploration Company Inc. This carried interest is more specifically defined under Compensation.

(3) Unless participation interests aggregating at least $1,500,000 have been contracted for by February 15, 1959, all commitments previously received will be returned. Said $1,500,000 is the minimum deemed sufficient with certain other partners to test five (5) exploratory prospects which in the opinion of management allows participants substantial advantage of Spread of the Risk and the "Law of Averages".

THE PROGRAM

Participating Interests up to a maximum net aggregate of $4,250,000 will be provided for in the 1959 Offshore oil and gas Exploration Program of Texas, Gulf and Louisiana Exploration Company Inc. (In Formation), hereafter known as T G & L, under Participation Agreements (enclosed) which commit the participants to contribute up to specified amounts to the Program. Participating Interests are available in amounts of $20,000 or more.

Participations will be available from T G & L or Investment Dealers, Advisors, and Brokers authorized by T G & L in connection with the Program.

In the event of aforesaid aggregate minimum of $1,500,000 participation commitments have not been obtained by February 28, 1959, all commitments will be automatically released and all funds returned. In this event no sales, or brokerage commissions will be payable.

Each participant may assign, in whole or in part, his interest under or any interest acquired pursuant to the Participation Agreement; provided that no such assignment shall operate to relieve such participant of his primary liability upon his commitment.

The failure of any participant to meet his commitment under the Participation Agreement might terminate his right to participate further in the Program. Substantial failures by participants to meet commitments could materially affect the operation of the Program by reducing the number of prospects to be explored by it. T G & L will, therefore, attempt to select as participants investors who are believed capable of meeting their commitments but gives no assurance to participants that each participant will from time to time be capable of meeting his individual commitment.

USE OF PROCEEDS

Proceeds from the sale of participating interests will be used for the acquisition and exploration of undeveloped oil and gas properties Offshore Continental U. S. Gulf of Mexico.

It is estimated that expenditures herein will be divided as follows:

Equipment costs (for producing discoveries)	15%
Administrative (including 9.5% fee to T G & L)	10%
Exploration and Evaluation (Geophysical, Geological & Scouting)	5%
Intangible Drilling costs and Misc.	70%

PROGRAM POLICIES

T G & L will, as managers of the Program for 1959, evaluate, segregate and acquire, either alone or in conjunction with others, oil or gas interests ("Property Interests") in properties to be selected principally from the Louisiana Offshore Oil and Gas Province. It is anticipated that T G & L will concentrate its program activities in this area, but T G & L reserves full freedom of action to transfer its activities to other areas of potential oil or gas production when, in its sole opinion, superior opportunities may arise. The majority of interests to be acquired by T G & L in the aforesaid Louisiana Offshore area will be on a "Farmout" basis.

The objective aim of the Program will be to obtain and validate substantial interest in large blocks of acreage over major structures, with the acreage and reserves retained as long term investments.

T G & L would direct immediate development of only the outstanding discoveries which will generally fall in the category of Gas-Distillate, Gas or multiple zone type. Nominal oil, as well as gas discoveries not immediately accessible to pipeline, would be postponed as long as lease terms and/or operating agreements would permit or until development becomes attractive.

All prospects would be screened as far as practical for pitfalls of excesses in actual Drilling cost such that a minimum amount of money shall be risked on each prospect. In this connection drilling depths will generally, although not absolutely, be limited to the 12,000 - 13,000 feet range.

