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Folder Title:
Zapata Off-Shore Company: Executed Counterparts to Amendment #1, with Attached Exhibits [1956]

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BAKER, BOTTS, ANDREWS & SHEPHERD

ESPERSON BUILDING

HOUSTON 2

C O P Y

0-17,279

RECEIVED
JUN 11 1956
ZAPATA

June 8, 1956

AIR MAIL

Securities and Exchange Commission,
Washington 25, D. C.

Dear Sirs:

We enclose herewith for filing on behalf of Zapata Off-Shore Company three executed counterparts of Amendment No. 1 to the Registration Statement on Form S-1, Registration No. 2-12525, filed by said Company, together with three sets of the exhibits referred to therein, five additional copies of Amendment No. 1 without exhibits, five copies of the Prospectus included therein, five additional copies of the exhibits referred to therein, and five extra copies of the cross-reference sheet.

For your convenience, we also enclose three marked up copies of the Prospectus and of the Indenture (Exhibit 4(c)) to show the changes which have been made responsive to your deficiency letter.

It is requested that the effective date of the Registration Statement be accelerated so that it will become effective by the close of business on Wednesday, June 13, 1956. The consent of the agents to such acceleration will be transmitted to you under separate cover.

In view of the fact that the Debentures are to be offered to stockholders, with the Unsubscribed Debentures, if any, being offered only through the agents named in the Prospectus, it was not deemed appropriate to distribute copies of the Preliminary Prospectus dated May 22, 1956 or of the Identifying Statement to other dealers. G. H. Walker & Co. and Underwood, Neuhaus & Co. Incorporated were each furnished with such copies as they requested. No other underwriters or dealers have been invited to participate in the distribution of the Debentures.

Yours very truly,

(Signed) BAKER, BOTTS, ANDREWS & SHEPHERD

2321

Enclosures

Cc - Mr. George H. W. Bush, President,
Zapata Off-Shore Company,
P. O. Box 2216,
Midland, Texas.

Mr. G. H. Walker, Jr.,
G. H. Walker & Co.,
One Wall Street,
New York 5, N. Y.

Mr. Milton R. Underwood,
Underwood, Neuhaus & Co. Incorporated
724 Travis Street,
Houston 2, Texas.

Mr. David M. Payne,
Winthrop, Stimson, Putnam & Roberts
40 Wall Street,
New York 5, N. Y.

COPY

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

FORM S-1

REGISTRATION STATEMENT

UNDER

SECURITIES ACT OF 1933

Zapata Off-Shore Company

(Exact name of registrant as specified in charter)

First City National Bank Building
Houston 2, Texas

(Address of principal executive offices)

George H. W. Bush, President
2218 First City National Bank Bldg.
Houston 2, Texas

Copy to:
Baker, Botts, Andrews & Shepherd
1600 Esperson Building
Houston 2, Texas

(Name and address of agent for service)

Approximate date of proposed public offering: As soon as practicable after the Registration Statement becomes effective.

CALCULATION OF REGISTRATION FEE

Title of each class of securities being registered*	Amount being registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
5½% Subordinated Convertible Debentures due June 1, 1971....	$2,350,000	100%	$2,350,000	$235

* This Registration Statement also covers the shares of Common Stock reserved by the Company for issuance upon conversion of Debentures. The Registration Statement also covers an undetermined amount of shares of Common Stock which may be issued on the conversion of the Debentures by virtue of the operation of the anti-dilution provisions summarized in the within Prospectus under the caption "Description of Debentures". As the Common Stock issued upon such conversion will be issued for no additional consideration, it is considered that no registration fee is required with respect thereto.

Following the expiration of the Warrants, the Prospectus will be supplemented to set forth the results of the offering to stockholders, and the principal amount of Debentures remaining unsubscribed. If any offering is then to be made upon terms differing from those set forth under "Offering of Unsubscribed Debentures" in the Prospectus, the Company will file a post-effective amendment to the registration statement setting forth the required information in connection with any such offering.

ZAPATA OFF-SHORE COMPANY

CROSS REFERENCE SHEET

* Omitted since answer is negative or not applicable.

Preliminary Prospectus Dated May 22, 1956

A registration statement relating to these securities has been filed with the Securities and Exchange Commission, but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy in any State in which such offer or solicitation would be unlawful prior to registration or qualification under the securities laws thereof.

These securities have not yet been made eligible for sale under the laws of any state where action for this purpose is necessary. The use of this document is no assurance that the registration or qualification requirements of the laws of this State will be met.

PROSPECTUS

$...............

Zapata Off-Shore Company

5½% Subordinated Convertible Debentures
due June 1, 1971

Convertible at any time into Common Stock (50 cents par value) of the Company at the conversion price of $........... per share subject to certain adjustments. Redeemable at 100% of principal amount, plus accrued interest. Subordinated to all Senior Indebtedness. See "Description of Debentures".

Interest on the Debentures accrues from ~~June~~ ...., 1956.

The Company is offering to the holders of its outstanding Common Stock the right to subscribe for the 5½% Subordinated Convertible Debentures offered hereby at the rate of $....... principal amount of Debentures for each one share of Common Stock held of record on June ...., 1956. See "Subscription Offer".

The subscription offer will expire at 3:00 o'clock P.M., Central Standard Time, on June ...., 1956.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Subscription Price	Underwriting Discounts and Commissions(1)	Proceeds to Company
Per Unit	100%	$ (2)	$ (2)
Total	$	$10,000(3)	$ (4)

(1) The Company has agreed to indemnify the Agent named herein against certain liabilities.

(2) There is no per share discount or commission. However, the Company has agreed to pay certain compensation to securities dealers for their services in obtaining subscriptions, on the basis and terms described under "Subscription Offer", the aggregate of which, if all Debentures offered are subscribed for by stockholders through such dealers, would be $................

(3) To be paid to the Agent named herein under "Offering of Unsubscribed Debentures", which is in addition to the compensation of such Agent, as described therein, in connection with certain sales of Unsubscribed Debentures.

(4) Assuming all Debentures will be subscribed.

June ...., 1956

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No dealer, salesman or any other person has been authorized by the Company or by the Agent named herein to give any information or to make any representations other than as contained in this Prospectus in connection with any offer contained in this Prospectus, and if given or made, such information or representations must not be relied upon. This Prospectus is not an offer by the Company or by the Agent or any dealer to sell any of the securities offered hereby in any State or to any person to whom it is unlawful for the Company or for such Agent or dealer to make such offer in such State.

THE COMPANY AND ITS PARENT

Zapata Off-Shore Company (herein called the Company) was incorporated under Delaware law on October 25, 1954. It has no subsidiaries. Its principal executive office is at 2218 First City National Bank Building, Houston 2, Texas.

The Company is controlled by Zapata Petroleum Corporation, a Delaware corporation (herein sometimes called Petroleum), which owns 369,000 shares (approximately 48%) of the 760,000 outstanding shares of Common Stock of the Company. The Company has seven directors. J. Hugh Liedtke, President and a director of Petroleum, is a director and Treasurer of the Company, and George H. W. Bush, Vice President, Secretary and Treasurer and a director of Petroleum, is the President and a director of the Company. Petroleum is principally engaged in developing and operating oil and gas properties and exploring for oil and gas, and, through its subsidiary, Zapata Drilling Company, in contract drilling on land for others and for its own account. Its principal office is in Midland, Texas.

SUBSCRIPTION OFFER

The Company hereby offers to the holders of its outstanding Common Stock the privilege of subscribing, at the subscription price set forth on the cover of this Prospectus, for the 5½% Subordinated Convertible Debentures offered hereby ("Debentures"), on the basis of the right to subscribe for $.................. principal amount of Debentures for each share of Common Stock held of record on June ...., 1956.

Expiration Date

The subscription privilege will expire and become void at 3:00 o'clock P.M., Central Standard Time, on June ...., 1956.

Subscription Agents

In Houston, Texas:

Texas National Bank of Houston,
1300 Main Street,
Houston 2, Texas

In New York, N. Y.:

J. P. Morgan & Co., Incorporated
23 Wall Street,
New York 8, N. Y.

Subscription Warrants

The subscription privilege is evidenced by non-transferable Subscription Warrants which are being mailed to holders of the Common Stock of the Company entitled thereto. Each Warrant will specify the total number of shares of Common Stock held of record on the record date specified above to which such Warrant pertains, from which each stockholder may determine the maximum principal amount of Debentures to which he may subscribe. Subscriptions will be accepted only for $25 principal amount of Debentures or multiples thereof, and not for fractional parts of $25. However, if the principal amount of Debentures to which a stockholder is entitled to subscribe on the basis set out above is not an even multiple of $25, such principal amount to which such stockholder shall be entitled to subscribe may be increased to the next even multiple of $25, or, if it is less than $25, may be exercised for a $25 Debenture. The Debentures will be issued in coupon form in the denominations of $25, $100, $500, and $1000 (and any multiple thereof approved by the Company).

Method of Exercising the Subscription Privilege

The subscription privilege may be exercised by mailing or delivering the Warrants to either of the Subscription Agents named above, appropriately filled out and executed, accompanied by payment of the total Subscription Price for the principal amount of Debentures subscribed for (not to exceed the maximum subscription permitted, determined as set out above), in cash or by check or bank draft or postal or express money order, payable to the order of the Company. All Warrants must be exercised before 3:00 o'clock P.M. (C.S.T.) on the Expiration Date.

Delivery of Debentures

Debentures will be delivered in definitive form as soon as practicable after close of the subscription period.

Federal Income Tax Effects

The Company has been advised by its counsel that under present Federal laws and regulations (a) no taxable income will be received by the holders of Common Stock upon receipt of the Warrants or the exercise thereof; and (b) the holding period with respect to the Debentures acquired pursuant to the exercise of the Warrants will begin as of the date of the exercise of such Warrants.

Arrangements with Zapata Petroleum Corporation

Petroleum, as the holder of 369,000 shares of Common Stock, will be entitled to subscribe to $.................... principal amount of Debentures. Petroleum has arranged with the Company for the issuance to it of one Warrant entitling it to subscribe to $.................... principal amount of Debentures, and for the issuance to Petroleum's stockholders, ratably, of additional Warrants as to the remainder of such subscription privilege. Petroleum has advised the Company that it intends to exercise its subscription privilege to the full amount of $.................... of Debentures covered by the Warrant to be issued to it.

Compensation to Certain Dealers

The Company proposes to compensate securities dealers who are members of the National Association of Securities Dealers, Inc., for their services in obtaining subscriptions. Such compensation will be paid at the rate of ½ of 1% of the principal amount of Debentures issued and sold by the Company pursuant to subscriptions by stockholders obtained for the Company by such securities dealers, but will be paid only where the name of the dealer appears on the warrants in the place provided for that purpose.

OFFERING OF UNSUBSCRIBED DEBENTURES

The Company has entered into an agreement with G. H. Walker & Co., One Wall Street, New York 5, New York (the "Agent"), under which the Agent has agreed to use its best efforts for a period terminating two weeks after the expiration of the subscription offer, as agent for the Company and for its account, to sell any unsubscribed Debentures which were offered to stockholders and not subscribed for. The Agent proposes to offer such Debentures at 100% of the principal amount thereof.

The Agency Agreement provides that the obligations of the Agent are subject to the conditions that no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending before or threatened by the Securities and Exchange Commission, and that there has been no material adverse change (not in the ordinary course of business) in the condition of the Company from that set forth in the Registration Statement.

The Company will pay G. H. Walker & Co. $10,000 in respect of said agreement, and will pay such Agent additional compensation at the rate of 2% of the principal amount of unsubscribed Debentures sold by such agent to persons other than stockholders of the Company and Zapata Petroleum Corporation. Under the terms of the Agency Agreement the Company reserves the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc. to participate in such offering of unsubscribed Debentures, upon payment of a 2% commission to such dealers on the same terms as provided in the case of G. H. Walker & Co.

G. H. Walker, Jr., the managing partner of G. H. Walker & Co., is a director of Zapata Petroleum Corporation.

USE OF PROCEEDS

If all of the Debentures offered hereby are sold, the Company will realize net proceeds of approximately $...................., after deducting expenses estimated at $.................... Such net proceeds will be added to the general funds of the Company and will be available for its general corporate purposes.

As set out under "Business and Property" herein, the Company's two units of offshore drilling equipment are under contract for primary terms which will not expire until March, 1957, and are then subject to certain extension options on the part of the operator. The management of the Company believes it desirable to acquire a third unit under terms which would make it unnecessary, from a financing standpoint, to place such unit under long-term contract, so that this unit would be available for specific drilling projects and for any favorable opportunities which might arise whereby the Company, through the employment of this equipment, could participate in offshore drilling ventures for its own account or partially for its own account.

The cost of such a third unit is presently estimated at approximately $3,000,000 (see "Additional Drilling Equipment" under "Business and Property"), but such estimate is tentative and the actual cost of such unit could be materially more or less, dependent upon many factors, such as the design and manufacturer selected, changes in the cost of labor and material, and other circumstances. Based on such tentative estimate, however, it is contemplated that approximately $1,300,000 of such cost would be paid out of the net proceeds of the sale of the Debentures, and that the remainder of such cost would be obtained through bank loans or other debt financing (as to which at this time no arrangements have been made). The balance of the net proceeds of the sale of the Debentures would be added to working capital, thus placing the Company in a better position to undertake drilling ventures of the type contemplated for such third unit.

The Company has no assurance that all of the Debentures offered hereby will be sold. Should the amount sold be materially less than that offered hereby, the plans to acquire additional drilling equipment could be modified or abandoned. In such event, the Company would likely retire some portion of its indebtedness to suppliers of existing equipment out of such proceeds, and add the balance of such proceeds to working capital. The Company anticipates, however, that, barring unforeseen contingencies, the substantial increase in cash flow resulting from placing the Scorpion in service in late March (little of which, therefore, is reflected in the Summary of Earnings and the Financial Statements included herein) will tend to improve the working capital position of the Company, and that any such retirements of existing indebtedness out of the proceeds of the sale of the Debentures would be relatively insubstantial.

BUSINESS AND PROPERTY

The Company was organized in the latter part of 1954 for the purpose of engaging in the business of drilling oil and gas wells, primarily in the area subject to the jurisdiction of the United States and the several states lying offshore and extending generally out towards the limits of the continental shelf. This area is sometimes referred to herein as the "offshore area". It was believed that there would be substantial drilling activities in the offshore area and a consequent demand for suitable drilling equipment and personnel. It was also thought that the ownership and operation of such drilling equipment might enable the Company to acquire interests in offshore acreage suitable for oil and gas development. At the present time there is a satisfactory demand for drilling equipment for use in drilling exploratory and development wells in this area.

The Company's business at the present time consists of the ownership and operation of two separate units of offshore drilling equipment, one being a self-contained mobile drilling platform on which there is installed the drilling rig and all other equipment, and the other being a drilling tender for use in connection with a fixed drilling platform supplied by the operator on which there is placed the drilling rig. Both units are at work in the offshore area in the Gulf of Mexico under contracts with major oil companies, as hereinafter described.

Drilling Platform Scorpion

In the latter part of 1954 the Company contracted wth R. G. LeTourneau, Inc. ("LeTourneau") for the construction by LeTourneau of a mobile drilling platform of a design developed by LeTourneau, which platform, on satisfactory completion, would be purchased by the Company. The platform was satisfactorily completed and purchased by the Company, and on March 20, 1956 was commissioned as the "Scorpion" and placed in service.

The Scorpion is a self-contained mobile drilling platform on which there is installed a drilling rig and all necessary drilling equipment, crew quarters and storage facilities for drilling mud, water and fuel. It is basically a large, shallow-draft barge equipped with three electro-mechanically controlled spuds or legs. It is equipped with generators and electric motor gear reduction to provide the power to raise and lower the spuds. Its over-all dimensions (including spud levels) are approximately 185 feet in length, 149 feet in width and 20 feet in depth. The drilling platform itself is 140 feet long, 80 feet wide and 20 feet deep. The spuds are each 30 feet six inches in diameter by 140 feet in length and the caisson at the bottom of each spud is 35 feet in diameter. The slot which is provided for moving off of a completed well is 24 feet by 28 feet four inches. The multiple electric motor gear units are designed to raise or lower a gross load of eight million pounds, including the barge, at a rate of approximately two feet per minute.

The Scorpion is towed to the drilling site, where the spuds are lowered to the ocean bottom and the platform is elevated on the spuds to the desired height above the waves. Upon completion of a well the operation is reversed, and the platform is lowered and then towed to the next drilling site. Spring-loaded metallic brakes, magnetically controlled, provide control over drilling platform elevation. The Scorpion is capable of drilling in waters up to 80 feet in depth (taking into account normal penetration of the spuds into the ocean floor and elevation of the platform to customary operating heights above the waves). The spuds are so located as to give the platform a level three point support and are designed so that they may be raised or lowered individually in order to provide accurate trimming when the ocean floor level varies.

At the date hereof, the Scorpion is engaged in drilling operations for Standard Oil Company of Texas, pursuant to the contract hereinafter described at a location approximately 3 miles offshore from Padre Island, Texas.

Drilling Tender Nola I

In March, 1955, the Company acquired from Standard Oil Company of Texas the drilling tender "Nola I", formerly a U. S. Navy YF. The Company then had the Nola I extensively remodeled and re-equipped so as to be suitable for use in offshore drilling operations. The Nola I was placed in operation on September 30, 1955 and has been continuously engaged since that date in drilling operations for Standard Oil Company of Texas and for Continental Oil Company. At the date hereof it is engaged in drilling operations for Continental Oil Company at a location approximately 10 miles offshore from Vermilion Parish, Louisiana.

The Nola I is 260 feet in length by 48 feet on the beam, and provides storage for pipe, drilling mud, cement, water and fuel, as well as the location for certain of the drilling equipment. It contains the crew quarters and commissary. It is used in conjunction with a fixed platform furnished by the operator on which there is placed the drilling rig and most of the drilling equipment. The drilling rig and related equipment are held by the Company under a lease-purchase arrangement with the supplier. See Note 5 to Financial Statements herein.

Auxiliary Services and Equipment

The Company charters cargo and personnel boats for use in conjunction with both the Scorpion and the Nola I, such boats providing transportation for cargo and personnel from shore to the drilling location and return. Catering services for the Company's personnel are also obtained from an independent contractor, and towing services are provided by independent tug operators. Certain other specialized services, such as weather forecasting, are furnished by specialized service organizations, and certain specialized equipment is supplied by others on a rental basis.

Drilling Contracts

The contract under which the Scorpion is presently operating is for a primary term of one year expiring in March, 1957, subject to the option of the operator, Standard Oil Company of Texas, to extend the same for two additional nine-month periods, or a total of 18 months. The operator also has the right during a further ten-year period to the first call on the services of the Scorpion, subject, however, to the rights of third parties under drilling contracts which the Company may have at any such time with such third parties, and subject, also, to payment of rates prevailing at the time for similar work and equipment. Under the terms of such contract the Company warrants that its mobile platform will operate efficiently in certain offshore areas where the operator has leases, and, if the Scorpion does not operate efficiently in such areas, the operator may terminate the agreement without further liability.

The Company initially entered into a drilling contract with Standard Oil Company of Texas covering the Nola I and related equipment for an initial term of 18 months expiring in March, 1957, but subject to substantially the same extension and first call rights as are provided in the contract relating to the Scorpion. However, in March, 1956, an arrangement was entered into between the Company, Standard Oil Company of Texas and Continental Oil Company under which the Company is presently conducting drilling operations for Continental Oil Company under the terms of a drilling contract with that Company. Under this arrangement, the period covered by the contract with Continental Oil Company will be considered, for purposes of the term of the original drilling contract with Standard Oil Company of Texas, as time worked under such original contract.

All such contracts provide for a basic daily drilling rate and for lower rates during periods when actual drilling operations are not in progress for reasons other than failure of the Company's equipment. The Company is not compensated if drilling operations are suspended due to breakdown of the Company's equipment (except where such breakdown is the result of certain conditions beyond its control). If drilling operations are prevented for certain specified periods of time by conditions beyond the control of either party, as set out in the contracts, either party thereto may terminate the same without further liability. Under all of the contracts the Company is reimbursed for certain of the drilling expenses.

Additional Drilling Equipment

Under the terms of the contract between the Company and R. G. LeTourneau, Inc., under which the Company purchased the Scorpion, the Company has an option to acquire any additional platforms of the same or similar design which may be constructed by LeTourneau during the period of two years and six months following the date of acceptance of the Scorpion at the bona fide price at which such platform or platforms would be offered to other parties.

LeTourneau has discussed with the Company the construction of another platform of similar design to the Scorpion. The design and engineering studies for such a platform are not complete, but it is estimated that its cost (together with the drilling rig and related equipment) would be approximately $3,000,000. The Company is now considering the advisability of contracting for the purchase of such platform, or, in the alternative, of contracting for the purchase of other offshore drilling equipment. The management of the Company believes it advantageous to the Company to acquire a third unit for offshore drilling operations as soon as reasonably practicable, but, for the reasons mentioned above, it is not possible at this date to specify whether such additional unit will be of the LeTourneau design or of some other design. In either event, it is anticipated that the cost of such additional unit, including related drilling equipment, will not exceed approximately $3,000,000, but such estimate is, for the reasons mentioned above, tentative only and could be materially increased or reduced.

Operational Hazards and Insurance

The Company's business is subject to the usual hazards of drilling oil and gas wells, such as the dangers of blowouts, cratering and fires, any of which could suspend drilling operations and seriously damage or destroy the Company's equipment. In addition, its business is subject to the hazards arising from marine operations, such as collision, capsizing, grounding or damage from heavy weather, hurricanes or other storms. Operations in getting on and off location in particular require careful handling to avoid serious damage or injury. The management of the Company, however, believes it is taking all reasonable precautions to minimize such risks.