PARTICIPANTS COMMITMENT

The commitment of any participant shall be applied by T G & L in the ratio such commitment bears to the commitment of all participants in payment of Authorized Disbursements, which disbursements include (a) Exploratory Well Costs, (b) all costs and expenses of organization of the Program and of the offering and sale of the participating interests offered hereunder, (c) an amount equal to 9.5% of the aggregate commitment of all participants payable to cover certain administrative expenses. Exploratory Well Costs are definied to include (a) the costs of acquisition of Prospects, (b) the costs of any geological, geophysical or other exploration or engineering work and services on each Prospect incurred prior to completion of the last Exploratory Well drilled thereon, (c) costs of drilling, testing, completing, operating (until Payout), equipping and/or plugging and abandoning any Exploratory Well and bottomhole and dry hole contributions made to others, (d) certain delay rentals and (e) legal, auditing and other indirect expenses (other than certain administrative expenses of T G & L) incurred in connection with the Program. The term "participant" as used herein is confined to the purchasers of the participating interests offered hereunder, and does not include the holder of any carried interest or any other interest.

No part of any commitment is to be expended for the cost of drilling wells other than Exploratory Wells. An Exploratory Well is definied as any well drilled on any Prospect prior to and including the initial commercially producing well and any well, the drilling of which was made a condition of the acquisition or retention of Property Interests in a Prospect. Without the consent of each participant no more than one Exploratory Well shall be drilled on any Prospect unless (i) the drilling of a first noncommercial well on a Prospect indicates in T G & L's judgment that an additional well shall be drilled to properly test such Prospect, (ii) subsequent information indicates a different geological feature is present or (iii) the drilling of more than one well is a condition of the acquisition of the Property Interests in such Prospect. Failure of participant to reply within a reasonable, specified time after notice shall constitute such consent. More than two Exploratory Wells may be drilled on a Prospect only where such drilling is a condition of the acquisition or retention of the Property Interests in such Prospect.

PROPERTY INTERESTS

That portion of the entire production from any property which will accrue to Property Interests will be determined by the nature and extent of the Programs ownership in the property.

Normally Property Interests will consist of working interests or, some undivided portion thereof, in a property and may be subject to such royalties, overriding, net profits interests, oil payments, etc. as may exist and which normally do not bear any portion of exploratory, development,or operating costs.

The following is a summary of distribution of Costs and Income attributable to Property Interests:

	All wells through payout		All wells after payout	
	Costs	Income	Costs (1)	Income
T G & L	0	0	16-2/3%	16-2/3%
Participant	100%	100%	75%	75%
Dealer	0	0	8-1/3%	8-1/3%

(1) Operating costs include supervision of production and transportation, etc.

OPERATING AGREEMENTS

If the Property Interests are not already subject to an operating agreement when acquired, upon T G & L's request, the participant will enter into one or more operating agreements in form customary in the industry and to be approved by T G & L covering such Prospect. Such agreements shall not deprive a participant of any rights under the Agreement without participant's written consent.

In the event neither T G & L nor its nominee is named as operator in such agreement, upon request of the participant T G & L shall exercise all rights and options thereunder for the participant (provided that T G & L shall not have the power to alter the right of the participant to take in kind or market their own share of production or to dispose of participant's interest). In such case T G & L will from time to time inspect the Property Interest covered by such agreement, observe the performance of the operator thereof and consult and make such recommendations as T G & L deems appropriate. T G & L will further examine all charges made by the operator against such Property Interest, will satisfy itself as to the correctness and reasonableness of such charges,and will provide participants with estimates, recommendations,and certain records,and other information. In addition to the undivided one-fourth interest in the Property Interest received by T G & L, such participant shall pay T G & L his pro rata part of the actual or reasonable costs of such services.

DEVELOPMENT OF PROPERTIES

T G & L shall notify in writing each participant of its intention to drill a development well on a Prospect, or to deepen or rework wells drilled thereon, and of the nature, location, depth, and estimated cost of such operation. Each participant shall advise T G & L, within 15 days after mailing of such notice, whether or not he will participate in the costs of such operation, and failure of any participant to reply shall constitute his election to participate. There is no limit to the amount of funds which participants may be called upon to furnish in connection with the drilling of a development well, or the deepening or reworking of an existing well, or the period during which such calls may be made.

Should a participant refuse to participate in the drilling of a development well on a Prospect or the deepening or reworking of a well thereon not theretofore commercially productive, all of the interest of such participant in the Prospect, except his interest in the production from each well then producing or shut-in on such Prospect for which such participant has paid his pro rata share of costs, shall be assigned to T G & L who shall be responsible for the pro rata portion of the costs attributable to the interest so assigned it. Should a participant refuse to participate in the deepening or reworking of a well previously completed as a producing well, such participant shall not be entitled to participate in the production of such well until there has been recovered, out of the net proceeds of the production from such well allocable to the Property Interests, five times the amount expended in such operations plus actual operating expenses during the period of recovery.

SERVICES OF T G & L

T G & L will perform the following specific services in connection with the program:

a. Scouting, evaluation, and selection of exploratory prospects.
b. Supervision of drilling, completion, and production.
c. Procurement of markets for sale of products.
d. Maintenance of complete and adequate books and records of all Programs operations.

All such books and records will be available to participants for inspection at all times at the offices of T G & L, Houston, Texas. In addition monthly statements of itemized costs will be furnished all participants.

COMPENSATION

As compensation for its services as administrator, manager and supervisor of the Exploration Program, T G & L will receive 9.5% of the aggregate commitment by participants for the year 1959, payable monthly in advance over the remaining period (number of months or portion thereof) of 1959 subsequent to date of subscription to participation. In addition T G & L will receive 25% carried interest (undivided) in all properties acquired under the program, said interest more specifically defined as being carried as to all costs of drilling the exploratory well and successful development wells on a prospect. In return participants will receive 100% of production from all property in a single prospect until payout of all successful wells including completion costs, production facilities, etc. After payout T G & L will receive 25% of gross income as well as being liable for 25% of all costs of production and maintenance of the properties.

T G & L reserves the right to eliminate the 2-1/2% cash commission payable by a participant to a dealer, plus the 1-1/2% cash commission payable by T G & L to a dealer, plus the 1/12 (.0833) carried interest to be assigned by T G & L to a dealer, in all cases of direct introduction of participant by T G & L to the Program.

T G & L further reserves the right to negotiate substantial participations from oil production companies and large individual oil operators etc. on the basis of a reduction in the cash fee of 9.5% or in the 25% carried interest or both to whatever extent, in the sole judgment of T G & L, is justified in order to strengthen the Program.

TERMINATION

The agreement shall be terminated, except insofar as it relates to development wells, only (i) as to properties comprising any Prospect upon obtaining commercial production therefrom or (ii) when the commitments of participants have been exhausted or (iii) on December 31, 1959. In the event of termination on December 31, 1959, unexpended portions of commitments not necessary in T G & L's judgment to meet obligations made or incurred under the Agreement will be promptly released to participants.

MANAGEMENT

Texas, Gulf, and Louisiana Exploration Company Inc. is being formed by Trans-Gulf Offshore Drilling, Inc. to implement and manage an Offshore Exploration Program hereinbefore described.

Most of the present management of Trans-Gulf will serve as officers and Directors of T G & L.

They are:

Drennan O. Wade - President and Director of Trans-Gulf, has been a principal owner and operator, along with his brother Douglas W. Wade, of Wade Towing Company since its organization in 1943, as well as Yount-Wade Drilling Co., Inc. which they organized in 1953. Wade Towing Inc. presently operates two large ocean-going towboats in Port Brownsville, Texas. Mr. Wade began his career in the oil fields as a field engineer for Yount-Lee Oil Company from 1930 - 1935, and later, Stanolind Oil and Gas Co. from 1935 - 1937. Since 1937 and until 1953, he was directly or indirectly associated with Coyle Lines, Inc., in the later years as Texas Division Marine Superintendent.