The Company makes no attempt to predict the effect on its business and operations of such factors as technical obsolescense of its equipment, proration regulations limiting the amount of oil and gas which may be withdrawn from offshore wells, or changes in international, political or economic conditions.

The Company maintains broad insurance coverage as to its operations and property. This includes insurance against liability under Workmen's Compensation laws and other statutory liability to employees, and general and marine public liability insurance. The Scorpion and the Nola I, and related equipment, are also insured against marine and other perils, including loss due to capsizing, collision, fire, lightning, hurricane, windstorm, action of waves, well cratering, blowout and explosion, but not including losses due to faulty design, war and delay. The policy limits on the Scorpion and its equipment are $3,000,000 and on the Nola I and its equipment are $1,500,000. The Company also carries coverage on the Scorpion against loss of use after 30 days with a limit of $4000 per day, but carries no such insurance on the Nola I.

Patents

Under the terms of the contract between the Company and LeTourneau referred to above by which the Company acquired the Scorpion, LeTourneau agreed to defend all claims and suits and to indemnify and save the Company harmless from loss or expense growing out of any lawsuit with respect to any infringements or alleged infringement of any United States patent in respect to the construction of the Scorpion.

Competition

The Company's business is subject to competition from the several types of equipment used in offshore drilling. The principal types of offshore drilling equipment presently in use are fixed, self-contained drilling platforms, smaller fixed platforms attended by seagoing vessels such as the Nola I, and mobile equipment such as the Scorpion. Competition between the various types of offshore drilling equipment is affected by different factors, such as the nature of the well being drilled (exploratory or proven), the depth of the water, the distance from shore and the type of bottom. The technology in this field is still relatively new, and competition may be increased by technical improvements or by the development of new types of equipment. There are indications, also, that an increasing number of mobile drilling platforms are being constructed or projected for immediate construction, and it is likely that competition in this type of equipment will be greater than in the past. If exploration activities in the Gulf of Mexico continue at the present accelerated pace, these competitive conditions will be intensified.

Employees

At May 1, 1956, 109 persons were employed by the Company. The Company has experienced no difficulty in hiring employees having the experience required to conduct its operations, and considers its employee relations to be satisfactory. Due to the nature of the Company's operations, its wage rates are generally higher than those paid by companies engaged in comparable operations on land.

CAPITAL STRUCTURE

The capital securities of the Company which were authorized and outstanding at March 31, 1956, and as adjusted to give effect to the sale of the Debenture offered hereby, is as follows:

Title of Class	Amount Authorized or to be Authorized	Amount Outstanding as of March 31, 1956	Amount to be Outstanding if All Securities Being Registered Are Sold
5% and 6% long-term mortgage notes payable (including $747,039 due within one year)	$2,079,602	$2,079,602	$2,079,602
5% and 6% short-term notes payable	92,826	92,826	92,826
5½% Subordinated Convertible Debentures due June 1, 1971	2,128,000	—	2,128,000
Obligation under lease of drilling rig*	75,000	75,000	75,000
Common stock, par value 50¢ per share	1,500,000 shs.***	757,500 shs.**	757,500 shs.**

* See Note 5 to financial statements for details of the lease of the drilling rig.

** Does not include 2,500 shares held in the Treasury and reserved for issuance as explained in Note 6 to the financial statements.

*** On May 15, 1956, the stockholders of the Company voted to increase its authorized capital stock from 760,000 to 1,500,000 shares. .... shares of such stock are reserved for conversion of the 5½% Subordinated Convertible Debentures.

SUMMARY OF EARNINGS

A summary of earnings for the periods from October 25, 1954 (date of incorporation), through March 31, 1956, is presented in the tabulation below. The information set forth below under this caption has been examined by Arthur Andersen & Co., independent public accountants, as set forth in their certificate dated May 15, 1956, appearing elsewhere in this Prospectus. This summary of earnings should be read in conjunction with the financial statements and related notes included elsewhere in the Prospectus.

	October 25, 1954, Through September 30, 1955	Six Months Ended March 31, 1956
Contract Drilling Income (the mobile offshore drilling platform had been in operation ten days at March 31, 1956; the drilling tender began operations October 1, 1955)	$ —	$844,628
Costs and Expenses (Notes 7 and 8):		
Drilling operations	$ —	$716,394
General and administrative	97,835	66,778
Interest	—	32,334
	$ 97,835	$815,506
Net income (loss) before provision for Federal income taxes	$(97,835)	$ 29,122
Provision for Federal Income Taxes (by reason of the carry-forward of the operating loss for the period October 25, 1954, through September 30, 1955, taxes of $9,643 otherwise payable for the six months ended March 31, 1956, have been eliminated)	—	—
Net income (loss)	$(97,835)	$ 29,122
NOTE: Net income for the six months ended March 31, 1956, after Federal income taxes computed without benefit of the carry-forward of the operating loss for the period October 25, 1954, through September 30, 1955, and the operating loss for such earlier period after deducting the tax reduction resulting therefrom in the six months ended March 31, 1956, amount to	$(88,192)	$ 19,479

The total interest requirements on all long-term debt of the Company for the twelve months' period commencing April 1, 1956, after giving effect to note maturities, are $211,334, which includes $107,708 applicable to the total amount of debentures being registered.

MANAGEMENT

The directors and executive officers of the Company are:

Name	Address	Position
George H. W. Bush	First City National Bank Building, Houston, Texas	President and Director
Wayne H. Dean	First City National Bank Building, Houston, Texas	Vice President and Director
J. Hugh Liedtke	Midland, Texas	Treasurer and Director
Hoyt S. Taylor	First City National Bank Building, Houston, Texas	Secretary and Director
Sam G. Winstead	Republic National Bank Building, Dallas, Texas	Director
Milton R. Underwood	Houston Club Building, Houston, Texas	Director
Robert U. Parish	Bank of the Southwest Building, Houston, Texas	Director and Assistant Secretary

George H. W. Bush has been President of the Company since its inception. He is also Vice President, Secretary and Treasurer of Zapata Petroleum Corporation and Vice President of Zapata Drilling Company.

Wayne H. Dean, prior to his employment by the Company in November, 1954, was employed by Kerr-McGee Oil Industries, Inc., as manager of Drilling (domestic and foreign) in the Oklahoma City home office, and, prior to that, as manager of Gulf Coast operations with offices in Morgan City, Louisiana. In each of such capacities, he was in charge generally of offshore operations for Kerr-McGee Oil Industries, Inc.

J. Hugh Liedtke has been President of Zapata Petroleum Corporation since its organization in April, 1953. He is Vice President of Zapata Drilling Company and President of Zavala Oil Company (a wholly owned subsidiary of Zapata Petroleum Corporation). Prior to April 1, 1953, Mr. Liedtke was an independent oil operator.

Hoyt S. Taylor, prior to his employment by the Company in November, 1954, was chief drilling engineer for the Gulf Coast division of Kerr-McGee Oil Industries, Inc., in which position he took part in offshore drilling operations for that organization. He was chief coordinator during construction of the Scorpion and, in such capacity, worked directly with the staff of LeTourneau at Longview, Texas and at Vicksburg, Mississippi where such work took place. He is a graduate of the University of Kansas with a BS degree in mechanical engineering.

In May, 1955 the Company granted to Hoyt S. Taylor, Secretary of the Company, an option to purchase 2500 shares of the Company's Common Stock, exercisable in installments over the five-year period commencing with the granting of the option. The option rights terminate upon any termination of employment and are not assignable except by will or intestate succession. The option price is $5 per share, being 95% of the closing asked price of such stock on the over-the-counter market on the date of its grant. In the opinion of counsel for the Company this option qualifies as a restricted stock option under the Internal Revenue Code of 1954. See Note 6 to Financial Statements herein.

During the fiscal period ending September 30, 1955 the Company paid aggregate remuneration to all officers and directors as a group of $19,200. It is estimated that such aggregate remuneration during the present fiscal year will be approximately $38,300.

The following tabulation sets forth as of May 1, 1956, the number of shares of Common Stock owned beneficially and of record by Zapata Petroleum Corporation and by the executive officers and directors of the Company as a group.

	Shares Owned	Percent of Class
Zapata Petroleum Corporation	369,000	48%
Officers and Directors	....	....%

ORGANIZATION OF THE COMPANY AND RELATED TRANSACTIONS

The Company was organized by Zapata Petroleum Corporation and Wayne H. Dean, who is employed by the Company as its Vice President in charge of operations (see "Management" as to the business experience of Mr. Dean). Petroleum paid into the Company in cash the sum of $271,000 in consideration of the issue to it of 369,000 shares of the Company's Common Stock. Mr. Dean, by means of an advance to him by Petroleum, paid into the Company the sum of $19,000 in cash as the consideration for the issue to him of 38,000 shares of the Company's Common Stock.

Mr. Dean was employed by the Company as its Vice President pursuant to the terms of an employment contract under which he is to receive a salary of $20,000 per year for the five-year period commencing November 5, 1954. See Note 4 to the Financial Statements herein.

It is not contemplated that either Petroleum or its 80%-owned subsidiary, Zapata Drilling Company, will engage in the offshore drilling business, but it is possible that Petroleum may in the future acquire leases or interests in leases in the offshore area. The Company has been advised by Petroleum, however, that it has no present intention of so doing.

Under the terms of the purchase contract for the Scorpion, Zapata Petroleum Corporation guaranteed to R. G. LeTourneau, Inc. the performance by the Company of all its obligations under the LeTourneau contract until the balance remaining unpaid on the full purchase price for the Scorpion has been reduced to $450,000, at which time Petroleum will be released from all further liability under that contract. See Note 1 to Financial Statements herein.

The Company and Petroleum entered into a purchase option contract in August, 1955 under which Petroleum was granted for a period ending in September, 1957, a first refusal as to any sale of the Nola I, and a purchase option at whichever is greater at the time of (a) $500,000 or (b) the principal amount of certain indebtedness against the Nola I plus $50,000. The purchase option rights, however, may be nullified by the Company by releasing Petroleum from its obligations under the contract, which consist of an option on the part of the Company, during the same period and at any time when the Company may be in default under its bank loan obtained to finance the acquisition of such vessel, to require Petroleum to purchase the Nola I at $305,000 (if the Standard Oil Company of Texas drilling contract is then in effect) or at the then principal amount of such bank loan if such drilling contract is not in effect. The Company assigned its rights under such contract as collateral security for such bank loan.

DESCRIPTION OF DEBENTURES

General

The Debentures are to be issued under an Indenture with Texas National Bank of Houston, as Trustee, herein referred to as the "Indenture". The statements herein concerning the Debentures and the Indenture are merely an outline and do not purport to be complete. They make use of terms as defined in the Indenture and are qualified in their entirety by express reference to the cited Sections and Articles.

The Debentures will not be secured. There are no provisions in the Indenture requiring the maintenance of any ratio of assets, restricting the declaration of dividends or the application of the proceeds of the sale of the Debentures, prohibiting the securing of other securities without securing the Debentures, or requiring the creation of reserves for depreciation or maintenance. The Debentures will confer no voting rights on the holders thereof. The Indenture contains no amortization or sinking fund provisions.

Date, Interest and Payment

The Debentures will be dated June ...., 1956, will mature June 1, 1971, and will bear interest at the rate of 5½% per annum, payable on June 1 and December 1. Principal and interest are payable in Houston, Texas, and in New York City.

Redemption Provisions

The Debentures will be redeemable, in whole or in part, on 30 days' notice at 100% of their principal amount plus unpaid interest accrued to the redemption date (See Indenture, Sections 3.01 and 3.02).

Terms of Conversion

The Debentures shall be convertible into shares of Common Stock of the Company at the option of the holders thereof at any time prior to maturity at the conversion price of $....... per share. The Debentures called for redemption shall be convertible into shares of Common Stock at the then applicable conversion price at any time after notice of redemption and before 3:00 o'clock in the afternoon Central Standard Time on the fifth day prior to the redemption date (Section 4.01).

The number of shares issuable upon conversion will be quotient determined by dividing the principal amount of Debentures presented for conversion by the conversion price at the time in effect, disregarding fractions. In lieu of issuing fractional shares or scrip, the Company will pay an adjustment in cash. Upon receipt by the Company of any Debentures surrendered and accepted for conversion, the owners of such Debentures shall be deemed to have become stockholders of record as of that date (Sections 4.01 and 4.02).

In case the Company shall issue any shares of Common Stock (other than Common Stock reserved for issue upon conversion of the Debentures) in addition to the number of shares of Common Stock of the Company which will be outstanding on June ...., 1956, either as a dividend or otherwise, without consideration, or for a consideration per share less than $..........., then and thereafter successively upon each such issuance, the conversion prices will be reduced in accordance with the formula set forth in the Indenture, but the Company will not be required to make any such adjustment if the amount thereof will be less than 50 cents, but, in such event, the amount of adjustment which would otherwise be required to be made will be carried forward and be made at the time of and together with the next subsequent adjustment, which, together with any adjustment or adjustments carried forward, would amount to not less than 50 cents (Section 4.03).

If the Company, by split-up, combination or otherwise, changes as a whole the outstanding number of its shares of Common Stock into a different number of shares, the number of shares issuable on conversion and the conversion prices will be correspondingly adjusted (Section 4.03).

In case of any reclassification of shares, or consolidation or merger of the Company with or into another corporation, the number of shares issuable on conversion and the conversion prices will be adjusted in accordance with the kind and amount of shares of stock or assets receivable upon such reclassification of shares, consolidation or merger by a holder of the number of shares of Common Stock into which such Debentures might have been converted immediately prior to the reclassification of shares, consolidation or merger (Section 4.05).

Upon conversion of the Debentures into shares of Common Stock no allowance or adjustment shall be made either for accrued interest upon the Debentures or accrued dividend rights upon the shares of Common Stock issuable upon such conversion (Section 4.04).

Certificates for shares of Common Stock issued upon conversion of Debentures shall be issued without charge or for any tax with respect to the issuance thereof to the converting Debenture holders except that such holders will be required to pay any tax which may be payable in respect of any transfer to others involved in the issuance and delivery of certificates (Section 4.07).

Whenever the conversion price and the payment thereof should be adjusted as set forth in Section 4.03 of the Indenture, the Company shall file with the Trustee a statement signed by its President or one of its Vice Presidents specifying the adjusted conversion price and its basis and method of calculation (Section 4.08).

Subordination

The Debentures are to be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, being, generally, all other indebtedness of the Company now outstanding or hereafter incurred, including contingent obligations. Upon any dissolution, winding up, liquidation or reorganization of the Company, the holders of all Senior Indebtedness shall be entitled to receive payment in full before the holders of the Debentures are entitled to receive any payments. Notwithstanding the subordination provisions, the Company may, at any time, except during the pendency of any such dissolution or winding up, make payments on the Debentures, and the Trustee may at any time apply moneys deposited with it to payments on the Debentures. (Sections 1.01, 2.08, 2.09 and 2.10.)

Modification

The rights of the Debenture holders may be modified with the consent of 66⅔% of the Debentures. In general, no modification of the terms of payment of principal or interest or of the conversion rights, and no modification reducing the percentage required for modification, is effective against any Debenture holder without his consent. (Section 13.02.)

The Trustee

Texas National Bank of Houston is a depositary of the Company's funds, and a creditor of the Company in connection with certain bank loans. The Trustee is permitted to engage in other transactions except that if it acquires any conflicting interest it must eliminate it or resign. It is required in certain cases to share the benefit of payments received within four months of default. (Sections 10.06, 10.10 and 10.11.)

Defaults and Action by Trustee

An event of default is defined as being: default in payment of principal; default for 30 days in payment of interest; certain events in bankruptcy, insolvency or reorganization; and default for 60 days after notice in other covenants (Section 6.01). The Trustee may withhold notice of default (except in payment of principal or interest) if it thinks it in the interest of the Debenture holders (Section 9.05).

Upon the occurrence of a default, the Trustee or holders of 25% of the Debentures may accelerate the maturity of the Debentures, but holders of a majority of the Debentures may, in any such case, annul such declaration and destroy its effect if such default has been cured (See Section 6.01).

Holders of a majority in principal amount of the Debentures have the right to direct the time, method and place of conducting all proceedings for any remedy available to the Trustee (Section 6.02).

No holder may institute any suit, action or proceeding for the execution of any trust under the Indenture, or for the appointment of a receiver or any other remedy under the Indenture, unless such holder shall have given the Trustee written notice of default, nor unless the holders of 25% of the Debentures have requested the Trustee in writing to act and have offered the Trustee reasonable opportunity to act, and the Trustee shall have declined or failed to act. The foregoing is not to impair the right of a Debenture holder to enforce payment of the principal of and interest on his Debentures on the respective due dates (Section 6.07).

Satisfaction and Discharge of Indenture

The Identure may be discharged upon payment or redemption of all the Debentures or upon deposit with the Trustee of funds sufficient for payment or redemption (Article Twelve).

Evidence of Compliance with Provisions of the Indenture

Every request by the Company for action by the Trustee must be accompanied by a certificate and an opinion of counsel as to compliance with conditions precedent provided for in the Indenture (Section 14.03).

DESCRIPTION OF COMMON STOCK

The Common Stock is entitled to dividends as and when declared by the Board of Directors; is vested with all voting rights, each share being entitled to one vote; is entitled upon liquidation to receive the entire net assets of the Company; is not subject to redemption and has no sinking fund and no preemptive rights. Shares presently outstanding and those to be outstanding upon conversion of the Debentures offered hereby will not be liable to assessment or further calls.

The First City National Bank of Houston, Houston, Texas is the Transfer Agent and Registrar for the Common Stock.

EXPERTS AND LEGALITY

The legality of the 5½% Subordinated Convertible Debentures offered hereby will be passed upon by Messrs. Baker, Botts, Andrews & Shepherd, Esperson Building, Houston 2, Texas.

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in the Prospectus under the caption "Summary of Earnings" have been examined by Messrs. Arthur Andersen & Co., Independent Public Accountants, as set forth in their certificate appearing herein and letter of opinion appearing elsewhere in the Registration Statement, and are included herein in reliance upon the authority of said firm as experts in giving such certificates and letter of opinion.

The statements made as to matters of law and legal conclusions under the heading "Description of Debentures" have been reviewed by Messrs. Baker, Botts, Andrews & Shepherd, and other statements as to matters of law and legal conclusions, where indicated, have been made on the authority of such counsel.

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

AUDITORS' CERTIFICATE

To the Board of Directors,

ZAPATA OFF-SHORE COMPANY:

We have examined the balance sheet of Zapata Off-Shore Company (a Delaware corporation) as of March 31, 1956, and the related statements of surplus and cash receipts and disbursements for the period October 25, 1954 (date of incorporation) through September 30, 1955, and the six months ended March 31, 1956. We have also examined the related summary of earnings for the above periods appearing elsewhere in the Prospectus. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of Zapata Off-Shore Company as of March 31, 1956, and the results of operations and cash receipts and disbursements for the period October 25, 1954, through September 30, 1955, and the six months ended March 31, 1956, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods under review.

Houston, Texas
May 15, 1956

ARTHUR ANDERSEN & CO.

ZAPATA OFF-SHORE COMPANY

BALANCE SHEET

March 31, 1956

ASSETS

Current Assets:		
Cash		$ 12,991
Accounts receivable —		
Customers	$ 245,154	
Other	31,941	277,095
		$ 290,086
Property and Equipment, at cost:		
Mobile offshore drilling platform and equipment, pledged to secure first preferred mortgage notes payable (Notes 1 and 5)	$3,213,055	
Drilling tender and equipment, pledged to secure long-term notes payable and a six per cent short-term note payable to a supplier (Notes 2 and 3)	823,546	
Automobiles and office equipment	21,370	
	$4,057,971	
Less — Reserves for depreciation (Note 7)	93,702	3,964,269
Deferred Pre-Operating Expenses of the Mobile Offshore Drilling Platform and Drilling Tender (being amortized over the first year of operations of each unit)		98,477
Other Assets		22,734
		$4,375,566

(The accompanying notes to financial statements are an integral part of this balance sheet.)

ZAPATA OFF-SHORE COMPANY

BALANCE SHEET

March 31, 1956

LIABILITIES

Current Liabilities:		
Five and six per cent short-term notes payable to suppliers (Note 3)		$ 92,826
Amount due within one year on long-term debt		747,039
Accounts payable —		
Zapata Petroleum Corporation		7,175
Other		272,029
Accrued liabilities —		
Salaries and wages		10,274
Taxes other than Federal income		12,671
Other		10,658
		$1,152,672
Long-Term Debt:		
Six per cent first preferred mortgage notes payable, secured by mobile offshore drilling platform and equipment (excluding $567,039 due within one year) — Note 1	$ 907,961	
Five and six per cent notes payable — secured by drilling tender and equipment (excluding $180,000 due within one year) — Note 2	424,602	1,332,563
Commitments and Contingent Liabilities (Notes 4 and 5)		
Capital Stock and Surplus:		
Common stock, 50¢ par value, authorized and issued 760,000 shares (Notes 4 and 5)	$ 380,000	
Capital surplus	1,591,479	
Earned surplus (deficit) — Note 1	(68,713)	
	$1,902,766	
Less — Common stock repurchased, 2,500 shares, at cost (Note 6)	12,435	1,890,331
		$4,375,566

(The accompanying notes to financial statements are an integral part of this balance sheet.)

ZAPATA OFF-SHORE COMPANY

STATEMENTS OF SURPLUS

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

STATEMENT OF CAPITAL SURPLUS

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956
Balance, beginning of period	$ —	$1,401,479
Add:		
Excess over par value of proceeds of sale of common stock — 369,000 shares sold for $271,000	86,500	—
315,000 shares sold for $1,496,250, less stock issue expenses of $23,771	1,314,979	—
Excess of market value over par value of 38,000 shares of common stock issued as partial consideration for the mobile offshore drilling platform	—	190,000
Balance, end of period	$1,401,479	$1,591,479

STATEMENT OF EARNED SURPLUS

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956
Balance, beginning of period	$ —	$ (97,835)
Add — Net income (loss) for the period (see note to Summary of Earnings)	(97,835)	29,122
Balance, end of period	$ (97,835)	$ (68,713)

(The accompanying notes to financial statements are an integral part of these statements.)

ZAPATA OFF-SHORE COMPANY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956	Combined Periods October 25, 1954 Through March 31, 1956
Cash Balance, beginning of period	$ —	$ 325,778	$ —
Add — Receipts:			
Contract drilling income	$ —	$ 844,628	$ 844,628
Proceeds of borrowings (see Note) —			
Six per cent first preferred mortgage notes	—	1,550,000	1,550,000
Five and six per cent long-term notes	104,602	575,000	679,602
Five and six per cent short-term notes	—	97,826	97,826
Advance by Zapata Petroleum Corporation, including $35,000, the initial payment on the construction contract with R. G. LeTourneau, Inc., which was paid direct by Zapata Petroleum Corporation. The advance was subsequently applied in payment of 407,000 shares of common stock issued by the Company ($19,000 of which was considered to be a loan to Mr. Dean and was applied in payment of 38,000 shares issued to him)	290,000	—	290,000
Proceeds to Company of public offering of 315,000 shares of common stock	1,496,250	—	1,496,250
Proceeds from sale of drill pipe	—	48,883	48,883
Total receipts	$1,890,852	$3,116,337	$5,007,189
	$1,890,852	$3,442,115	$5,007,189
Deduct — Disbursements:			
Mobile offshore drilling platform and equipment —			
Advances on construction contracts, including $35,000 previously paid by Zapata Petroleum Corporation per above	$ 628,200	$ —	$ 628,200
Additional cost of constructing and equipping platform less $209,000 which was paid by issuing 38,000 shares of Company's common stock to R. G. LeTourneau, Inc.	—	2,375,855	2,375,855
	$ 628,200	$2,375,855	$3,004,055

ZAPATA OFF-SHORE COMPANY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS — (Continued)

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956	Combined Periods October 25, 1954 Through March 31, 1956
Purchase of —			
Drilling tender and related equipment (including drill pipe sold in 1956 which cost $55,190)	$ 785,688	$ 93,048	$ 878,736
Automobiles and office equipment	18,327	3,043	21,370
Treasury stock	12,435	—	12,435
	$ 816,450	$ 96,091	$ 912,541
Costs and expenses —			
Drilling operations (excluding depreciation of $93,226 and $866 loss on sale of drill pipe)	$ —	$ 622,302	$ 622,302
General and administrative (excluding depreciation of $3,986 and $1,931 respectively)	93,849	64,847	158,696
Interest	—	32,334	32,334
	$ 93,849	$ 719,483	$ 813,332
Deferred pre-operating expenses (net of amortization)	$ 50,524	$ 47,953	$ 98,477
Payments on notes	—	155,000	155,000
Capital stock issue expense	23,771	—	23,771
Other	2,006	20,728	22,734
Total disbursements	$1,614,800	$3,415,110	$5,029,910
Net	$ 276,052	$ 27,005	$ (22,721)
Add (Deduct) — Net change in accounts payable, accrued liabilities and accounts receivable	49,726	(14,014)	35,712
Cash Balance, end of period	$ 325,778	$ 12,991	$ 12,991

NOTE: For the purposes of this statement, notes issued as partial consideration for the construction or purchase price of the drilling tender and mobile offshore platform and equipment have been shown as cash receipts; corresponding amounts are likewise shown as disbursements for the acquisition of such properties.

(The accompanying notes to financial statements are an integral part of this statement.)

ZAPATA OFF-SHORE COMPANY

NOTES TO FINANCIAL STATEMENTS

March 31, 1956

(1) First Preferred Mortgage Notes Payable

The six per cent first preferred mortgage notes payable represent the unpaid portion of the construction or purchase price of the mobile offshore drilling platform and equipment. Such indebtedness is evidenced by two notes in the original principal amounts of $900,000 and $650,000 dated December 21, 1955, and March 19, 1956, respectively. The first note is payable in consecutive monthly installments of $25,000, plus accrued interest, commencing on February 1, 1956, and extending through January 1, 1959. Three such installments had been paid at March 31, 1956. The second note is payable in consecutive monthly installments of $25,000, including interest, commencing on May 1, 1956, and monthly thereafter until such note is paid in full.

The mortgage also provides (a) that the Company will carry customary insurance on the platform and equipment so long as the notes remain unpaid and (b) that prior to payment in full of the notes, without prior approval of the holders thereof, no payment or distribution, whether by dividend, by purchase, or by way of complete or partial redemption, or in any other way, will be made upon or with respect to any stock of the Company now or at any time in the future issued or outstanding, nor will any sinking fund or other setting aside of or earmarking of funds be permitted.

The contract for the construction of the mobile offshore drilling platform provides (a) that Zapata Petroleum Corporation guarantees prompt and complete performance by the Company of all obligations until the $900,000 note has been reduced to the principal sum of $450,000 and (b) that the constructor will indemnify the Company from any loss or expense from all claims or suits growing out of any infringement or alleged infringement of any U. S. patent in respect to the construction of the platform.

(2) Long-Term Notes Payable

The five and six per cent long-term notes payable are comprised of the following:

	Unpaid Balance March 31, 1956
(a) A five per cent bank loan in the original principal amount of $575,000 dated October 11, 1955	$500,000

The loan is to be repaid over a period of two years commencing December 1, 1955, in monthly installments of $15,000, plus accrued interest, and the balance on maturity and is secured by a preferred ship mortgage on the drilling tender. The Company has agreed to transfer to the bank the right to any and all sums payable to the Company under its initial drilling contract so long as the Company is in default on its payments. The Company has collaterally assigned to the bank its rights under a purchase option contract between the Company and Zapata Petroleum Corporation which provides, among other things, that Zapata Petroleum Corporation (at the Company's election during any time in which the bank loan is in default in the payment of principal or interest) will pur-

	Unpaid Balance March 31, 1956
chase the drilling tender Nola I at whichever is applicable of the following purchase option prices:	
(1) The then unpaid balance of the bank loan if the initial drilling contract or a renewal or extension thereof is not then in effect; or	
(2) The sum of $305,000 if said drilling contract or renewal or extension thereof is then in effect.	
(b) A six per cent note dated October 11, 1955, due two years from date of note, secured by a mortgage on the drilling tender which is subordinate to the $575,000 bank loan	104,602
	$604,602
Less — Amount due within one year	180,000
	$424,602

All long-term debt matures over the next three years as follows:

Year ending March 31, 1957	$ 747,039
Year ending March 31, 1958	1,009,874
Year ending March 31, 1959	322,689
	$2,079,602

(3) Short-Term Notes Payable

Short-term notes payable are composed of a five per cent note dated March 21, 1956, in the amount of $51,237 payable in 12 consecutive monthly installments of $4,270 each beginning May 1, 1956, and a six per cent note dated February 20, 1956, in the amount of $41,589 payable in installments of $5,000 on April 1, 1956; $2,713 on April 15, 1956; $4,044 on May 1, 1956; $2,712 on May 15, 1956, and $2,712 on the 15th of each month thereafter through March 15, 1957. The six per cent note is secured by a purchase money mortgage on 15,000 feet of drill pipe.

Subsequent to March 31, 1956, short-term bank loans have been obtained by the assignment of amounts due under the Company's drilling contracts. Such loans are being repaid out of subsequent collections. The outstanding balance of such loans amounted to $225,000 at May 15, 1956.

(4) Employment Contract

The Company has entered into an agreement with Mr. Dean whereby Mr. Dean is to be employed for a five-year period from November 5, 1954, at a salary of $20,000 per year. The agreement provides for payment by Mr. Dean or by the Company of certain liquidated damages (maximum of $80,000) in the event of breach of contract by either party during the term of the agreement. However, the agreement provides that if at any time during the period of the agreement neither Mr. George Bush nor Mr. Hugh Liedtke (officers and directors of the Company) is included in the management of the Company, Mr. Dean shall be entitled to terminate the agreement without being liable to any extent for such termination. The agreement also provides that, under certain specified conditions, the Company, during the period covered by the agreement, has the right to purchase from Mr. Dean the 38,000 shares of the Company's common stock presently owned by him at a price equal to the highest firm, bona fide cash offer which Mr. Dean or any member of his family has then received from any third party.

(5) Commitments and Contingent Liabilities

(a) The Company has rented a used drilling rig (for use with the drilling tender Nola I) from a supply company for a period of one year from September 1, 1955, at a rate of $15,000 per month. At any time during the term of the lease the Company has the option to purchase the equipment for $474,284 and may apply 90 per cent of all rentals paid against the purchase price. If the Company elects to purchase, the outstanding balance shall be paid in monthly installments of $15,000 with interest at six per cent per annum, and will be secured by a mortgage on the equipment. The management of the Company presently intends to exercise this option prior to expiration of the lease.

(b) The Company has entered into various contracts for services such as boat rentals, catering services, etc., to enable it to carry out the terms of the drilling contracts entered into in respect to the mobile offshore drilling platform and drilling tender. The contract price for such services will aggregate approximately $2,000 per day. The boat charters provide for a primary term of eighteen months with options by the Company to extend the period another eighteen months.

(c) Under the terms of the contract entered into with R. G. LeTourneau, Inc., for the construction of the mobile offshore drilling platform, LeTourneau has agreed that it will not begin the construction of any additional platform of similar design for a period of six months from the date of acceptance of the first platform (the first platform was accepted by the Company on December 21, 1955). At the expiration of such six-month period and for a period of two years thereafter, the Company shall have the option to purchase any similar platform or platforms constructed by LeTourneau at any bona fide price at which such equipment would be offered to other parties.

The Company presently proposes to offer $2,350,000 of 5½% Subordinated Convertible Debentures due June 1, 1971 to the public. Reference should be made elsewhere in the Prospectus for the details of this offering, the use of the proceeds therefrom, and the Company's consideration of the acquisition of a third unit of drilling equipment, which is presently estimated to cost (together with related equipment, including the drilling rig) approximately $3,000,000.

ZAPATA OFF-SHORE COMPANY

Notes to Financial Statements — (Continued)

March 31, 1956

In connection with the above offering, the stockholders of the Company have voted to amend its Certificate of Incorporation to increase the authorized number of shares of its capital stock to 1,500,000 shares.

(6) Stock Purchase Option

The 2,500 shares of treasury stock of the Company is reserved for the issuance to Mr. Hoyt Taylor, an employee of the Company, under the terms of a stock purchase option granted on May 13, 1955, by the Company which includes the following provisions:

(a) Mr. Taylor may acquire the shares for 95 per cent of the base price, which is the closing asked price on the over-the-counter market on May 13, 1955 (approximately $5 per share).

(b) The option shall be for a period of five years from May 13, 1955, to be exercised in installments as defined in the agreement.

(7) Depreciation, Maintenance and Retirement Policies

Depreciation is provided for financial accounting purposes on the straight-line method based upon the estimated physical life of the assets. Annual rates are as follows:

Classification	Rate
Mobile offshore drilling platform	20%
Drilling tender —	
Hull	12½%
Modifications	20%
Drilling rigs	20%
Drill pipe	33⅓%
Automobiles	25%
Furniture and office equipment	10%

Maintenance and repairs are charged against income when incurred. Renewals and betterments which extend the useful life of the equipment will be capitalized and the replaced units will be retired by removing the cost from the asset account and the accumulated depreciation from the reserve account. Retirement gains or losses are credited to, or charged against, income.

ZAPATA OFF-SHORE COMPANY

Notes to Financial Statements — (Continued)

March 31, 1956

(8) Supplementary Profit and Loss Information

Maintenance and repairs, depreciation, rentals and taxes have been charged to drilling operations or general and administrative expenses as follows:

	October 25, 1954, Through September 30, 1955	Six Months Ended March 31, 1956
Maintenance and Repairs —		
Drilling Operations	$ —	$ 16,536
General and Administrative Expense	—	57
	$ —	$ 16,593
Depreciation —		
Drilling Operations	$ —	$ 93,226
General and Administrative Expense	3,986	1,931
	$ 3,986	$ 95,157
Rentals —		
Drilling Operations	$ —	$289,084
General and Administrative Expense	2,226	2,015
	$ 2,226	$291,099
Taxes, Other Than Federal Income Taxes —		
Drilling Operations —		
Payroll	$ —	$ 6,814
Other	—	—
	$ —	$ 6,814
General and Administrative Expense —		
Payroll	1,023	554
Other	83	374
	$ 1,106	$ 7,742

No royalties or management and service contract fees have been paid.

FURTHER INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission, Washington, D. C. The Registration Statement may be inspected by anyone at the office of the Commission without charge and copies of all or any part of it may be obtained upon payment of the Commission's charge for copying.

ZAPATA OFF-SHORE COMPANY

By GEORGE H. W. BUSH
President

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 22. *Marketing Arrangements*

Not applicable.

Item 23. *Other Expenses of Issuance and Distribution*

Securities and Exchange Commission — Registration fee	$ 235.00
Federal original issuance tax	2,585.00*
Legal fees	10,000.00*
Accountants' fees and expenses	4,000.00*
Printing expenses	10,000.00*
Subscription agents' and Trustee's fees and expenses	4,000.00*
Blue-sky qualification	3,500.00*
Preparation of securities	3,000.00*
Miscellaneous expenses	1,680.00*
Total	$39,000.00

* Estimated.

Item 24. *Relationship with Registrant of Expert Named in Registration Statement*

Not applicable.

Item 25. *Sales to Special Parties*

Pursuant to the provisions of its contract with R. G. LeTourneau, Inc. covering the purchase of the Scorpion, the Company, upon acceptance of the Scorpion, issued to R. G. LeTourneau, Inc. 38,000 shares of its Common Stock without payment of any further consideration.

Item 26. *Recent Sales of Unregistered Securities*

(1) Reference is made to the information contained in Item 25 next above.

(2) Reference is made to the information contained in the Prospectus under the caption "Organization of the Company and Related Transactions" as to the initial issuance of stock in the Company to Zapata Petroleum Corporation and to Wayne H. Dean.

(3) Since all of the shares sold by the Company as referred to in paragraphs (1) and (2 next above were sold for investment and not for public distribution and the transactions were thus exempt under Section 4(1) of the Securities Act of 1933, as amended, as "transactions by an issuer not involving any public offering", none of such shares were registered under such Act.

Item 27. *Subsidiaries of Registrant*

Not applicable.

Item 28. *Franchises and Concessions*

Not applicable.

Item 29. *Indemnification of Directors and Officers*

There are no indemnification provisions contained in the Certificate of Incorporation or in the By-Laws of the Company. However, should claim for indemnification for any liabilities under the Securities Act of 1933, as amended, be asserted by any officer or Director of the Company pursuant to any provision of the laws of the State of Delaware, or otherwise, and, provided that the question has not theretofore been determined by controlling authority, the Company, before making such indemnification, will submit to a court of appropriate jurisdiction the question of whether or not such claim is unenforceable because it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 30. *Treatment of Proceeds from Stock Being Registered*

Upon conversion of the Debentures, the issuance of the Common Stock in connection therewith will be recorded on the books of the Company by crediting to the Common Stock Account the par value thereof and to the Capital Surplus Account the difference between such par value and the conversion price.

Item 31. *Financial Statements and Exhibits*

(a) Financial Statements, indicating those included in the Prospectus.

The following financial statements are filed as a part of this Registration Statement:

(1) Included in the Prospectus:

Reference should be made to the heading "Index to Financial Statements" in the Prospectus for a list of the financial statements appearing therein.

(2) Omitted from the Prospectus but included in the Registration Statement:

(b) Statement on Form T-1 of Texas National Bank of Houston (to be filed by amendment).

(c) Exhibits:

Exhibit No.	Item
*3(a)	—Copy of Certificate of Incorporation (Ex. 1, File No. 2-11421).
*3(b)	—Copy of Amendment dated January 10, 1955 to Certificate of Incorporation (Ex. 1(a), File No. 2-11421).
3(c)	—Copy of Amendment dated May 15, 1956 to Certificate of Incorporation.
*3(d)	—Copy of By-Laws (Ex. 2, File No. 2-11421).
**4(a)	—Form of Warrant.
4(b)	—Form of Debenture (included in Exhibit 4(c)).
4(c)	—Form of Debenture Indenture to be dated as of June 1, 1956 with Texas National Bank, as Trustee.
4(d)	—Copy of Loan Agreement dated August 18, 1955 with Texas National Bank of Houston, including forms of Note, Preferred Ship Mortgage, Assignments and Consent therein referred to.
4(e)	—Copy of Second Preferred Ship Mortgage dated October 11, 1955 to Hunt Tool Company covering Nola I.
4(f)	—Copy of Preferred Ship Mortgage and Chattel Mortgage, dated March 19, 1956, to R. G. LeTourneau, Inc. and Oil Well Supply Division, U. S. Steel Corporation, Mortgagees, covering the Scorpion.
5	—Copy of Resolutions dated May 13, 1956 granting restricted stock option to Hoyt S. Taylor.
6	—Opinion of Baker, Botts, Andrews & Shepherd.
*13(a)-1	—Copy of Contract, dated November 11, 1954, with R. G. LeTourneau, Inc. (Ex. 9(a), File No. 2-11421).
*13(a)-2	—Copy of contract dated January 27, 1955 with Wayne H. Dean (Ex. 9(b), File No. 2-11421).
13(a)-3	—Copy of drilling contract dated June 1, 1955 with Standard Oil Company of Texas covering Nola I.
13(a)-4	—Copy of drilling contract dated March 2, 1956 with Continental Oil Company covering Nola I.
13(a)-5	—Copy of letter agreement dated March 8, 1956 with Standard Oil Company of Texas covering use by Continental Oil Company of Nola I.
13(a)-6	—Copy of drilling contract dated December 7, 1955 with Standard Oil Company of Texas covering the Scorpion.
13(a)-7	—Copy of contract dated August 18, 1955 between Zapata Petroleum Corporation and Zapata Off-Shore Company concerning Nola I.
13(a)-8	—Copy of lease-purchase agreement dated June 2, 1955 and amendment thereto dated June 27, 1955 between Company and National Supply Company.
14	—Identifying Statement.

* Incorporated by reference.

** To be filed by amendment.

UNDERTAKINGS

Subject to the terms and conditions of Section 15(d) of the Securities Exchange Act of 1934, the undersigned Registrant hereby undertakes to file with the Securities and Exchange Commission such supplementary and periodic information, documents and reports as may be prescribed by any rule or regulation of the Commission heretofore or hereafter duly adopted pursuant to the authority conferred in that section.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant, Zapata Off-Shore Company, a corporation organized and existing under the laws of the State of Delaware, has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Houston and the State of Texas on the 21st day of May, 1956.

ZAPATA OFF-SHORE COMPANY
Registrant

GEORGE H. W. BUSH
(George H. W. Bush, President)

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned have signed this Registration Statement on the respective dates set beside their names.

Principal executive officer:

GEORGE H. W. BUSH (George H. W. Bush)	President	May 21, 1956

Principal financial and accounting officer:

J. HUGH LIEDTKE (J. Hugh Liedtke)	Treasurer	May 21, 1956

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, a majority of the Board of Directors, have signed this Registration Statement on the respective dates set beside their names.

GEORGE H. W. BUSH (George H. W. Bush)	Director	May 21, 1956
J. HUGH LIEDTKE (J. Hugh Liedtke)	Director	May 21, 1956
SAM G. WINSTEAD (Sam. G. Winstead)	Director	May 21, 1956
WAYNE H. DEAN (Wayne H. Dean)	Director	May 21, 1956
MILTON R. UNDERWOOD (Milton R. Underwood)	Director	May 21, 1956
ROBERT U. PARISH (Robert U. Parish)	Director	May 21, 1956
HOYT S. TAYLOR (Hoyt S. Taylor)	Director	May 21, 1956

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the use of our certificate dated May 15, 1956, relating to Zapata Off-Shore Company when accompanying the financial statements therein referred to and included in the Prospectus constituting a part of the Registration Statement of Zapata Off-Shore Company filed with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended, for the registration of \$2,350,000 of 5½% Subordinated Convertible Debentures due June 1, 1971. We also consent to the use of our opinion appearing in such Registration Statement, relating to the schedules supporting the financial statements included in such Registration Statement and to the use of our name under the captions "Summary of Earnings" and "Experts" in such Prospectus.

ARTHUR ANDERSEN & Co.

Houston, Texas

May 21, 1956.

The consent of Messrs. Baker, Botts, Andrews & Shepherd is contained in their opinion filed herewith as Exhibit 6.

ZAPATA OFF-SHORE COMPANY

SCHEDULES SUPPORTING THE FINANCIAL STATEMENTS

(Omitted from the Prospectus but included in the Registration Statement)

AUDITORS' LETTER OF OPINION

In connection with our examination of the financial statements which are included in the Prospectus, we have also examined the schedules listed above, which support the financial statements. In our opinion, these schedules present fairly the financial data required to be set forth therein.

ARTHUR ANDERSEN & CO.

Houston, Texas

May 15, 1956.