Harry J. Chavanne - Chairman of the Board and Director, is also Chairman of the Board of Lakeside National Bank of Lake Charles, La. He was formerly a partner of Prince Drilling Company and co-operator. During his association with Prince Drilling Company, he directed the general business affairs of that company. Prior to World War II, he was associated with the Calcasieu Marine National Bank in Lake Charles and was, from 1940 - 1942 assistant Branch Manager of the Jennings, Louisiana Branch. He is a graduate of Rice Institute presently a Director of the "American Association of Oil Drilling Contractors", and formerly chairman of the Houston Chapter AAODC.

William H. Flynn - Vice President and Director of Trans-Gulf, was for two years, prior to his resignation to assist in initiating Trans-Gulf Offshore Drilling, Inc., employed by J. Ray McDermott & Co., Inc., as a design engineer. During his employment with this company, he participated in general design projects for fixed drilling platforms, and later directed and completed a project of considerable scope. Prior to his employment by J. Ray McDermott, Mr. Flynn was Port Engineer of the Port of Brownsville, Texas, from 1948 to 1954, where he was in direct charge of maintenance and design and construction of new facilities. Mr. Flynn is a graduate of the United States Naval Academy. He is in charge of marine operations, new equipment design, and business development of the company.

Ben S. Robinson - Vice President and Director, was formerly a partner and co-operator of Prince Drilling Company. He was associated with Prince Drilling Company since 1945, and since 1952 had been in direct and active charge of their drilling operations, including their two large inland barge drilling rigs as well as their land rigs which have numbered as many as six at a given period.

Douglas W. Wade - Secretary, Treasurer, and Director, has been associated with his brother since 1945 as co-owner and co-operator of Wade Towing Company, and later of Yount-Wade Drilling Company. Prior to 1945, Mr. Wade was with McCollum Exploration Company for approximately fifteen years. Mr. Wade has directed the office affairs of their business.

Dr. Wendell H. Nedderman - Director, is presently Associate Professor of Civil Engineering at A & M College of Texas. His education includes degrees of B. S., M. S., and PH. D. in Civil Engineering. Since 1952, he has done part-time consulting work on offshore structures for more than ten firms in the Gulf Coast Area, including major oil companies, shipyards and contractors. He is presently engaged by Gulf Oil Corp. in the design of offshore structures. In addition, he is Principal Investigator in the Texas A & M Research Foundation project entitled "Research in the Design of Offshore Drilling Structures," which has been in progress since 1952. Dr. Nedderman is retained by the company for advice and assistance in design of offshore facilities.

Albert Sidney Johnson - Director, is presently Vice President of Rupe Investment Company of Dallas, Texas. He was engaged in the oil and gas business as an independent operator for some ten years, and prior to that time was President of Southern Union Gas Company and its affiliated companies. He is also a Major General commanding the National Guard Armored Division Headquarters in Dallas.

Robert E. Dennard - Director, is presently Vice President of Dallas Rupe and Son, Inc. Dallas, Texas, investment banking firm.

In addition to the above, the following key operating executives will be employed or retained by T G & L.

Vice President, Director, and Manager of Operations

A Manager of Operations will be employed to direct the Exploratory and Development Activities of the Program. This man will be a competent, highly regarded, oil executive, with accumulated, substantial operating and supervisory experience in the Offshore Marine Oil Province, while serving in his present capacity with a Major Oil Company operating Offshore. This person has been chosen but has not, as yet, been employed by T G & L.

Consulting Geophysicist, Geologist (Prospect Evaluator)

A consulting geophysicist, geologist will be retained to initially evaluate all farm-out prospects. This man and his organization will have a substantial background of experience in offshore geology and geophysical exploration as well as impeccable reputation as a consultant and oil finder. He will be made a director of T G & L.

Legal Counsel

Legal opinions in connection with the establishment of T G & L and the Participants Program for 1959, and all agreements, will be passed upon by Baker, Botts, Andrews, and Shepherd, Houston, Texas

Auditing and Accounting

The accounts of T G & L and the Participants Program for 1959 will be audited annually by Arthur Andersen & Co., independent public accountants or other nationally recognized public accountants. In addition, such firm will advise T G & L on general accounting and tax problems.