The information required by the following schedules is set forth in the financial statements or the notes thereto:

IX — Bonds, mortgages and similar debt.

XIII — Capital shares

XIV — Warrants or rights

XVI — Supplementary profit and loss information

Set forth below is a list of the schedules omitted as not required or inapplicable:

I — Marketable securities — other security investments.

II — Amounts due from directors, officers, and principal holders of equity securities other than affiliates.

III — Investments in securities of affiliates.

IV — Indebtedness of affiliates — not current.

VII — Intangible assets.

VIII — Reserves for depreciation and amortization of intangible assets.

X — Indebtedness to affiliates — not current.

XI — Guarantees of securities of other issuers.

XII — Reserves.

XV — Other securities.

XVII — Income from dividends — Equity in net profit and loss of affiliates.

ZAPATA OFF-SHORE COMPANY

SCHEDULE V — Property and Equipment

Column A	Column B	Column C	Column D	Column E	Column F	Column C	Column D	Column E	Column F
Classification	Balance at October 25, 1954	Additions at Cost	Retirements or Sales	Other Changes	Balance at September 30, 1955	Additions at Cost	Retirements or Sales	Other Changes	Balance at March 31, 1956
Mobile Offshore Drilling Platform and Equipment —									
Drilling barge	$ —	$ 478,200	$ —	$ —	$ 478,200	$1,881,091*	$ —	$ —	$2,359,291
Drilling rig	—	150,000	—	—	150,000	615,526	—	—	765,526
Drill pipe	—	—	—	—	—	78,801	—	—	78,801
Other equipment	—	—	—	—	—	9,437	—	—	9,437
Drilling Tender and Equipment —									
Tender	—	715,391	—	—	715,391	1,692	—	—	717,083
Drill pipe	—	55,190	—	—	55,190	80,490	55,190	—	80,490
Other equipment	—	15,107	—	—	15,107	10,866	—	—	25,973
Automobiles	—	9,891	—	—	9,891	1,889	—	—	11,780
Furniture and Office Equipment	—	8,436	—	—	8,436	1,154	—	—	9,590
	$ —	$1,432,215	$ —	$ —	$1,432,215	$2,680,946	$ 55,190	$ —	$4,057,971

* Includes $209,000, the market value of 38,000 shares of the Company's common stock issued as partial consideration for the drilling platform.

ZAPATA OFF-SHORE COMPANY

SCHEDULE VI — Reserves for Depreciation of Property and Equipment

Column A	Column B	Column C	Column D	Column E	Column C	Column D	Column E
Description	Balance at October 25, 1954	Charged to Income	Retirements, Renewals and Replacements	Balance at September 30, 1955	Charged to Income	Retirements, Renewals and Replacements	Balance at March 31, 1956
Mobile Offshore Drilling Platform and Equipment —							
Drilling barge	$ —	$ —	$ —	$ —	$ 12,913	$ —	$ 12,913
Drilling rig	—	—	—	—	4,214	—	4,214
Drill pipe	—	—	—	—	730	—	730
Other equipment	—	—	—	—	105	—	105
Drilling Tender and Equipment —							
Tender	—	—	—	—	62,136	—	62,136
Drill pipe	—	—	—	—	8,794	5,441	3,353
Other equipment	—	—	—	—	3,687	—	3,687
Automobiles	—	3,026	—	3,026	1,773	—	4,799
Furniture and Office Equipment	—	960	—	960	805	—	1,765
	$ —	$ 3,986	$ —	$ 3,986	$ 95,157	$ 5,441	$ 93,702

Note: Depreciation has been provided on the two units of offshore equipment from the dates placed into service. The mobile offshore drilling platform was placed into service on March 21, 1956 and the drilling tender on October 1, 1955.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C.

AMENDMENT NO. 1

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

SECURITIES ACT OF 1933

Zapata Off-Shore Company

(Exact name of registrant as specified in charter)

First City National Bank Building
Houston 2, Texas

(Address of principal executive offices)

George H. W. Bush, President
2218 First City National Bank Bldg.
Houston 2, Texas

Copy to:
Baker, Botts, Andrews & Shepherd
1600 Esperson Building
Houston 2, Texas

(Name and address of agent for service)

Approximate date of proposed public offering: As soon as practicable after the Registration Statement becomes effective.

ZAPATA OFF-SHORE COMPANY

CROSS REFERENCE SHEET

Data in Part I of Registration Statement Item Number and Nature of Item	Prospectus Page
1. Distribution Spread	Cover
2. Plan of Distribution	3
3. Use of Proceeds to Registrant	5
4. Sales Otherwise Than For Cash	*
5. Capital Securities	9
6. Summary of Earnings	10
7. Organization of Registrant	3
8. Parents of Registrant	3
9. Description of Business	6
10. Description of Property	6
11. Organization Within Five Years	12
12. Pending Legal Proceedings	*
13. Capital Stock Being Registered	15
14. Long-Term Debt Being Registered	13
15. Other Securities Being Registered	*
16. Directors and Executive Officers	11
17. Remuneration of Directors and Officers	12
18. Options to Purchase Securities	11
19. Principal Holders of Securities	3, 12
20. Interest of Management and Others in Certain Transactions	12
21. Financial Statements	16

* Omitted since answer is negative or not applicable.

These securities have not yet been made eligible for sale under the laws of any state where action for this purpose is necessary. The use of this document is no assurance that the registration or qualification requirements of the laws of this State will be met.

PROSPECTUS

$2,150,000

Zapata Off-Shore Company

5½% Subordinated Convertible Debentures
due July 1, 1971

Convertible at any time into Common Stock (50 cents par value) of the Company at the conversion price of $8.70 per share subject to certain adjustments. Redeemable at 100% of principal amount, plus accrued interest. Subordinated to all Senior Indebtedness. See "Description of Debentures".

Interest on the Debentures accrues from July 1, 1956.

The Company is offering to the holders of its outstanding Common Stock the right to subscribe for the 5½% Subordinated Convertible Debentures offered hereby at the rate of $2.80 principal amount of Debentures for each one share of Common Stock held of record on June 8, 1956. See "Subscription Offer".

The subscription offer will expire at 3:00 o'clock P.M., Central Standard Time, on July 2, 1956.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Subscription Price	Underwriting Discounts and Commissions(1)	Proceeds to Company
Per Unit	100%	See notes (2) and (3)	See notes (2) and (3)
Total	$2,150,000	$10,000(3)	$2,113,125(4)

(1) The Company has agreed to indemnify the Agents named herein (G. H. Walker & Co. and Underwood, Neuhaus & Co. Incorporated) against certain liabilities, and to pay the fees and expenses of their counsel.

(2) The Company proposes to pay certain compensation to securities dealers for their services in obtaining subscriptions, on the basis and terms described under "Subscription Offer", the aggregate of which, if all Debentures offered are subscribed for by stockholders through such dealers, would be $10,750.

(3) To be paid to G. H. Walker & Co., one of the Agents named herein under "Offering of Unsubscribed Debentures". Such compensation is in addition to the compensation of the Agents, as described therein, at the rate of 2% of the principal amount of Unsubscribed Debentures sold by such Agents to others than stockholders of the Company and Zapata Petroleum Corporation. The Agents, as dealers, may also receive compensation in connection with subscriptions to the Debentures as set forth in note (2) above.

(4) Assuming all Debentures will be sold, either through the Subscription Offer or through the offering of the Unsubscribed Debentures. For purposes only of calculating the proceeds to the Company it has been assumed that one-half of the Debentures will be subscribed in transactions where compensation is payable to dealers and that the remainder will be sold through the Agents in transactions where the commission to the Agents is payable.

June 13, 1956

TABLE OF CONTENTS

No dealer, salesman or any other person has been authorized by the Company or by the Agents named herein to give any information or to make any representations other than as contained in this Prospectus in connection with any offer contained in this Prospectus, and if given or made, such information or representations must not be relied upon. This Prospectus is not an offer by the Company or by the Agents or any dealer to sell any of the securities offered hereby in any State or to any person to whom it is unlawful for the Company or for such Agents or dealer to make such offer in such State.

THE COMPANY AND ITS PARENT

Zapata Off-Shore Company (herein called the Company) was incorporated under Delaware law on October 25, 1954. It has no subsidiaries. Its principal executive office is at 2218 First City National Bank Building, Houston 2, Texas.

The Company is controlled by Zapata Petroleum Corporation, a Delaware corporation (herein sometimes called Petroleum), which owns 369,000 shares (approximately 48.7%) of the 757,500 outstanding shares of Common Stock of the Company. The Company has seven directors. J. Hugh Liedtke, President and a director of Petroleum, is a director and Treasurer of the Company, and George H. W. Bush, Vice President, Secretary and Treasurer and a director of Petroleum, is the President and a director of the Company. Petroleum is principally engaged in developing and operating oil and gas properties and exploring for oil and gas, and, through its subsidiary, Zapata Drilling Company, in contract drilling on land for others and for its own account. Its principal office is in Midland, Texas.

SUBSCRIPTION OFFER

The Company hereby offers to the holders of its outstanding Common Stock the privilege of subscribing, at the subscription price set forth on the cover of this Prospectus, for the 5½% Subordinated Convertible Debentures offered hereby ("Debentures"), on the basis of the right to subscribe for $2.80 principal amount of Debentures for each share of Common Stock held of record on June 8, 1956.

Expiration Date

The subscription privilege will expire and become void at 3:00 o'clock P.M., Central Standard Time, on July 2, 1956.

Subscription Agents

In Houston, Texas:

Texas National Bank of Houston,
1300 Main Street,
Houston 2, Texas

In New York, N. Y.:

J. P. Morgan & Co. Incorporated
23 Wall Street,
New York 8, N. Y.

Subscription Warrants

The subscription privilege is evidenced by non-transferable Subscription Warrants which are being mailed to holders of the Common Stock of the Company entitled thereto. Each Warrant will specify the principal amount of Debentures for which the holder of such Warrant may subscribe. The holder may subscribe for less than the maximum amount specified in the Warrant. Subscriptions will be accepted only for $25 principal amount of Debentures or multiples thereof, and not for fractional parts of $25. However, if the principal amount of Debentures to which a stockholder is entitled to subscribe on the basis set out above is not an even multiple of $25, such principal amount to which such stockholder shall be entitled to subscribe, as shown on the Warrant, has been increased to the next even multiple of $25, or, if it is less than $25, has been shown as a $25 Debenture. The Debentures will be issued in coupon form in the denominations of $25, $100, $500, and $1000 (and any multiple thereof approved by the Company).

Method of Exercising the Subscription Privilege

The subscription privilege may be exercised by mailing or delivering the Warrants to either of the Subscription Agents named above, appropriately filled out and executed, accompanied by payment of the total Subscription Price for the principal amount of Debentures subscribed for (not to exceed the maximum subscription permitted, determined as set out above), in cash or by check or bank draft or postal or express money order, payable to the order of the Company. All Warrants must be exercised before 3:00 o'clock P.M. (C.S.T.) on the Expiration Date.

Delivery of Debentures

Debentures will be delivered in definitive form as soon as practicable after close of the subscription period.

Arrangements with Zapata Petroleum Corporation

Petroleum, as the holder of 369,000 shares of Common Stock, will be entitled to subscribe to $1,033,200 principal amount of Debentures. Petroleum has arranged with the Company for the issuance to it of one Warrant entitling it to subscribe to $286,000 principal amount of Debentures, and for the issuance to Petroleum's stockholders, ratably, of additional Warrants as to the remainder of such subscription privilege. Petroleum has advised the Company that it intends to exercise its subscription privilege to the full amount of $286,000 of Debentures covered by the Warrant to be issued to it.

Compensation to Certain Dealers

The Company proposes to compensate securities dealers who are members of the National Association of Securities Dealers, Inc., for their services in obtaining subscriptions. Such compensation will be paid at the rate of ½ of 1% of the principal amount of Debentures issued and sold by the Company pursuant to subscriptions by stockholders obtained for the Company by such securities dealers, but will be paid only where the name of the dealer appears on the warrants in the place provided for that purpose.

OFFERING OF UNSUBSCRIBED DEBENTURES

The Company has entered into an agreement with G. H. Walker & Co., One Wall Street, New York 5, New York, and Underwood, Neuhaus & Co. Incorporated, 724 Travis Street, Houston 2, Texas (the "Agents"), under which the Agents have agreed to use their best efforts for a period terminating two weeks after the expiration of the subscription offer, as agents for the Company and for its account, to sell any unsubcribed Debentures which were offered to stockholders and not subscribed for. The Agents will offer any such Debentures at 100% of the principal amount thereof.

The Agency Agreement provides that the obligations of the Agents are subject to the approval of certain legal matters by counsel and to the conditions that no stop order suspending the effectiveness of the Registration Statement is in effect and no proceedings for such purpose are pending before or threatened by the Securities and Exchange Commission, and that there has been no material adverse change (not in the ordinary course of business) in the condition of the Company from that set forth in the Registration Statement.

The Company will pay G. H. Walker & Co. $10,000 for its assistance and advice in connection with the offering. In addition the Company will pay the Agents additional compensation at the rate of 2% of the principal amount of unsubscribed Debentures sold by such agents to persons other than stockholders of the Company and Zapata Petroleum Corporation. Under the terms of the Agency Agreement the Company reserves the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc. to participate in such offering of unsubscribed Debentures, upon payment of a 2% commission to such dealers on the same terms as provided in the case of the Agents, and further reserves the right to sell Unsubscribed Debentures to its stockholders and to stockholders of Zapata Petroleum Corporation without the payment of any commission or compensation.

G. H. Walker, Jr., the managing partner of G. H. Walker & Co., is a director of Zapata Petroleum Corporation.

USE OF PROCEEDS

If all of the Debentures offered hereby are sold, the Company will realize net proceeds of approximately $2,071,625, after deducting expenses estimated at $78,375. Such net proceeds will be added to the general funds of the Company and will be available for its general corporate purposes.

As set out under "Business and Property" herein, the Company's two units of offshore drilling equipment are under contract for primary terms which will not expire until March, 1957, and are then subject to certain extension options on the part of the operator. The management of the Company believes it desirable to acquire a third unit under terms which would make it unnecessary, from a financing standpoint, to place such unit under long-term contract, so that this unit would be available for specific drilling projects and for any favorable opportunities which might arise whereby the Company, through the employment of this equipment, could participate in offshore drilling ventures for its own account or partially for its own account.

The cost of such a third unit is presently estimated at approximately $3,000,000 (see "Additional Drilling Equipment" under "Business and Property"), but such estimate is tentative and the actual cost of such unit could be materially more or less, dependent upon many factors, such as the design and manufacturer selected, changes in the cost of labor and material, and other circumstances. Based on such tentative estimate, however, it is contemplated that approximately $1,300,000 of such cost would be paid out of the net proceeds of the sale of the Debentures, and that the remainder of such cost would be obtained through bank loans or other debt financing (as to which at this time no arrangements have been made). The balance of the net proceeds of the sale of the Debentures would be added to working capital, thus placing the Company in a better position to undertake drilling ventures of the type contemplated for such third unit.

The Company has no assurance that all of the Debentures offered hereby will be sold. Should the amount sold be materially less than that offered hereby, the plans to acquire additional drilling equipment could be modified or abandoned. In such event, or should the plans to acquire additional drilling equipment be abandoned by reason of higher than expected costs or for other reasons, the Company would likely apply up to $750,000 of such proceeds to the retirement of its indebtedness to suppliers of existing equipment and add any remaining balance of such proceeds to working capital.

The Company is unable at this time to allocate such proceeds to any particular purposes except as indicated above.

BUSINESS AND PROPERTY

The Company was organized in the latter part of 1954 for the purpose of engaging in the business of drilling oil and gas wells, primarily in the area subject to the jurisdiction of the United States and the several states lying offshore and extending generally out towards the limits of the continental shelf. This area is sometimes referred to herein as the "offshore area". It was believed that there would be substantial drilling activities in the offshore area and a consequent demand for suitable drilling equipment and personnel. It was also thought that the ownership and operation of such drilling equipment might enable the Company to acquire interests in offshore acreage suitable for oil and gas development. At the present time there is a satisfactory demand for drilling equipment for use in drilling exploratory and development wells in this area.

The Company's business at the present time consists of the ownership and operation of two separate units of offshore drilling equipment, one being a self-contained mobile drilling platform on which there is installed the drilling rig and all other equipment, and the other being a drilling tender for use in connection with a fixed drilling platform supplied by the operator on which there is placed the drilling rig. Both units are at work in the offshore area in the Gulf of Mexico under contracts with major oil companies, as hereinafter described.

Drilling Platform Scorpion

In the latter part of 1954 the Company contracted wth R. G. LeTourneau, Inc. ("LeTourneau") for the construction by LeTourneau of a mobile drilling platform of a design developed by LeTourneau, which platform, on satisfactory completion, would be purchased by the Company. The platform was satisfactorily completed and purchased by the Company, and on March 20, 1956 was commissioned as the "Scorpion" and placed in service.

The Scorpion is a self-contained mobile drilling platform on which there is installed a drilling rig and all necessary drilling equipment, crew quarters and storage facilities for drilling mud, water and fuel. It is basically a large, shallow-draft barge equipped with three electro-mechanically controlled spuds or legs. It is equipped with generators and electric motor gear reduction to provide the power to raise and lower the spuds. Its over-all dimensions (including spud levels) are approximately 185 feet in length, 149 feet in width and 20 feet in depth. The drilling platform itself is 140 feet long, 80 feet wide and 20 feet deep. The spuds are each 30 feet six inches in diameter by 140 feet in length and the caisson at the bottom of each spud is 35 feet in diameter. The slot which is provided for moving off of a completed well is 24 feet by 28 feet four inches. The multiple electric motor gear units are designed to raise or lower a gross load of eight million pounds, including the barge, at a rate of approximately two feet per minute.

The Scorpion is towed to the drilling site, where the spuds are lowered to the ocean bottom and the platform is elevated on the spuds to the desired height above the waves. Upon completion of a well the operation is reversed, and the platform is lowered and then towed to the next drilling site. Spring-loaded metallic brakes, magnetically controlled, provide control over drilling platform elevation. The Scorpion is capable of drilling in waters up to 80 feet in depth (taking into account normal penetration of the spuds into the ocean floor and elevation of the platform to customary operating heights above the waves). The spuds are so located as to give the platform a level three point support and are designed so that they may be raised or lowered individually in order to provide accurate trimming when the ocean floor level varies.

At the date hereof, the Scorpion is engaged in drilling operations for Standard Oil Company of Texas, pursuant to the contract hereinafter described at a location approximately 3 miles offshore from Padre Island, Texas.

Drilling Tender Nola I

In March, 1955, the Company acquired from Standard Oil Company of Texas the drilling tender "Nola I", formerly a U. S. Navy YF. The Company then had the Nola I extensively remodeled and re-equipped so as to be suitable for use in offshore drilling operations. The Nola I was placed in operation on September 30, 1955 and has been continuously engaged since that date in drilling operations for Standard Oil Company of Texas and for Continental Oil Company. At the date hereof it is engaged in drilling operations for Continental Oil Company at a location approximately 10 miles offshore from Vermilion Parish, Louisiana.

The Nola I is 260 feet in length by 48 feet on the beam, and provides storage for pipe, drilling mud, cement, water and fuel, as well as the location for certain of the drilling equipment. It contains the crew quarters and commissary. It is used in conjunction with a fixed platform furnished by the operator on which there is placed the drilling rig and most of the drilling equipment. The drilling rig and related equipment are held by the Company under a lease-purchase arrangement with the supplier. See Note 5 to Financial Statements herein.

Auxiliary Services and Equipment

The Company charters cargo and personnel boats for use in conjunction with both the Scorpion and the Nola I, such boats providing transportation for cargo and personnel from shore to the drilling location and return. Catering services for the Company's personnel are also obtained from an independent contractor, and towing services are provided by independent tug operators. Certain other specialized services, such as weather forecasting, are furnished by specialized service organizations, and certain specialized equipment is supplied by others on a rental basis.

Drilling Contracts

The contract under which the Scorpion is presently operating is for a primary term of one year expiring in March, 1957, subject to the option of the operator, Standard Oil Company of Texas, to extend the same for two additional nine-month periods, or a total of 18 months. The operator also has the right during a further ten-year period to the first call on the services of the Scorpion, subject, however, to the rights of third parties under drilling contracts which the Company may have at any such time with such third parties, and subject, also, to payment of rates prevailing at the time for similar work and equipment. Under the terms of such contract the Company warrants that its mobile platform will operate efficiently in certain offshore areas where the operator has leases, and, if the Scorpion does not operate efficiently in such areas, the operator may terminate the agreement without further liability.

The Company initially entered into a drilling contract with Standard Oil Company of Texas covering the Nola I and related equipment for an initial term of 18 months expiring in March, 1957, but subject to substantially the same extension and first call rights as are provided in the contract relating to the Scorpion. However, in March, 1956, an arrangement was entered into between the Company, Standard Oil Company of Texas and Continental Oil Company under which the Company is presently conducting drilling operations for Continental Oil Company under the terms of a drilling contract with that Company. Under this arrangement, the period covered by the contract with Continental Oil Company will be considered, for purposes of the term of the original drilling contract with Standard Oil Company of Texas, as time worked under such original contract.

All such contracts provide for a basic daily drilling rate and for lower rates during periods when actual drilling operations are not in progress for reasons other than failure of the Company's equipment. The Company is not compensated if drilling operations are suspended due to breakdown of the Company's equipment (except where such breakdown is the result of certain conditions beyond its control). If drilling operations are prevented for certain specified periods of time by conditions beyond the control of either party, as set out in the contracts, either party thereto may terminate the same without further liability. Under all of the contracts the Company is reimbursed for certain of the drilling expenses.

Additional Drilling Equipment

Under the terms of the contract between the Company and R. G. LeTourneau, Inc., under which the Company purchased the Scorpion, the Company has an option to acquire any additional platforms of the same or similar design which may be constructed by LeTourneau during the period of two years and six months following the date of acceptance of the Scorpion at the bona fide price at which such platform or platforms would be offered to other parties.

LeTourneau has discussed with the Company the construction of another platform of similar design to the Scorpion. The design and engineering studies for such a platform are not complete, but it is estimated that its cost (together with the drilling rig and related equipment) would be approximately $3,000,000. The Company is now considering the advisability of contracting for the purchase of such platform, or, in the alternative, of contracting for the purchase of other offshore drilling equipment. The management of the Company believes it advantageous to the Company to acquire a third unit for offshore drilling operations as soon as reasonably practicable, but, for the reasons mentioned above, it is not possible at this date to specify whether such additional unit will be of the LeTourneau design or of some other design. In either event, it is anticipated that the cost of such additional unit, including related drilling equipment, will not exceed approximately $3,000,000, but such estimate is, for the reasons mentioned above, tentative only and could be materially increased or reduced.

Operational Hazards and Insurance

The Company's business is subject to the usual hazards of drilling oil and gas wells, such as the dangers of blowouts, cratering and fires, any of which could suspend drilling operations and seriously damage or destroy the Company's equipment. In addition, its business is subject to the hazards arising from marine operations, such as collision, capsizing, grounding or damage from heavy weather, hurricanes or other storms. Operations in getting on and off location in particular require careful handling to avoid serious damage or injury. The management of the Company, however, believes it is taking all reasonable precautions to minimize such risks.

The Company makes no attempt to predict the effect on its business and operations of such factors as technical obsolescense of its equipment, proration regulations limiting the amount of oil and gas which may be withdrawn from offshore wells, or changes in international, political or economic conditions.

The Company maintains broad insurance coverage as to its operations and property. This includes insurance against liability under Workmen's Compensation laws and other statutory liability to employees, and general and marine public liability insurance. The Scorpion and the Nola I, and related equipment, are also insured against marine and other perils, including loss due to capsizing, collision, fire, lightning, hurricane, windstorm, action of waves, well cratering, blowout and explosion, but not including losses due to faulty design, war and delay. The policy limits on the Scorpion and its equipment are $3,000,000 and on the Nola I and its equipment are $1,500,000. The Company also carries coverage on the Scorpion against loss of use after 30 days with a limit of $4000 per day, but carries no such insurance on the Nola I.

Patents

Under the terms of the contract between the Company and LeTourneau referred to above by which the Company acquired the Scorpion, LeTourneau agreed to defend all claims and suits and to indemnify and save the Company harmless from loss or expense growing out of any lawsuit with respect to any infringements or alleged infringement of any United States patent in respect to the construction of the Scorpion.

Competition

The Company's business is subject to competition from the several types of equipment used in offshore drilling. The principal types of offshore drilling equipment presently in use are fixed, self-contained drilling platforms, smaller fixed platforms attended by seagoing vessels such as the Nola I, and mobile equipment such as the Scorpion. Competition between the various types of offshore drilling equipment is affected by different factors, such as the nature of the well being drilled (exploratory or proven), the depth of the water, the distance from shore and the type of bottom. The technology in this field is still relatively new, and competition may be increased by technical improvements or by the development of new types of equipment. There are indications, also, that an increasing number of mobile drilling platforms are being constructed or projected for immediate construction, and it is likely that competition in this type of equipment will be greater than in the past. If exploration activities in the Gulf of Mexico continue at the present accelerated pace, these competitive conditions will be intensified.

Employees

At May 1, 1956, 109 persons were employed by the Company. The Company has experienced no difficulty in hiring employees having the experience required to conduct its operations, and considers its employee relations to be satisfactory. Due to the nature of the Company's operations, its wage rates are generally higher than those paid by companies engaged in comparable operations on land.

CAPITAL STRUCTURE

The capital securities of the Company which were authorized and outstanding at March 31, 1956, and as adjusted to give effect to the sale of the Debenture offered hereby, is as follows:

Title of Class	Amount Authorized or to be Authorized	Amount Outstanding as of March 31, 1956	Amount to be Outstanding if All Securities Being Registered Are Sold
5% and 6% long-term mortgage notes payable (including $747,039 due within one year)	$2,079,602	$2,079,602	$2,079,602
5% and 6% short-term notes payable	92,826	92,826	92,826
5½% Subordinated Convertible Debentures due July 1, 1971	2,150,000	—	2,150,000
Obligation under lease of drilling rig*	75,000	75,000	75,000
Common stock, par value 50¢ per share	1,500,000 shs.***	757,500 shs.**	757,500 shs.**

* See Note 5 to financial statements for details of the lease of the drilling rig.

** Does not include 2,500 shares held in the Treasury and reserved for issuance as explained in Note 6 to the financial statements.

*** On May 15, 1956, the stockholders of the Company voted to increase its authorized capital stock from 760,000 to 1,500,000 shares. 247,127 shares of such stock will be initially reserved for conversion of the 5½% Subordinated Convertible Debentures.

SUMMARY OF EARNINGS

A summary of earnings for the periods from October 25, 1954 (date of incorporation), through March 31, 1956, is presented in the tabulation below. The information set forth below under this caption has been examined by Arthur Andersen & Co., independent public accountants, as set forth in their certificate dated May 15, 1956, appearing elsewhere in this Prospectus. This summary of earnings should be read in conjunction with the financial statements and related notes included elsewhere in the Prospectus.

	October 25, 1954, Through September 30, 1955	Six Months Ended March 31, 1956
Contract Drilling Income (the mobile offshore drilling platform had been in operation ten days at March 31, 1956; the drilling tender began operations October 1, 1955)	$ —	$844,628
Costs and Expenses (Notes 7 and 8):		
Drilling operations	$ —	$716,394
General and administrative	97,835	66,778
Interest	—	32,334
	$ 97,835	$815,506
Net income (loss) before provision for Federal income taxes	$(97,835)	$ 29,122
Provision for Federal Income Taxes (by reason of the carry-forward of the operating loss for the period October 25, 1954, through September 30, 1955, taxes of $12,393 otherwise payable for the six months ended March 31, 1956, have been eliminated)	—	—
Net income (loss)	$(97,835)	$ 29,122
NOTE: Net income for the six months ended March 31, 1956, after Federal income taxes computed without benefit of the carry-forward of the operating loss for the period October 25, 1954, through September 30, 1955, and the net loss for such earlier period after deducting the tax reduction resulting therefrom in the six months ended March 31, 1956, amount to	$(85,442)	$ 16,729

The total interest requirements on all long-term debt of the Company for the twelve months' period commencing April 1, 1956, after giving effect to note maturities, are $221,876, which includes $118,250 representing annual interest requirements on the total amount of debentures being registered.

MANAGEMENT

The directors and executive officers of the Company are:

Name	Address	Position
George H. W. Bush	First City National Bank Building, Houston, Texas	President and Director
Wayne H. Dean	First City National Bank Building, Houston, Texas	Vice President and Director
J. Hugh Liedtke	Midland, Texas	Treasurer and Director
Hoyt S. Taylor	First City National Bank Building, Houston, Texas	Secretary and Director
Sam G. Winstead	Republic National Bank Building, Dallas, Texas	Director
Milton R. Underwood	Houston Club Building, Houston, Texas	Director
Robert U. Parish	Bank of the Southwest Building, Houston, Texas	Director and Assistant Secretary

George H. W. Bush has been President of the Company since its inception. He is also Vice President, Secretary and Treasurer of Zapata Petroleum Corporation and Vice President of Zapata Drilling Company. He was formerly President of Walker-Bush Corporation and of Bush-Overbey Oil Development Company (to the business of both of which Zapata Petroleum Corporation has succeeded).

Wayne H. Dean, prior to his employment by the Company in November, 1954, was employed by Kerr-McGee Oil Industries, Inc., as manager of Drilling (domestic and foreign) in the Oklahoma City home office, and, prior to that, as manager of Gulf Coast operations with offices in Morgan City, Louisiana. In each of such capacities, he was in charge generally of offshore operations for Kerr-McGee Oil Industries, Inc.

J. Hugh Liedtke has been President of Zapata Petroleum Corporation since its organization in April, 1953. He is Vice President of Zapata Drilling Company and President of Zavala Oil Company (a wholly owned subsidiary of Zapata Petroleum Corporation). Prior to April 1, 1953, Mr. Liedtke was an independent oil operator.

Hoyt S. Taylor, prior to his employment by the Company in November, 1954, was chief drilling engineer for the Gulf Coast division of Kerr-McGee Oil Industries, Inc., in which position he took part in offshore drilling operations for that organization. He was chief coordinator during construction of the Scorpion and, in such capacity, worked directly with the staff of LeTourneau at Longview, Texas and at Vicksburg, Mississippi where such work took place. He is a graduate of the University of Kansas with a BS degree in mechanical engineering.

In May, 1955 the Company granted to Hoyt S. Taylor, Secretary of the Company, an option to purchase 2500 shares of the Company's Common Stock, exercisable in installments over the five-year period commencing with the granting of the option. The option rights terminate upon any termination of employment and are not assignable except by will or intestate succession. The option price is $5 per share, being 95% of the closing asked price of such stock on the over-the-counter market on the date of its grant. In the opinion of counsel for the Company this option qualifies as a restricted stock option under the Internal Revenue Code of 1954. See Note 6 to Financial Statements herein.

During the fiscal period ending September 30, 1955 the Company paid aggregate remuneration to all officers and directors as a group of $19,200. It is estimated that such aggregate remuneration during the present fiscal year will be approximately $38,300.

The following tabulation sets forth as of May 1, 1956, the number of shares of Common Stock owned beneficially and of record by Zapata Petroleum Corporation and by the executive officers and directors of the Company as a group.

	Shares Owned	Percent of Class
Zapata Petroleum Corporation	369,000	48.7%
Officers and Directors	42,047	5.6%

ORGANIZATION OF THE COMPANY AND RELATED TRANSACTIONS

The Company was organized by Zapata Petroleum Corporation and Wayne H. Dean, who is employed by the Company as its Vice President in charge of operations (see "Management" as to the business experience of Mr. Dean). Petroleum paid into the Company in cash the sum of $271,000 in consideration of the issue to it of 369,000 shares of the Company's Common Stock. Mr. Dean, by means of an advance to him by Petroleum, paid into the Company the sum of $19,000 in cash as the consideration for the issue to him of 38,000 shares of the Company's Common Stock.

Mr. Dean was employed by the Company as its Vice President pursuant to the terms of an employment contract under which he is to receive a salary of $20,000 per year for the five-year period commencing November 5, 1954. See Note 4 to the Financial Statements herein.

It is not contemplated that either Petroleum or its 80%-owned subsidiary, Zapata Drilling Company, will engage in the offshore drilling business, but it is possible that Petroleum may in the future acquire leases or interests in leases in the offshore area. The Company has been advised by Petroleum, however, that it has no present intention of so doing.

Under the terms of the purchase contract for the Scorpion, Zapata Petroleum Corporation guaranteed to R. G. LeTourneau, Inc. the performance by the Company of all its obligations under the LeTourneau contract until the balance remaining unpaid on the full purchase price for the Scorpion has been reduced to $450,000, at which time Petroleum will be released from all further liability under that contract. See Note 1 to Financial Statements herein.

The Company and Petroleum entered into a purchase option contract in August, 1955 under which Petroleum was granted for a period ending in September, 1957, a first refusal as to any sale of the Nola I, and a purchase option at whichever is greater at the time of (a) $500,000 or (b) the principal amount of certain indebtedness against the Nola I plus $50,000. The purchase option rights, however, may be nullified by the Company by releasing Petroleum from its obligations under the contract, which consist of an option on the part of the Company, during the same period and at any time when the Company may be in default under its bank loan obtained to finance the acquisition of such vessel, to require Petroleum to purchase the Nola I at $305,000 (if the Standard Oil Company of Texas drilling contract is then in effect) or at the then principal amount of such bank loan if such drilling contract is not in effect. The Company assigned its rights under such contract as collateral security for such bank loan.

DESCRIPTION OF DEBENTURES

General

The Debentures are to be issued under an Indenture with Texas National Bank of Houston, as Trustee, herein referred to as the "Indenture". The statements herein concerning the Debentures and the Indenture are merely an outline and do not purport to be complete. They make use of terms as defined in the Indenture and are qualified in their entirety by express reference to the cited Sections and Articles.

The Debentures will not be secured. There are no provisions in the Indenture requiring the maintenance of any ratio of assets, restricting the declaration of dividends or the application of the proceeds of the sale of the Debentures, prohibiting the securing of other securities without securing the Debentures, or requiring the creation of reserves for depreciation or maintenance. The Debentures will confer no voting rights on the holders thereof. The Indenture contains no amortization or sinking fund provisions.

Date, Interest and Payment

The Debentures will be dated July 1, 1956, will mature July 1, 1971, and will bear interest at the rate of 5½% per annum, payable on January 1 and July 1. Principal and interest are payable in Houston, Texas, and in New York City.

Redemption Provisions

The Debentures will be redeemable, in whole or in part, on 30 days' notice at 100% of their principal amount plus unpaid interest accrued to the redemption date (See Indenture, Sections 3.01 and 3.02).

Terms of Conversion

The holder of any Debenture will have the right, at his option (except that in case such Debenture shall be called for redemption such right will terminate as provided in the Indenture) to convert the principal thereof into shares of Common Stock of the Company at the conversion price set forth on the cover page hereof. The number of full shares issuable upon conversion will be determined by dividing the principal amount of Debentures presented for conversion by the conversion price at the time in effect. In lieu of issuing fractional shares or scrip upon any conversion, the Company will pay an appropriate adjustment in cash (Sections 4.01 and 4.02).

The Indenture contains appropriate provisions requiring an adjustment of the conversion price in certain cases, including the sale of Common Stock at a price below the then conversion price, subdivisions and combinations of outstanding Common Stock or a recapitalization, merger or consolidation (Sections 4.03, 4.04 and 4.05).

Upon conversion of Debentures into Common Stock no allowance or adjustment will be made either for accrued interest upon the Debentures or accrued dividend rights upon the Common Stock (Section 4.04).

Certificates for shares of Common Stock issued upon conversion of Debentures shall be issued without charge with respect to the issuance thereof to the converting Debenture holders except that such holders will be required to pay any tax which may be payable in respect of any transfer to others involved in the issuance and delivery of certificates (Section 4.07).

Whenever the conversion price and the payment thereof should be adjusted as set forth in Section 4.03 of the Indenture, the Company shall file with the Trustee a statement signed by its President or one of its Vice Presidents specifying the adjusted conversion price and its basis and method of calculation (Section 4.08).

Subordination

The Debentures are to be subordinated in right of payment to the prior payment in full of all Senior Indebtedness, being, generally, all other indebtedness of the Company now outstanding or hereafter incurred, including contingent obligations. Upon any dissolution, winding up, liquidation or reorganization of the Company, the holders of all Senior Indebtedness shall be entitled to receive payment in full before the holders of the Debentures are entitled to receive any payments. Notwithstanding the subordination provisions, the Company may, at any time, except during the pendency of any such dissolution or winding up, make payments on the Debentures, and the Trustee may at any time apply moneys deposited with it to payments on the Debentures. (Sections 1.01, 2.08, 2.09 and 2.10.)

Modification

The rights of the Debenture holders may be modified with the consent of 66⅔% of the Debentures. In general, no modification of the terms of payment of principal or interest or of the conversion rights, and no modification reducing the percentage required for modification, is effective against any Debenture holder without his consent. (Section 13.02.)

The Trustee

Texas National Bank of Houston is a depositary of the Company's funds, and a creditor of the Company in connection with certain bank loans. The Trustee is permitted to engage in other transactions except that if it acquires any conflicting interest it must eliminate it or resign. It is required in certain cases to share the benefit of payments received within four months of default. (Sections 10.06, 10.10 and 10.11.)

Defaults and Action by Trustee

An event of default is defined as being: default in payment of principal; default for 30 days in payment of interest; certain events in bankruptcy, insolvency or reorganization; and default for 60 days after notice in other covenants (Section 6.01). The Trustee may withhold notice of default (except in payment of principal or interest) if it thinks it in the interest of the Debenture holders (Section 9.05).

Upon the occurrence of a default, the Trustee or holders of 25% of the Debentures may accelerate the maturity of the Debentures, but holders of a majority of the Debentures may, in any such case, annul such declaration and destroy its effect if such default has been cured (See Section 6.01).

Holders of a majority in principal amount of the Debentures have the right to direct the time, method and place of conducting all proceedings for any remedy available to the Trustee (Section 6.02).

No holder may institute any suit, action or proceeding for the execution of any trust under the Indenture, or for the appointment of a receiver or any other remedy under the Indenture, unless such holder shall have given the Trustee written notice of default, nor unless the holders of 25% of the Debentures have requested the Trustee in writing to act and have offered the Trustee reasonable opportunity to act, and the Trustee shall have declined or failed to act. The foregoing is not to impair the right of a Debenture holder to enforce payment of the principal of and interest on his Debentures on the respective due dates (Section 6.07).

The Trustee, prior to default, undertakes to perform only such duties as are specifically set forth in the Indenture and, after default, shall exercise the same degree of care as a prudent man would exercise in the conduct of his own affairs (Section 10.01). Subject to such provisions, the Trustee shall not be required to exercise any of the powers vested in it by the Indenture at the request of any holders of Debentures unless offered reasonable indemnity by such holders against the costs, expenses and liabilities to be incurred thereby (Section 10.04).

Satisfaction and Discharge of Indenture

The Identure may be discharged upon payment or redemption of all the Debentures or upon deposit with the Trustee of funds sufficient for payment or redemption (Article Twelve).

Evidence of Compliance with Provisions of the Indenture

Every request by the Company for action by the Trustee must be accompanied by a certificate and an opinion of counsel as to compliance with conditions precedent provided for in the Indenture (Section 14.03).

DESCRIPTION OF COMMON STOCK

The Common Stock is entitled, subject to the restrictions summarized in note (1) to the Financial Statements herein, to dividends as and when declared by the Board of Directors; is vested with all voting rights, each share being entitled to one vote; is entitled upon liquidation to receive the entire net assets of the Company; is not subject to redemption and has no sinking fund and no preemptive rights. Shares presently outstanding and those to be outstanding upon conversion of the Debentures offered hereby will not be liable to assessment or further calls.

The First City National Bank of Houston, Houston, Texas is the Transfer Agent and Registrar for the Common Stock.

EXPERTS AND LEGALITY

The legality of the 5½% Subordinated Convertible Debentures offered hereby will be passed upon for the Company by Messrs. Baker, Botts, Andrews & Shepherd, Esperson Building, Houston 2, Texas, and for the Agents by Messrs. Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York 5, N. Y.

The financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, and the information contained in the Prospectus under the caption "Summary of Earnings" have been examined by Messrs. Arthur Andersen & Co., Independent Public Accountants, as set forth in their certificate appearing herein and letter of opinion appearing elsewhere in the Registration Statement, and are included herein in reliance upon the authority of said firm as experts in giving such certificates and letter of opinion.

The statements made as to matters of law and legal conclusions under the heading "Description of Debentures" have been reviewed by Messrs. Baker, Botts, Andrews & Shepherd, and other statements as to matters of law and legal conclusions, where indicated, have been made on the authority of such counsel.

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

AUDITORS' CERTIFICATE

To the Board of Directors,

Zapata Off-Shore Company:

We have examined the balance sheet of Zapata Off-Shore Company (a Delaware corporation) as of March 31, 1956, and the related statements of surplus and cash receipts and disbursements for the period October 25, 1954 (date of incorporation) through September 30, 1955, and the six months ended March 31, 1956. We have also examined the related summary of earnings for the above periods appearing elsewhere in the Prospectus. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of Zapata Off-Shore Company as of March 31, 1956, and the results of operations and cash receipts and disbursements for the period October 25, 1954, through September 30, 1955, and the six months ended March 31, 1956, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods under review.

Houston, Texas
May 15, 1956

Arthur Andersen & Co.

Arthur Andersen & Co.

ZAPATA OFF-SHORE COMPANY

BALANCE SHEET

March 31, 1956

ASSETS

Current Assets:		
Cash		$ 12,991
Accounts receivable —		
Customers	$ 245,154	
Other	31,941	277,095
		$ 290,086
Property and Equipment, at cost:		
Mobile offshore drilling platform and equipment, pledged to secure first preferred mortgage notes payable (Notes 1 and 5)	$3,213,055	
Drilling tender and equipment, pledged to secure long-term notes payable and a six per cent short-term note payable to a supplier (Notes 2 and 3)	823,546	
Automobiles and office equipment	21,370	
	$4,057,971	
Less — Reserves for depreciation (Note 7)	93,702	3,964,269
Deferred Pre-Operating Expenses of the Mobile Offshore Drilling Platform and Drilling Tender (being amortized over the first year of operations of each unit)		98,477
Other Assets		22,734
		$4,375,566

(The accompanying notes to financial statements are an integral part of this balance sheet.)

ZAPATA OFF-SHORE COMPANY

BALANCE SHEET

March 31, 1956

LIABILITIES

Current Liabilities:			
Five and six per cent short-term notes payable to suppliers (Note 3)			$ 92,826
Amount due within one year on long-term debt			747,039
Accounts payable —			
Zapata Petroleum Corporation			7,175
Other			272,029
Accrued liabilities —			
Salaries and wages			10,274
Taxes other than Federal income			12,671
Other			10,658
			$1,152,672
Long-Term Debt:			
Six per cent first preferred mortgage notes payable, secured by mobile offshore drilling platform and equipment (excluding $567,039 due within one year) — Note 1		$ 907,961	
Five and six per cent notes payable — secured by drilling tender and equipment (excluding $180,000 due within one year) — Note 2		424,602	1,332,563
Commitments and Contingent Liabilities:			
Commitment for rental payments on a used drilling rig and purchase obligation under a lease purchase option agreement in the event option is exercised on August 30, 1956, as more fully explained in Note 5(a)	$387,284		
Other commitments and contingencies (Notes 4 and 5)			
Capital Stock and Surplus:			
Common stock, 50¢ par value, authorized and issued 760,000 shares (Notes 4 and 5)		$ 380,000	
Capital surplus		1,591,479	
Earned surplus (deficit) — Note 1		(68,713)	
		$1,902,766	
Less — Common stock repurchased, 2,500 shares, at cost (Note 6)		12,435	1,890,331
			$4,375,566

(The accompanying notes to financial statements are an integral part of this balance sheet.)

ZAPATA OFF-SHORE COMPANY

STATEMENTS OF SURPLUS

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956
STATEMENT OF CAPITAL SURPLUS		
Balance, beginning of period	$ —	$1,401,479
Add:		
Excess over par value of proceeds of sale of common stock — 369,000 shares sold for $271,000	86,500	—
315,000 shares sold for $1,496,250, less stock issue expenses of $23,771	1,314,979	—
Excess of market value over par value of 38,000 shares of common stock issued as partial consideration for the mobile offshore drilling platform	—	190,000
Balance, end of period	$1,401,479	$1,591,479
STATEMENT OF EARNED SURPLUS		
Balance, beginning of period	$ —	$ (97,835)
Add — Net income (loss) for the period (see note to Summary of Earnings)	(97,835)	29,122
Balance, end of period	$ (97,835)	$ (68,713)

(The accompanying notes to financial statements are an integral part of these statements.)

ZAPATA OFF-SHORE COMPANY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956	Combined Periods October 25, 1954 Through March 31, 1956
Cash Balance, beginning of period	$ —	$ 325,778	$ —
Add — Receipts:			
Contract drilling income	$ —	$ 844,628	$ 844,628
Proceeds of borrowings (see Note) —			
Six per cent first preferred mortgage notes	—	1,550,000	1,550,000
Five and six per cent long-term notes	104,602	575,000	679,602
Five and six per cent short-term notes	—	97,826	97,826
Advance by Zapata Petroleum Corporation, including $35,000, the initial payment on the construction contract with R. G. LeTourneau, Inc., which was paid direct by Zapata Petroleum Corporation. The advance was subsequently applied in payment of 407,000 shares of common stock issued by the Company ($19,000 of which was considered to be a loan to Mr. Dean and was applied in payment of 38,000 shares issued to him)	290,000	—	290,000
Proceeds to Company of public offering of 315,000 shares of common stock	1,496,250	—	1,496,250
Proceeds from sale of drill pipe	—	48,883	48,883
Total receipts	$1,890,852	$3,116,337	$5,007,189
	$1,890,852	$3,442,115	$5,007,189
Deduct — Disbursements:			
Mobile offshore drilling platform and equipment — Advances on construction contracts, including $35,000 previously paid by Zapata Petroleum Corporation per above	$ 628,200	$ —	$ 628,200
Additional cost of constructing and equipping platform less $209,000 which was paid by issuing 38,000 shares of Company's common stock to R. G. LeTourneau, Inc.	—	2,375,855	2,375,855
	$ 628,200	$2,375,855	$3,004,055

ZAPATA OFF-SHORE COMPANY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS — (Continued)

For the Period October 25, 1954 (Date of Incorporation) Through September 30, 1955, and the Six Months Ended March 31, 1956

	October 25, 1954 Through September 30, 1955	Six Months Ended March 31, 1956	Combined Periods October 25, 1954 Through March 31, 1956
Purchase of —			
Drilling tender and related equipment (including drill pipe sold in 1956 which cost $55,190)	$ 785,688	$ 93,048	$ 878,736
Automobiles and office equipment	18,327	3,043	21,370
Treasury stock	12,435	—	12,435
	$ 816,450	$ 96,091	$ 912,541
Costs and expenses —			
Drilling operations (excluding depreciation of $93,226 and $866 loss on sale of drill pipe)	$ —	$ 622,302	$ 622,302
General and administrative (excluding depreciation of $3,986 and $1,931 respectively)	93,849	64,847	158,696
Interest	—	32,334	32,334
	$ 93,849	$ 719,483	$ 813,332
Deferred pre-operating expenses (net of amortization)	$ 50,524	$ 47,953	$ 98,477
Payments on notes	—	155,000	155,000
Capital stock issue expense	23,771	—	23,771
Other	2,006	20,728	22,734
Total disbursements	$1,614,800	$3,415,110	$5,029,910
Net	$ 276,052	$ 27,005	$ (22,721)
Add (Deduct) — Net change in accounts payable, accrued liabilities and accounts receivable	49,726	(14,014)	35,712
Cash Balance, end of period	$ 325,778	$ 12,991	$ 12,991

NOTE: For the purposes of this statement, notes issued as partial consideration for the construction or purchase price of the drilling tender and mobile offshore platform and equipment have been shown as cash receipts; corresponding amounts are likewise shown as disbursements for the acquisition of such properties.

(The accompanying notes to financial statements are an integral part of this statement.)

ZAPATA OFF-SHORE COMPANY

NOTES TO FINANCIAL STATEMENTS

March 31, 1956

(1) First Preferred Mortgage Notes Payable

The six per cent first preferred mortgage notes payable represent the unpaid portion of the construction or purchase price of the mobile offshore drilling platform and equipment. Such indebtedness is evidenced by two notes in the original principal amounts of $900,000 and $650,000 dated December 21, 1955, and March 19, 1956, respectively. The first note is payable in consecutive monthly installments of $25,000, plus accrued interest, commencing on February 1, 1956, and extending through January 1, 1959. Three such installments had been paid at March 31, 1956. The second note is payable in consecutive monthly installments of $25,000, including interest, commencing on May 1, 1956, and monthly thereafter until such note is paid in full.

The mortgage also provides (a) that the Company will carry customary insurance on the platform and equipment so long as the notes remain unpaid and (b) that prior to payment in full of the notes, without prior approval of the holders thereof, no payment or distribution, whether by dividend, by purchase, or by way of complete or partial redemption, or in any other way, will be made upon or with respect to any stock of the Company now or at any time in the future issued or outstanding, nor will any sinking fund or other setting aside of or earmarking of funds be permitted.

The contract for the construction of the mobile offshore drilling platform provides (a) that Zapata Petroleum Corporation guarantees prompt and complete performance by the Company of all obligations until the $900,000 note has been reduced to the principal sum of $450,000 and (b) that the constructor will indemnify the Company from any loss or expense from all claims or suits growing out of any infringement or alleged infringement of any U. S. patent in respect to the construction of the platform.

(2) Long-Term Notes Payable

The five and six per cent long-term notes payable are comprised of the following:

	Unpaid Balance March 31, 1956
(a) A five per cent bank loan in the original principal amount of $575,000 dated October 11, 1955	$500,000

The loan is to be repaid over a period of two years commencing December 1, 1955, in monthly installments of $15,000, plus accrued interest, and the balance on maturity and is secured by a preferred ship mortgage on the drilling tender. The Company has agreed to transfer to the bank the right to any and all sums payable to the Company under its initial drilling contract so long as the Company is in default on its payments. The Company has collaterally assigned to the bank its rights under a purchase option contract between the Company and Zapata Petroleum Corporation which provides, among other things, that Zapata Petroleum Corporation (at the Company's election during any time in which the bank loan is in default in the payment of principal or interest) will pur-

ZAPATA OFF-SHORE COMPANY

Notes to Financial Statements — (Continued)

March 31, 1956

	Unpaid Balance March 31, 1956
chase the drilling tender Nola I at whichever is applicable of the following purchase option prices:	
(1) The then unpaid balance of the bank loan if the initial drilling contract or a renewal or extension thereof is not then in effect; or	
(2) The sum of $305,000 if said drilling contract or renewal or extension thereof is then in effect.	
(b) A six per cent note dated October 11, 1955, due two years from date of note, secured by a mortgage on the drilling tender which is subordinate to the $575,000 bank loan	104,602
	$604,602
Less — Amount due within one year	180,000
	$424,602

All long-term debt matures over the next three years as follows:

Year ending March 31, 1957	$ 747,039
Year ending March 31, 1958	1,009,874
Year ending March 31, 1959	322,689
	$2,079,602

(3) Short-Term Notes Payable

Short-term notes payable are composed of a five per cent note dated March 21, 1956, in the amount of $51,237 payable in 12 consecutive monthly installments of $4,270 each beginning May 1, 1956, and a six per cent note dated February 20, 1956, in the amount of $41,589 payable in installments of $5,000 on April 1, 1956; $2,713 on April 15, 1956; $4,044 on May 1, 1956; $2,712 on May 15, 1956, and $2,712 on the 15th of each month thereafter through March 15, 1957. The six per cent note is secured by a purchase money mortgage on 15,000 feet of drill pipe.

Subsequent to March 31, 1956, short-term bank loans have been obtained by the assignment of amounts due under the Company's drilling contracts. Such loans are being repaid out of subsequent collections. The outstanding balance of such loans amounted to $225,000 at May 15, 1956.

(4) Employment Contract

The Company has entered into an agreement with Mr. Dean whereby Mr. Dean is to be employed for a five-year period from November 5, 1954, at a salary of $20,000 per year. The agreement provides for payment by Mr. Dean or by the Company of certain liquidated damages (maximum of $80,000) in the event of breach of contract by either party during the term of the agreement. However, the agreement provides that if at any time during the period of the agreement neither Mr. George Bush nor Mr. Hugh Liedtke (officers and directors of the Company) is included in the management of the Company, Mr. Dean shall be entitled to terminate the agreement without being liable to any extent for such termination. The agreement also provides that, under certain specified conditions, the Company, during the period covered by the agreement, has the right to purchase from Mr. Dean the 38,000 shares of the Company's common stock presently owned by him at a price equal to the highest firm, bona fide cash offer which Mr. Dean or any member of his family has then received from any third party.

(5) Commitments and Contigent Liabilities

(a) The Company has rented a used drilling rig (for use with the drilling tender Nola I) from a supply company for a period of one year from September 1, 1955, at a rate of $15,000 per month. At any time during the term of the lease the Company has the option to purchase the equipment for $474,284 and may apply 90 per cent of all rentals paid against the purchase price. If the Company elects to purchase, the outstanding balance shall be paid in monthly installments of $15,000 with interest at six per cent per annum, and will be secured by a mortgage on the equipment. The management of the Company presently intends to exercise this option prior to expiration of the lease.

(b) The Company has entered into various contracts for services such as boat rentals, catering services, etc., to enable it to carry out the terms of the drilling contracts entered into in respect to the mobile offshore drilling platform and drilling tender. The contract price for such services will aggregate approximately $2,000 per day. The boat charters provide for a primary term of eighteen months with options by the Company to extend the period another eighteen months.

(c) Under the terms of the contract entered into with R. G. LeTourneau, Inc., for the construction of the mobile offshore drilling platform, LeTourneau has agreed that it will not begin the construction of any additional platform of similar design for a period of six months from the date of acceptance of the first platform (the first platform was accepted by the Company on December 21, 1955). At the expiration of such six-month period and for a period of two years thereafter, the Company shall have the option to purchase any similar platform or platforms constructed by LeTourneau at any bona fide price at which such equipment would be offered to other parties.

The Company presently proposes to offer $2,150,000 of 5½% Subordinated Convertible Debentures due July 1, 1971 to the public. Reference should be made elsewhere in the Prospectus for the details of this offering, the use of the proceeds therefrom, and the Company's consideration of the acquisition of a third unit of drilling equipment, which is presently estimated to cost (together with related equipment, including the drilling rig) approximately $3,000,000.

ZAPATA OFF-SHORE COMPANY

Notes to Financial Statements — (Continued)

March 31, 1956

In connection with the above offering, the stockholders of the Company have voted to amend its Certificate of Incorporation to increase the authorized number of shares of its capital stock to 1,500,000 shares.

(6) Stock Purchase Option

The 2,500 shares of treasury stock of the Company is reserved for the issuance to Mr. Hoyt Taylor, an employee of the Company, under the terms of a stock purchase option granted on May 13, 1955, by the Company which includes the following provisions:

(a) Mr. Taylor may acquire the shares for 95 per cent of the base price, which is the closing asked price on the over-the-counter market on May 13, 1955 (approximately $5 per share).

(b) The option shall be for a period of five years from May 13, 1955, to be exercised in installments as defined in the agreement.

(7) Depreciation, Maintenance and Retirement Policies

Depreciation is provided for financial accounting purposes on the straight-line method based upon the estimated physical life of the assets. Annual rates are as follows:

Classification	Rate
Mobile offshore drilling platform	20%
Drilling tender —	
Hull	12½%
Modifications	20%
Drilling rigs	20%
Drill pipe	33⅓%
Automobiles	25%
Furniture and office equipment	10%

Maintenance and repairs are charged against income when incurred. Renewals and betterments which extend the useful life of the equipment will be capitalized and the replaced units will be retired by removing the cost from the asset account and the accumulated depreciation from the reserve account. Retirement gains or losses are credited to, or charged against, income.

ZAPATA OFF-SHORE COMPANY

Notes to Financial Statements — (Continued)

March 31, 1956

(8) Supplementary Profit and Loss Information

Maintenance and repairs, depreciation, rentals and taxes have been charged to drilling operations or general and administrative expenses as follows:

	October 25, 1954, Through September 30, 1955	Six Months Ended March 31, 1956
Maintenance and Repairs —		
Drilling Operations	$ —	$ 16,536
General and Administrative Expense	—	57
	$ —	$ 16,593
Depreciation —		
Drilling Operations	$ —	$ 93,226
General and Administrative Expense	3,986	1,931
	$ 3,986	$ 95,157
Rentals —		
Drilling Operations	$ —	$289,084
General and Administrative Expense	2,226	2,015
	$ 2,226	$291,099
Taxes, Other Than Federal Income Taxes —		
Drilling Operations —		
Payroll	$ —	$ 6,814
Other	—	—
	$ —	$ 6,814
General and Administrative Expense —		
Payroll	1,023	554
Other	83	374
	$ 1,106	$ 7,742

No royalties or management and service contract fees have been paid.

FURTHER INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission, Washington, D. C. The Registration Statement may be inspected by anyone at the office of the Commission without charge and copies of all or any part of it may be obtained upon payment of the Commission's charge for copying.

ZAPATA OFF-SHORE COMPANY

By GEORGE H. W. BUSH
President

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 23. *Other Expenses of Issuance and Distribution*

Securities and Exchange Commission — Registration fee	$ 235.00
Federal original issuance tax	2,585.00*
Legal fees	12,500.00*
Accountants' fees and expenses	4,000.00*
Printing expenses	10,000.00*
Subscription agents' and Trustee's fees and expenses	4,000.00*
Blue-sky qualification	3,500.00*
Preparation of securities	3,000.00*
Miscellaneous expenses	1,680.00*
Total	$41,500.00*

* Estimated.

Item 31. *Financial Statements and Exhibits*

(b) Statement on Form T-1 of Texas National Bank of Houston.

(c) Exhibits:

Exhibit No.	Item
1	—Form of Agency Agreement.
4(a)	—Form of Warrant.
4(b)	—Form of Debenture (included in Exhibit 4(c)).
4(c)	—Form of Debenture Indenture to be dated as of July 1, 1956 with Texas National Bank, as Trustee.

UNDERTAKING

The Registrant hereby undertakes to file a Post-Effective Amendment to withdraw from registration any of the Debentures presently being registered which remain unsold upon termination of the offering.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant, Zapata Off-Shore Company, a corporation organized and existing under the laws of the State of Delaware, has duly caused the amendment to this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Houston and the State of Texas on the 8th day of June, 1956.

ZAPATA OFF-SHORE COMPANY
Registrant

(George H. W. Bush, President)

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned have signed the amendment to this Registration Statement on the respective dates set beside their names.

Principal executive officer:

(George H. W. Bush)	President	June 8, 1956

Principal financial and accounting officer:

(J. Hugh Liedtke)	Treasurer	June 8, 1956

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, a majority of the Board of Directors, have signed the amendment to this Registration Statement on the respective dates set beside their names.

(George H. W. Bush)	Director	June 8, 1956
(J. Hugh Liedtke)	Director	June 8, 1956
(Sam. G. Winstead)	Director	June 8, 1956
(Wayne H. Dean)	Director	June 8, 1956
(Milton R. Underwood)	Director	June 8, 1956
(Robert U. Parish)	Director	June 8, 1956
(Hoyt S. Taylor)	Director	June 8, 1956

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the use of our certificate dated May 15, 1956, relating to Zapata Off-Shore Company when accompanying the financial statements therein referred to and included in the Prospectus constituting a part of the Registration Statement of Zapata Off-Shore Company filed with the Securities and Exchange Commission under the provisions of the Securities Act of 1933, as amended, for the registration of $2,150,000 of 5½% Subordinated Convertible Debentures due July 1, 1971. We also consent to the use of our opinion appearing in such Registration Statement, relating to the schedules supporting the financial statements included in such Registration Statement and to the use of our name under the captions "Summary of Earnings" and "Experts and Legality" in such Prospectus.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Houston, Texas

May 21, 1956.

Registration No. 2-12525

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON 25, D. C.

Form T-1

FOR STATEMENTS OF ELIGIBILITY AND QUALIFICATION UNDER THE TRUST INDENTURE ACT OF 1939 OF CORPORATIONS DESIGNATED TO ACT AS TRUSTEES

TEXAS NATIONAL BANK OF HOUSTON

(Name of Trustee)

1300 Main Street, Houston, Texas

(Address of Principal Executive Offices)

ZAPATA OFF-SHORE COMPANY

(Name of Obligor)

5½% Subordinated Convertible Debentures, due ~~June~~ JULY 1, 1971

(Title of indenture securities)

GENERAL

1. *General information.* Furnish the following information as to the trustee—

(a) State or other sovereign power under the laws of which organized.
United States of America.

(b) If the trustee is an institutional trustee, give the name and address of each examining or supervising authority to which it is subject.

Name	Address
Comptroller of the Currency	Washington, D. C.
Federal Reserve Bank	Dallas, Texas
Federal Deposit Insurance Corporation	Washington, D. C.

2. *Affiliations with obligor and underwriters.* If the obligor or any underwriter for the obligor is an affiliate of the trustee, describe each such affiliation.

None.

3. Directors and executive officers of Texas National Bank.

Name	Address	Office
James Anderson	Commerce Building, Houston, Texas	Director
James A. Baker, Jr.	1600 Esperson Building, Houston, Texas	Director and Chairman of the Board
W. Browne Baker	1300 Main Street, Houston, Texas	Director and Senior Vice President
Karl R. Bendetsen	8 Oaklawn, Houston, Texas	Director
Norman A. Binz	4th Floor Union Nat'l Bank Bldg., Houston, Texas	Director
John H. Blaffer	512 Texas National Bank Bldg., Houston, Texas	Director
A. L. Carter	Union National Bank Bldg., Houston, Texas	Director
Harold Decker	Petroleum Building, Houston, Texas	Director
E. K. Dillingham	First Nat'l Bank Bldg., Houston, Texas	Director
John Hamman, Jr.	2131 San Felipe, Houston, Texas	Director
Fred W. Heitmann	113 Main Street, Houston, Texas	Director
E. L. Hogan	1319 Texas Avenue, Houston, Texas	Director
George F. Horton	1230 Baker Street, Houston, Texas	Director
E. J. Hudson	2711 Danville, Houston, Texas	Director
F. W. Ilfrey	1300 Main Street, Houston, Texas	Director and Vice President
Melvin E. Kurth	Gulf Building, Houston, Texas	Director
H. Malcolm Lovett	1600 Esperson Building, Houston, Texas	Director
Dr. Fred R. Lummis	Hermann Professional Bldg., Houston, Texas	Director

Name	Address	Office
Harris McAshan	1300 Main Street, Houston, Texas	Director and President
S. M. McAshan, Jr.	Cotton Exchange Bldg., Houston, Texas	Director
Frank W. Michaux	Commerce Building, Houston, Texas	Director
John S. Radford, Jr.	2215 Lawrence, Houston, Texas	Director
R. D. Randolph	1300 Main Street, Houston, Texas	Director and Senior Vice President
George Red	1513 Travis Street, Houston, Texas	Director
Bernard S. Sines	Southern Pacific Building, Houston, Texas	Director
Thomas D. Anderson	1300 Main Street, Houston, Texas	Vice President and Trust Officer
Henry B. Clay	1300 Main Street, Houston, Texas	Vice President
James Clayton	1300 Main Street, Houston, Texas	Vice President
John Dreaper	1300 Main Street, Houston, Texas	Vice President and Trust Officer
E. V. Dreyling	1300 Main Street, Houston, Texas	Vice President
W. C. Gardiner	1300 Main Street, Houston, Texas	Vice President
H. P. Hill	1300 Main Street, Houston, Texas	Vice President and Comptroller
John N. Hunt	1300 Main Street, Houston, Texas	Vice President
Harold R. Jones	1300 Main Street, Houston, Texas	Vice President
W. T. Mann	1300 Main Street, Houston, Texas	Vice President
Martin McCain	1300 Main Street, Houston, Texas	Vice President
Kline McGee	1300 Main Street, Houston, Texas	Vice President
V. W. Penny	1300 Main Street, Houston, Texas	Vice President
W. H. Pugh	1300 Main Street, Houston, Texas	Vice President
Shanley Simpson	1300 Main Street, Houston, Texas	Vice President
J. N. Taylor	1300 Main Street, Houston, Texas	Vice President
T. O. Taylor	1300 Main Street, Houston, Texas	Vice President
Arthur Trum	1300 Main Street, Houston, Texas	Vice President and Trust Officer
George R. Darsey	1300 Main Street, Houston, Texas	Vice President and Cashier
A. A. Henderson	1300 Main Street, Houston, Texas	Assistant Vice President
C. P. Lanmon	1300 Main Street, Houston, Texas	Assistant Vice President
L. D. Lee	1300 Main Street, Houston, Texas	Assistant Vice President
John K. Deason	1300 Main Street, Houston, Texas	Assistant Vice President
Harold B. Elsom	1300 Main Street, Houston, Texas	Assistant Cashier and Trust Officer

Name	Address	Office
Leslie C. Lewis	1300 Main Street, Houston, Texas	Assistant Cashier and Trust Officer
F. M. Bonner, Jr.	1300 Main Street, Houston, Texas	Assistant Cashier
V. E. Bowen	1300 Main Street, Houston, Texas	Assistant Cashier
A. G. Craig	1300 Main Street, Houston, Texas	Assistant Cashier
Henry B. Dawson	1300 Main Street, Houston, Texas	Assistant Cashier
Mrs. Jean Dupree	1300 Main Street, Houston, Texas	Assistant Cashier
Mrs. Ruth Hochuli	1300 Main Street, Houston, Texas	Assistant Cashier
Theo. J. Kubesch	1300 Main Street, Houston, Texas	Assistant Cashier
A. C. Meyer	1300 Main Street, Houston, Texas	Assistant Cashier
J. E. Sick	1300 Main Street, Houston, Texas	Assistant Cashier and Auditor
W. H. Traynham	1300 Main Street, Houston, Texas	Assistant Cashier
D. M. Vance	1300 Main Street, Houston, Texas	Assistant Cashier
R. L. West	1300 Main Street, Houston, Texas	Assistant Cashier
H. C. Hurley	1300 Main Street, Houston, Texas	Assistant Auditor
Scott Hudson	1300 Main Street, Houston, Texas	Assistant Trust Officer

4. *Voting securities.* (a) Furnish the following information as to each class of voting securities of the trustee.

As of March 31, 1956

COL. A	COL. B	COL. C
Title of Class	Amount Authorized	Amount Outstanding
Texas National Bank of Houston Capital Stock (par value $20 per share)	$6,000,000	$6,000,000

(b) Give a brief outline of the voting rights of each class of voting securities referred to in paragraph (a) above.

Full voting rights.

CONFLICTS OF INTEREST

5. *Trusteeships under other indentures.* If the trustee is a trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the obligor are outstanding, furnish the following information:

(a) Title of the securities outstanding under each such other indenture.

None.

(b) A brief statement of the facts relied upon as a basis for the claim that no conflicting interest within the meaning of section 310(b)(1) of the Act arises as a result of the trusteeship under any such other indenture.

Inapplicable.

6. *Interlocking directorates and similar relationships with the obligor or underwriters.* If the trustee or any of the directors or executive officers of the trustee is a director, officer, partner, employee, appointee, or representative of the obligor or of any underwriter for the obligor, identify each such person having any such connection and state the nature of each such connection.

None.

7. *Voting securities owned by the obligor or its officials.* Furnish the following information as to the voting securities of the trustee owned beneficially by the obligor and each director, partner and executive officer of the obligor.

As of March 31, 1956

The obligor has informed the trustee that the amount of voting securities of the trustee owned beneficially by the obligor and its directors and executive officers, taken as a group, does not exceed 1% of the outstanding voting securities of the trustee and so no information need be furnished in answer to this item.

8. *Voting securities owned by underwriters or their officials.* Furnish the following information as to the voting securities of the trustee owned beneficially by each underwriter for the obligor and each director, partner, and executive officer of each such underwriter.

As of March 31, 1956

The trustee has examined its records and on the basis of such examination and other information it has as to the ownership of its voting securities, the amount of such securities owned beneficially by any underwriter for the obligor within the past three years and by the directors, partners and executive officers of such underwriter, taken as a group, does not exceed 1% of the outstanding voting securities of the trustee. If any principal underwriter of the securities proposed to be offered advises the trustee that the amount of voting securities of the trustee owned beneficially by it and by its directors, partners and executive officers, taken as a group, exceeds 1% of the outstanding voting securities of the trustee, information as to such underwriter will be furnished by amendment.

9. *Securities of the obligor owned or held.* Furnish the following information as to securities of the obligor owned beneficially or held as collateral security for obligations in default by the trustee:

(a) *Voting securities.*

As of March 31, 1956

None.

(b) *Securities other than voting securities.*

As of March 31, 1956

None, except that the obligor was indebted to this Bank in the amount of $604,602 representing (a) the unpaid balance of the obligor's note dated October 11, 1955, which is secured by a Preferred Ship Mortgage on the vessel Nola I and certain other collateral; and (b) the unpaid balance of obligor's note dated October 11, 1955 (original payee, Hunt Tool Company), which is secured by a Second Preferred Ship Mortgage on the vessel, Nola I.

10. *Securities of underwriters owned or held.* If the trustee owns beneficially or holds as collateral security for obligations in default any securities of an underwriter for the obligor, furnish the following information as to each class of securities of such underwriter any of which are so owned or held by the trustee.

As of March 31, 1956

None.

11. *Ownership or holdings by the trustee of voting securities of certain affiliates or security holders of the obligor.* (a) If the trustee owns beneficially or holds as collateral security for obligations in default voting securities of a person who, to the knowledge of the trustee (1) owns 10% or more of the voting securities of the obligor or (2) is an affiliate, other than a subsidiary, of the obligor, furnish the following information as to the voting securities of such person.

As of March 31, 1956

None.

(b) Give a brief outline of the voting rights of each class of securities referred to in column A of the table set forth above.

Inapplicable.

12. *Ownership or holdings by the trustee of any securities of a person owning 50 per cent or more of the voting securities of the obligor.* If the trustee owns beneficially or holds as collateral security for obligations in default any securities of a person who, to the knowledge of the trustee, owns 50 per cent or more of the voting securities of the obligor, furnish the following information as to each class of securities of such person any of which are so owned or held by the trustee.

As of March 31, 1956

None.

REPORT OF CONDITION

13. *Report of condition of institutional trustee.* **If the trustee is an institutional trustee, furnish a report of condition of the trustee in accordance with the instructions to this item. The report of condition is to be inserted at this point in the statement of eligibility and qualification.**

REPORT OF CONDITION OF THE

TEXAS NATIONAL BANK

of Houston, in the State of Texas, at the close of business on April 10, 1956, published in response to call made by comptroller of the currency, under Section 5211, U. S. Revised Statutes.

RESOURCES

Loans and Discounts	$ 85,886,074.70
Customers' Liability Letters of Credit	366,853.50
Banking House and Fixtures	5,381,321.88
Other Real Estate	1.00
Federal Reserve Bank Stock	360,000.00
Investment Bonds	14,284,570.49
U. S. Obligations	53,539,308.59
Cash and Due From Banks	54,861,646.47
	$214,679,776.63

LIABILITIES

Capital Stock		$ 6,000,000.00
Surplus Fund		6,000,000.00
Undivided Profits, Net		2,683,935.85
Reserve for Dividends		187,500.00
Other Reserves		1,115,993.69
Letters of Credit		366,853.50
Bills Payable		7,000,000.00
Deposits:		
Individual	$153,611,562.27	
U. S. Government	3,744,607.00	
Bank	33,969,324.32	191,325,493.59
		$214,679,776.63

Certified Correct:

By: JOHN DREAPER

JOHN DREAPER, *Vice President.*

In answering any item in this statement of eligibility and qualification which relates to matters peculiarly within the knowledge of the obligor or of its directors or officers, or an underwriter for the obligor, the undersigned, Texas National Bank of Houston, has relied upon information furnished to it by the obligor or such underwriter and the undersigned disclaims responsibility for the accuracy or completeness of such information.

Contents of statement of eligibility and qualification. This statement of eligibility and qualification comprises —

(a) Pages numbered 1 to 7, consecutively.

(b) The following exhibits:

**T-1A(a)	—A copy of the articles of the association of the trustee as now in effect.
*T-1A(b)	—A copy of the certificate of authority, dated March 2, 1912, of the trustee to commence business.
*T-1A(b-1)	—A copy of the certificate, dated October 12, 1922, extending the corporate existence of the trustee for the period of ninety-nine years from July 1, 1922.
*T-1A(c)	—A copy of the authorization of the trustee to exercise corporate trust powers.
**T-1B	—A copy of the existing By-Laws of the Trustee.
*T-1C	—The consent of the Trustee required by Section 321(b) of the Act.

* These exhibits were attached to the Statement of Eligibility and Qualification (Form T-1) executed by the trustee and filed as a part of a Registration Statement (Registration No. 2-5515) for the registration under the Securities Act of 1933, as amended, of Houston Lighting & Power Company First Mortgage Bonds, 2⅞% Series due 1974, and are hereby incorporated by reference.

** These exhibits were attached to the Statement of Eligibility and Qualification (Form T-1) executed by the Trustee and filed as a part of a Registration Statement (Registration No. 2-12263) for the registration under the Securities Act of 1933, as amended, of Houston Lighting & Power Company First Mortgage Bonds, 3¼% Series due 1986, and are hereby incorporated by reference.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, Texas National Bank of Houston, a national banking corporation organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of Houston, and State of Texas, on the 7th day of June, 1956.

TEXAS NATIONAL BANK OF HOUSTON

[SEAL]

By Arthur [signature]

Vice President

Attest:

[signature]

Assistant Cashier

Ex. 1

Zapata Off-Shore Company

5 1/2% Subordinated Convertible Debentures

due July 1, 1971

AGENCY AGREEMENT

June 13, 1956

June 13, 1956

G. H. Walker & Co.
1 Wall Street
New York 5, New York

Underwood, Neuhaus & Co. Incorporated
724 Travis Street
Houston 2, Texas

Dear Sirs:

Zapata Off-Shore Company (hereinafter called the "Company") proposes to offer to the holders of its presently outstanding Common Stock for subscription at 100% of the principal amount thereof a maximum of $2,150,000 aggregate principal amount of 5 1/2% Subordinated Convertible Debentures due July 1, 1971 (hereinafter called the "Debentures") on the basis of $2.80 principal amount of Debentures for each share of Common Stock held of record at the close of business on June 8, 1956 and to issue non-transferable Warrants evidencing rights to subscribe for such Debentures. The date of first mailing of such Warrants to the Company's stockholders is herein called the "Date of Mailing". The rights will expire at 3:00 P.M., Central Standard Time, on July 2, 1956 (the "Expiration Date").

The Company desires to employ each of you as its agents to use your best efforts to sell such of the Debentures offered to its stockholders as shall not be subscribed for by the exercise of Warrants issued to them, such Debentures being herein sometimes called the "Unsubscribed Debentures".

I.

Upon the representations and warranties herein contained and subject to the conditions hereinafter stated, the Company hereby appoints each of you its agent to effect sales of the Unsubscribed Debentures at 100% of the principal amount thereof, plus accrued interest, for the account and risk of the Company, and you each agree to use your best efforts as such agent during the period ending fourteen days after the Expiration Date to procure purchasers for the Unsubscribed Debentures at said price. By 12:00 o'clock noon, Central Standard Time, on the first business day following the Expiration Date, the Company will notify you of the amount of Unsubscribed Debentures.

II.

The Company will, as expeditiously as possible after the Expiration Date, prepare and file with the Securities and Exchange Commission such amendments or supplements to the Registration Statement or Prospectus, or both, as in the opinion of your counsel, Winthrop, Stimson, Putnam & Roberts, are necessary or advisable, and the Company will use its best efforts to have any post-effective amendments to the Registration Statement become effective as promptly as possible, any such amendments or supplements to be subject in all respects to the approval of such counsel and Banker, Botts, Andrews & Shepherd, counsel for the Company.

III.

As compensation to G. H. Walker & Co. for its agreements hereunder and for its services as advisor to the Company in connection with the financing, the Company will pay to G. H. Walker & Co. on the closing date (as hereinafter defined) the sum of $10,000. As additional compensation to G. H. Walker & Co. and as the sole compensation to Underwood, Neuhaus & Co. Incorporated, the Company will pay compensation to each agent at the rate of 2% of the principal amount of Unsubscribed Debentures sold by such agent to persons other than stockholders of the Company or Zapata Petroleum Corporation. Nothing in this Agreement shall be deemed to prohibit the Company from selling Unsubscribed Debentures to its own stockholders and/or to stockholders of Zapata Petroleum Corporation, nor to require the Company to pay any compensation or commission to you or to any other person with respect to any sale to such stockholders.

IV.

All sales of Unsubscribed Debentures made by either of you shall be confirmed directly to the purchasers in the name of the Company.

Delivery of Unsubscribed Debentures shall be made at the office of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York 8, N. Y., at such time and on such date (the closing date) on or after July 2, 1956, but not later than July 31, 1956, as may be designated by you. Such Debentures shall be delivered by the Company to you for the respective accounts of the purchasers, in such authorized denominations as you shall request, against payment to the Company or its order.

V.

Your obligations hereunder are subject to the following conditions:

(a) The Registration Statement shall have become effective not later than June 15, 1956.

(b) No stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the Securities and Exchange Commission, and there shall have been no material adverse change (not in the ordinary course of business) in the condition of the Company from that set forth in the Registration Statement; and you shall have received, on the Date of Mailing and on the closing date, certificates dated each such date, signed by an executive officer of the Company to the foregoing effect. The officer making such certificate may rely upon the best of his knowledge as to proceedings pending or threatened.

(c) You shall have received on or prior to the Date of Mailing an opinion of Baker, Botts, Andrews & Shepherd, counsel for the Company, to the effect that (i) the Company has been duly incorporated and is on such date validly existing in good standing under the laws of Delaware, (ii) the Company is duly qualified to transact business and is in good standing in the states in which the conduct of its business or the ownership of property requires such qualification, (iii) this Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company in accordance with its terms, (iv) the Company has full power and authority to execute the Indenture under which the Debentures are being issued and to issue the Debentures, (v) the Indenture has been duly authorized, and when duly executed and delivered, will be a valid and legally enforceable instrument in accordance with its terms (except in so far as its enforceability may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights), and the Debentures have been duly authorized and, when duly executed, authenticated and delivered, will constitute binding and valid obligations of the Company in accordance with their terms, and (vi) the Registration Statement and the Prospectus and any supplements or amendments thereto (except as to statements of income, financial statements and schedules, as to which no opinion need be expressed) comply as to form in all material respects with the Securities Act of 1933 and the Trust Indenture Act of 1939 and the rules and regulations of the Securities and Exchange Commission under such Acts, and the Indenture has been qualified under the Trust Indenture Act of 1939.

(d) You shall have received, on or prior to the closing date, the favorable opinion of Winthrop, Stimson, Putnam & Roberts covering the matters in (v) and (vi) of (c) above.

(e) You shall have received, on the closing date, an opinion of Baker, Botts, Andrews & Shepherd expressly or in effect confirming, as of the closing date, their opinion theretofore given under (c) above.

VI.

In further consideration of your agreements herein contained the Company covenants as follows:

(a) To furnish each of you without charge a copy of the Registration Statement (including exhibits), and during the period mentioned in paragraph (c) below, as many copies of the Prospectus as you may reasonably request.

(b) Before amending or supplementing the Registration Statement or the Prospectus, to furnish you a copy of each such proposed amendment or supplement.

(c) For the period of 60 days after the Date of Mailing or for such longer period as in the opinion of your counsel the Prospectus is required by law to be delivered, if any event shall occur as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if it is necessary to amend the Prospectus to comply with law, forthwith to prepare and furnish, at its own expense, to each of you, either amendments to the Prospectus or supplemental information so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with law.

(d) To endeavor to qualify the Debentures for offer and sale under the Securities or Blue Sky laws of such states as you shall reasonably request and to pay all expenses in connection therewith.

(e) To make generally available to the Company's security holders as soon as practicable an earnings statement covering the twelve months' period ending June 30, 1957, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act of 1933.

(f) To deliver to Winthrop, Stimson, Putnam & Roberts on or prior to the Date of Mailing such certificates, opinions and other documents as they shall reasonably request to enable them to pass upon the transactions herein contemplated or to evidence the accuracy and completeness of the representations and warranties herein.

(g) To pay the fees and disbursements of Winthrop, Stimson, Putnam & Roberts in connection with the transactions herein contemplated.

VII.

The Company represents and warrants to each of you that when the Registration Statement becomes effective the Registration Statement and the Prospectus will comply in all material respects with the provisions of the Securities Act of 1933 and the rules and regulations of the Securities and Exchange Commission, and that they will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to statements or omissions in the Registration Statement or the Prospectus based upon information furnished to the Company in writing by either of you expressly for use therein.

The Company agrees to indemnify and hold harmless each of you and each person, if any, who controls either of you within the meaning of Section 15 of the Securities Act of 1933 from and against any and all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in said Registration Statement or Prospectus (if used within the period set forth in Article VI hereof and as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except in so far as such losses, claims, damages or liabilities are caused by any such untrue statement or omission based upon information furnished in writing to the Company by either of you expressly for use therein.

In case any claim shall be asserted or action brought against either of you or any person controlling either of you in respect of which indemnity may be sought hereunder against the Company, the person against whom such claim is asserted or such action is brought shall promptly notify the Company in writing, and the Company shall assume the defense thereof, including the employment of counsel and the payment of all expenses. Any such person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the employment of such counsel has been specifically authorized by the Company. The Company shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Company or if there be a final judgment for the plaintiff in any such action, the Company agrees to indemnify and hold harmless either of you and any such controlling person from and against any loss or liability by reason of such settlement or judgment.

The indemnity agreement contained in this Article VII and the representations and warranties of the Company in this Agreement set forth shall remain operative and in full force and effect, regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of either of you or any person controlling either of you, and (iii) delivery of any Unsubscribed Debentures hereunder.

VIII.

This Agreement shall become effective when notification of the effectiveness of the Registration Statement has been released by the Securities and Exchange Commission and until such time this Agreement may be terminated by the Company, by notifying you, c/o G. H. Walker & Co., 1 Wall Street, New York 5, N. Y., or by you by notifying the Company at its office, 2218 First City National Bank Building, Houston 2, Texas. Any such notice may be in writing or by telegraph or by telephone, and if by telegraph or by telephone, shall be confirmed immediately in writing.

If this Agreement shall be terminated by you because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, or if the Company shall terminate this Agreement under the option contained in the foregoing paragraph of this Article VIII, the Company will reimburse you for all of your out-of-pocket expenses (including the fees and disbursements of your counsel) reasonably incurred by you in connection with this Agreement.

IX.

Anything herein to the contrary notwithstanding, the Company reserves the right to authorize securities dealers, other than you, who are members of the National Association of Securities Dealers, Inc. to act as agents of the Company to effect sales of Unsubscribed Debentures for the account and risk of the Company and to pay any such agent compensation equivalent to that provided for you in the last sentence of Article III hereof.

Very truly yours,

ZAPATA OFF-SHORE COMPANY

By: ____________________
President

Accepted June , 1956

____
(G. H. Walker & Co.)

____
(Underwood, Neuhaus & Co.,
Incorporated)

Ex. 4(a)

VOID AFTER 3 P.M. (CST), JULY 2, 1956

ZAPATA OFF-SHORE COMPANY

Warrant for Subscription for 5½% Subordinated Convertible Debentures

Due July 1, 1971

THIS WARRANT IS FOR NOT MORE THAN $.............................. PRINCIPAL AMOUNT OF DEBENTURES

This certifies that the person named above is entitled to subscribe for 5½% Subordinated Convertible Debentures due July 1, 1971, in the amount of $25 or a multiple thereof in accordance with the "Subscription Offer" set forth in the Prospectus offering such Debentures. This warrant and the subscription privilege represented hereby are not transferable.
Dated: June 15, 1956.

ZAPATA OFF-SHORE COMPANY
GEORGE H. W. BUSH, *President*

SUBSCRIPTION FORM

I/we, holder(s) of the above warrant, hereby subscribe for $.............................. principal amount of 5½% Subordinated Convertible Debentures due July 1, 1971, of Zapata Off-Shore Company, in accordance with the Subscription Offer set forth in the Prospectus, receipt of which is hereby acknowledged. Funds are enclosed for the full subscription price of such Debentures.

(TO BE COMPLETED ONLY IF SUBSCRIBED THROUGH A DEALER)

Dealer Who Solicited This Subscription

....
Name of dealer firm (not salesman)

....
City State

....
Signature of Subscriber

....
Name of Subscriber (please print)

Address:
....

THIS WARRANT IS NOT TRANSFERABLE

INSTRUCTIONS

1. Subscription may be for less than the principal amount of Debentures which the holder is entitled to purchase as shown on the face of the warrant. Subscriptions must be for $25 or an even multiple of $25.

2. To subscribe, fill in the Subscription Form for the principal amount of Debentures desired, sign the form, and mail it, with payment for the full price of the Debentures subscribed (in cash, or by check, bank draft, or postal or express money order payable to the order of the Company), to either of the Company's Agents, Texas National Bank of Houston, 1300 Main Street, Houston 2, Texas, or J. P. Morgan & Co. Incorporated, 23 Wall Street, New York 8, N. Y. *Be sure that it reaches the Agent before 3:00 P.M., Central Standard Time (5:00 P.M. E. D. S. T.) on July 2, 1956.* Debentures will be issued to subscribers in denominations of $25, $100, $500, and/or $1000 (or any multiple of $1000), as appropriate in each case.

3. It is not necessary to make subscriptions through a securities dealer.

FOR FURTHER INFORMATION, SEE THE HEADING "SUBSCRIPTION OFFER" IN THE PROSPECTUS.

Proof of June 8, 1956—Sorg of Texas—2757

ZAPATA OFF-SHORE COMPANY

AND

TEXAS NATIONAL BANK OF HOUSTON,

TRUSTEE.

Indenture

Dated as of July 1, 1956

5½% Subordinated Convertible Debentures due July 1, 1971.

SORG PRINTING COMPANY OF TEXAS, HOUSTON, TEXAS

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THIS INDENTURE, dated as of July 1, 1956, by and between ZAPATA OFF-SHORE COMPANY (hereinafter sometimes called the "Company"), a Delaware corporation, and TEXAS NATIONAL BANK OF HOUSTON, a national bank organized under the banking laws of the United States of America, whose principal place of business is in Houston, Texas (hereinafter sometimes called the "Trustee"),

WITNESSETH:

WHEREAS, for its lawful purposes the Company has duly authorized the issue as hereinafter provided of not exceeding Two Million One Hundred Fifty Thousand Dollars ($2,150,000) principal amount of its 5½% Subordinated Convertible Debentures due July 1, 1971, hereinafter described; and

WHEREAS, to provide for the authentication of said Debentures by the Trustee and to establish the terms and conditions upon which the same are to be issued, the Company has duly authorized the execution of an agreement in the form of this Indenture; and

WHEREAS, the Debentures with coupons (hereinafter sometimes called "coupon Debentures"), the interest coupons to be attached to the coupon Debentures, the tax legend, and the Trustee's certificate of authentication provided for in said Debentures, are to be substantially in the following forms, respectively, with appropriate insertions and variations as in this Indenture provided:

[FORM OF COUPON DEBENTURE]

No. .... $...............

ZAPATA OFF-SHORE COMPANY

5½% SUBORDINATED CONVERTIBLE DEBENTURE DUE JULY 1, 1971

ZAPATA OFF-SHORE COMPANY, a Delaware corporation (hereinafter called the "Company") for value received, hereby promises to pay to the bearer, or if this Debenture be registered as to principal, to the registered holder hereof, on July 1, 1971, ... Dollars ($...............)

in any coin or currency which at the time of payment is under the laws of the United States of America legal tender for the payment of public and private debts, and to pay interest on said sum from the date hereof, in like coin or currency at the rate of 5½% per annum, on the first day of January and the first day of July in each year until the principal of this Debenture shall have become due and payable, and (to the extent that payment of such interest is enforceable under applicable law) to pay interest on any overdue principal and on any overdue installment of interest at the rate of six per centum per annum; but only upon presentation and surrender of the appurtenant coupons for such interest installments, as they severally mature.

Both principal of and interest on this Debenture are payable at the office or agency of the Company in the City of Houston, Texas, or, at the option of the bearer or registered holder, at the office or agency of the Company in the Borough of Manhattan, the City of New York.

This Debenture is one of a duly authorized issue of Debentures of the Company, known as its 5½% Subordinated Convertible Debentures due July 1, 1971, all issued under an indenture, dated as of July 1, 1956 (herein called the "Indenture"), from the Company to Texas National Bank of Houston, a national bank organized under the banking laws of the United States of America, whose principal place of business is in Houston, Texas, as Trustee (herein with its successors in office called the "Trustee"), and being limited to the aggregate principal amount of Two Million One Hundred Fifty Thousand Dollars ($2,-150,000). Reference is hereby made to the Indenture for a description of the terms and conditions upon which the Debentures are issued and for a statement of the rights and limitations of rights under the Indenture of the Company of the Trustee and of the holders of the Debentures and coupons; but neither any reference in this Debenture to the Indenture, nor any provision of this Debenture or of the Indenture, shall affect or impair the absolute and unconditional obligation of the Company to pay the principal of, and premium, if any, and interest on this Debenture as herein provided.

The Debentures of this issue are subject to redemption and may be redeemed at the option of the Company, as a whole or from time to time in part, on any date prior to maturity, upon publication of notice of redemption once in each week for four (4) successive calendar weeks (in each instance on any business day of the week) prior to the redemption date in one newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Houston, Texas, and in a similar newspaper similarly published and of general circulation in the Borough of Manhattan, the City of New York, the first such publication to be made not less than thirty (30) nor more than ninety (90) days before such redemption date, all as provided in the Indenture, at 100% of the principal amount thereof (or principal amount of the part of the Debentures so to be redeemed), together with unpaid interest accrued thereon to the date fixed for redemption.

Except as expressly provided in the Indenture, if this Debenture or a portion hereof is duly called for redemption, this Debenture, or the called portion of the principal amount hereof, shall cease to be entitled to any benefit under the Indenture after provision has been made as required in the Indenture for notice of such call and for the payment of this Debenture, or such called portion hereof, and thereafter the Company shall be under no further liability in respect of the principal of, or premium, if any, or interest on, this Debenture, or such called portion hereof, and no interest shall accrue on this Debenture, or such called portion hereof, on or after the date fixed for redemption.

At the option of the holder hereof, any Debenture or any portion of the principal amount thereof which is a multiple of $25 may, at any time on or prior to July 1, 1971 (or in case such Debenture or portion thereof shall be called for redemption prior to such date, then only until the time fixed as hereinafter in this paragraph provided), be converted at the principal amount thereof, or such portion thereof, into Common Stock of the Company at the conversion price of $8.70 per share. The conversion price is subject to adjustment from time to time under the circumstances and in the manner provided in the Indenture. If all or any Debentures or portion thereof are called for redemption, the Debentures so called for redemption shall be convertible into Common Stock of the Company at the option of the holders at any time after notice of redemption and before 3:00 o'clock in the afternoon Central Standard Time on the 5th day prior to the redemption date of such Debentures at the conversion price per share of Common Stock in effect at the time such Debentures are surrendered for conversion.

No fractional shares or scrip representing fractional shares will be issued upon any conversion, but an adjustment in cash will be made, as provided in the Indenture, in respect of any fraction of a share which would otherwise be issuable upon the surrender of any Debenture or Debentures for conversion. All Debentures surrendered for conversion shall have all unmatured coupons attached thereto, and if any such Debenture is registered as to principal it shall be duly endorsed or accompanied by a written instrument or instruments of assignment in form satisfactory to the Company.

The indebtedness evidenced by the Debentures and any coupons appertaining thereto is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness as defined in the Indenture, and this Debenture is issued subject to such provisions, and each holder of this Debenture and any coupon appurtenant hereto, by accepting the same, agrees to and shall be bound by such provisions.

As provided in the Indenture, if and to the extent authorized by the written consent of the holders of at least sixty-six and two-thirds per cent. (66⅔%) in principal amount of the Debentures then outstanding, such changes in or additions to the Indenture may be made by supplemental indenture as such holders and the Company may deem necessary or advisable; provided, however, that no such change shall be made which would (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected, or (ii) take away the conversion right or change the conversion price or the provisions for its adjustment, or (iii) reduce the percentage of the principal amount of Debentures the consent of the holders of which shall be required for the authorization of any such change or addition without the consent of the holders of all of the Debentures then outstanding; and provided further, the rights, duties or immunities of the Trustee shall not be modified without its written consent.

In case an event of default as defined in the Indenture shall occur and be continuing, the principal of all the Debentures may be declared and may become due and payable in the manner and with the effect provided in the Indenture. It is also provided in the Indenture that the holders of a majority in aggregate principal amount of the Debentures at the time outstanding may on behalf of the holders of all of the Debentures waive any past default in the performance of any of the covenants contained in the Indenture and its consequences, excluding a default in the performance of any covenant contained in the Debentures for the payment of interest on or the principal of (and premium, if any, on) any of the Debentures or for the conversion or redemption thereof. Any such consent or waiver by the holder of this Debenture shall be conclusive and binding upon such holder and upon all future holders and owners of this Debenture and of any Debenture issued in exchange herefor or in place hereof, irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

This Debenture is a coupon Debenture and, except while registered as to principal, shall be transferable by delivery. The bearer of any coupon Debenture may register such coupon Debenture as to principal on the registry books to be kept for the purpose at the principal office of the Trustee in the City of Houston, Texas, such registration being noted thereon. After such registration no transfer thereof shall be valid unless made on said books by the registered holder upon surrender of such Debenture accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the registered holder in person or by the duly authorized attorney of such holder and unless such transfer is similarly noted on such Debenture; but such Debenture may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored. Such registration shall not affect the negotiability of the coupons, which shall continue to be payable to bearer and transferable by delivery.

The Company and the Trustee may deem and treat the bearer of this Debenture, or if this Debenture is registered as to principal as herein authorized, the person in whose name this Debenture is registered, and the bearer of any interest coupon appurtenant hereto, whether or not this Debenture shall be registered as to principal, as the absolute owner of this Debenture or such coupon, as the case may be (whether or not this Debenture or such coupon shall be overdue), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

The Debentures are issuable as coupon Debentures in denominations of $25, $100, $500 and $1,000, or any multiple thereof approved by the Company, such approval to be evidenced conclusively by the execution thereof. At the office of the Trustee in the City of Houston, Texas, and in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, coupon Debentures bearing all unmatured coupons may be exchanged for a like aggregate principal amount of coupon Debentures of other authorized denominations bearing all unmatured coupons.

No recourse whatsoever, either directly or through the Company or any trustee, receiver or assignee, shall be had in any event or in any manner against any promoter, incorporator or any past, present or future stockholder, director or officer, as such, of the Company, by virtue of any past, present or future constitution, statute or rule of law or equity or by the enforcement of any assessment or penalty, or by any legal or equitable proceeding, or otherwise, for the payment of the principal of or premium or interest on this Debenture, or for any claim based hereon or otherwise in respect of this Debenture or its coupons or of the Indenture; the Indenture and this Debenture and its coupons being each a corporate obligation only, all individual liability of whatsoever kind or nature of, and all rights and claims against, such promoters, incorporators, stockholders, directors and officers founded in any way, directly or indirectly, upon the Indenture, or this Debenture or its coupons, or growing out of the issue thereof or out of the indebtedness thereby evidenced, are expressly waived and released by the acceptance of this Debenture and its coupons by each of the holders hereof and thereof and as a condition of and a part of the consideration for the issue hereof and the execution and delivery of the Indenture.

Neither this Debenture nor any appurtenant coupon shall be valid or become obligatory for any purpose until this Debenture shall have been authenticated by the execution by the Trustee of the certificate hereon endorsed.

In Witness Whereof, Zapata Off-Shore Company has caused this Debenture to be executed in its name and on its behalf by its President or a Vice President, and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and has caused the coupons hereto annexed to be authenticated by the facsimile signature of its Treasurer as of the 1st day of July, 1956.

Zapata Off-Shore Company

By..
President

Attest:

....
Secretary

[form of interest coupon]

No................

On the first day of ...., 19........, unless the Debenture hereinafter mentioned shall have been called for previous redemption and payment of the redemption price thereof duly made or provided for, Zapata Off-Shore Company will pay to bearer, on surrender of this coupon at the office or agency of the Company in the City of Houston, Texas, ... Dollars ($................) in coin or currency which at the time of payment is under the laws of the United States of America legal tender for the payment of public and private debts, being six (6) months' interest then due on its 5½% Subordinated Convertible Debenture due July 1, 1971.

No................

....
Treasurer

[FORM OF TAX LEGEND FOR ALL DEBENTURES]

Stamps evidencing payment of the United States tax upon the issue of this Debenture have been affixed to an original counterpart of the Indenture filed with the Trustee, and duly canceled.

[FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE FOR ALL DEBENTURES]

Texas National Bank of Houston hereby certifies that this is one of the Debentures described in the within mentioned Indenture.

TEXAS NATIONAL BANK OF HOUSTON,
as Trustee,

By..
Authorized Officer.

AND WHEREAS, all acts and things necessary to make the Debentures when executed by the Company and authenticated and delivered by the Trustee as in this Indenture provided, the valid, legal, and binding obligations of the Company in accordance with their respective terms, and to make this Indenture a valid and binding agreement for the purposes and objects herein expressed in accordance with the terms, covenants, agreements and conditions in this Indenture set forth, have been duly done and performed, and the execution, authentication and delivery of the Debentures and the execution and delivery of this Indenture have been in all respects duly authorized;

Now, THEREFORE, in consideration of the premises and of the purchase and acceptance of the Debentures from the Company and of the sum of One Dollar ($1) duly paid by the Trustee to the Company, the receipt of which is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and ratable benefit of all present and future holders of the Debentures and (subject to the provisions of Section 5.02 of Article Five hereof) coupons, as follows:

ARTICLE ONE.

Definitions.

SECTION 1.01. The terms defined in this Article One shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified, unless the context otherwise requires; and unless otherwise defined in this Indenture all terms used herein which are defined in the Trust Indenture Act of 1939 shall have the meanings assigned to such terms in said Trust Indenture Act:

(1) The term "Company" shall mean ZAPATA OFF-SHORE COMPANY and, subject to Article Eleven, its successors and assigns.

(2) The term "Trustee" shall mean the Trustee hereunder for the time being, whether original or successor, subject to Article Ten hereof.

(3) The term "Indenture" shall mean this Indenture, either as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

(4) The term "Debenture" shall mean one of the Debentures issued hereunder. Debentures shall be deemed to have been issued hereunder when duly authenticated and delivered pursuant to the provisions of this Indenture.

(5) The term "holder" wherever employed herein with respect to a coupon Debenture which shall be registered as to principal shall be deemed to mean the registered holder of such Debenture (or his registered assigns), and wherever employed herein with respect to a coupon Debenture which shall not be registered as to principal, or to a coupon, shall be deemed to mean the bearer of such Debenture or coupon.

(6) The term "outstanding" when used as of any particular time with reference to Debentures shall, subject to the provisions of Section 8.02 of Article Eight, mean all the Debentures which theretofore shall have been issued under this Indenture, except

(a) Debentures theretofore canceled or surrendered to the Trustee for cancellation;

(b) Debentures for the payment or redemption of which (in whole or in part, and only to the extent of such payment or redemption if in part) money in the necessary amount shall have been deposited with the Trustee, whether upon or prior to the maturity or redemption date of such Debentures, *provided,* that, if such Debentures are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Debentures or portions thereof surrendered for conversion; and

(d) Debentures in lieu of and in substitution for which other Debentures shall have been authenticated and delivered pursuant to the terms of Section 2.03 and 2.05 of Article Two hereof.

(7) The term "Board of Directors", when used with reference to the Company, shall mean the Board of Directors of the Company.

(8) The term "resolution" shall mean a resolution or vote of the Board of Directors, certified under the seal of the Company by its Secretary or an Assistant Secretary to have been duly adopted by such Board.

(9) The term "Responsible Officers" as used in this Indenture with reference to the Trustee shall mean any of the following: the chairman of the Board of Directors, the president, every vice-president, the cashier, every assistant vice-president, trust officer and assistant trust officer assigned to the supervision of its trust functions, and every other officer and assistant officer to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

(10) The term "Trust Indenture Act of 1939" as used in this Indenture (except as used in Section 13.03 of Article Thirteen hereof) shall mean such Act as it was in force on the date of actual execution of this Indenture.

(11) The term "Securities and Exchange Commission" as used in this Indenture shall mean the Commission created by the Securities Exchange Act of 1934, or in the event that such Commission shall not be existing and performing the duties now performed by it, then the body, if any, performing duties similar to the duties theretofore performed by the aforesaid Securities and Exchange Commission.

(12) The term "Common Stock" shall mean common stock of the Company as such stock exists at the date of the execution of this Indenture or stock of any class into which the same may be changed from time to time, but such term shall not include any stock or class of stock which may hereafter be authorized which by its terms is preferred to the common stock of the Company as to dividend, liquidation or other rights.

(13) The term "Senior Indebtedness" shall mean the principal of and interest (and redemption premium, if any) on any indebtedness of the Company heretofore or hereafter incurred (including without limitation any renewals, extensions, amendments, or modifications thereof, without notice to or the consent of the holders of the Debentures) other than indebtedness evidenced by the Debentures, unless by the terms of the instrument or instruments creating or evidencing such indebtedness it is provided that such indebtedness is not senior to the Debentures. The term "indebtedness", as used in this definition, shall include: (i) all items of indebtedness of whatsoever nature which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liabilities side of the balance sheet as of the date as of which indebtedness is to be determined; and (ii) all or any guarantees, endorsements and other contingent liabilities of the Company in connection with or in respect of the obligations, stock or dividends of any person (including contingent obligations of the Company to purchase or otherwise acquire indebtedness of any person).

(14) Other defined terms: Certain other terms are defined in Article Ten hereof.

ARTICLE TWO.

I. Form, Execution, Authentication, Registration and Issuance of Debentures.

Section 2.01. The coupon Debentures, the coupons appurtenant thereto and the Trustee's authentication certificate shall be substantially of the tenor and purport hereinabove set forth, with such appropriate omissions, insertions, substitutions and variations as are permitted by this Indenture or as may be required in order that they shall comply with the rules of any stock exchange on which they are then listed and shall conform to usage with respect thereto.

The Debentures shall be known as 5½% Subordinated Convertible Debentures due July 1, 1971. The Debentures shall bear interest at the rate of 5½% per annum, payable on the first days of January and July in each year until the principal thereof shall have become due and payable and all shall bear interest (to the extent that the payment of such interest is enforceable under applicable law) on any overdue principal and on any overdue installment of interest at the rate of six per centum per annum.

The definitive Debentures shall, at the option of the Company, be fully engraved or shall be lithographed or printed within steel engraved or lithographed borders.

The coupon Debentures shall be issued in donominations of Twenty-Five Dollars ($25) numbered consecutively from O-1 and upwards, of One Hundred Dollars ($100) numbered consecutively from C-1 and upwards, of Five Hundred Dollars ($500) numbered consecutively from D-1 and upwards, and of One Thousand Dollars ($1,000) and any multiples thereof approved from time to time by the Company, such approval to be evidenced conclusively by the execution thereof, numbered consecutively from M-1 and upwards, or in such other manner as the Company may determine with the approval of the Trustee.

Subject to the provisions of Section 2.06 of this Article Two, every coupon Debenture shall be dated as of July 1, 1956, and shall bear interest from that date.

SECTION 2.02. All Debentures shall be executed in the name and on behalf of the Company by its President or one of its Vice Presidents under the corporate seal of the Company attested by its Secretary or an Assistant Secretary. Such seal may, to the extent permitted by law, be in the form of a facsimile of the Company's seal and may be affixed, impressed, imprinted, lithographed or engraved on the Debentures. At the election of the Company, the signature of the President or a Vice-President of the Company, upon any of the Debentures, may be made by engraving, lithographing or printing thereon the facsimile signature of such officer or officers in lieu of manual signature. The coupons to be attached to coupon Debentures shall bear the facsimile signature of the present or any future Treasurer of the Company.

Debentures and coupons attached to Debentures bearing the signatures or facsimile signatures of persons who are or were the proper officers of the Company at or before the date of execution of this Indenture or at any time thereafter shall bind the Company, notwithstanding that such persons or any of them shall have ceased to hold such offices prior to the authentication and delivery of the Debentures upon which or upon the coupons appurtenant to which their signatures appear or shall not have held such offices at the date of such Debentures.

The executed certificate of authentication of the Trustee upon any Debenture executed on behalf of the Company shall be conclusive evidence that the Debenture so authenticated, when issued, has been duly issued hereunder and is entitled to the benefit of this Indenture. No Debenture or coupon appurtenant thereto shall be valid or shall become obligatory for any purpose until such Debenture shall have been authenticated by the execution by the Trustee of said certificate.

Subject to the provisions of Sections 2.05 and 2.06 of this Article Two, the Trustee shall not authenticate or deliver any Debenture unless all coupons thereon for interest then matured shall have been detached and canceled.

SECTION 2.03. The Debentures shall be transferable by delivery unless registered as to principal in the manner provided in this Section 2.03. The Company and the Trustee may deem and may treat the bearer of any Debenture which shall not at the time be registered as to principal as hereinafter authorized, and the bearer of any coupon for interest appurtenant to any Debenture, whether or not such Debenture shall be registered as to principal, as the absolute owner of such Debenture or coupon, as the case may be (whether or not the same shall be overdue), for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

The Company and the Trustee may deem and treat the person in whose name any Debenture shall be registered upon the registry books of the Company, maintained at the principal office of the Trustee in the City of Houston, Texas, as the absolute owner of such Debenture (whether or not the same shall be overdue) for the purpose of receiving payment of, or on account of, the principal of such Debenture, and for all other purposes, and neither the Company nor the Trustee shall be affected by any notice to the contrary.

The bearer of any coupon Debenture may register the same as to principal on books to be kept by the Company for that purpose at the principal office of the Trustee in the City of Houston, Texas, such registration being noted on such Debenture. After such registration no transfer of such Debenture shall be valid unless made on said books by the registered holder, upon surrender of such Debenture, accompanied by a written instrument of transfer in form satisfactory to the Company, duly executed by the registered holder in person or by the duly authorized attorney of such holder, and unless such transfer is similarly noted on such Debenture; but the same may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored. Debentures shall continue to be subject to successive registrations and transfers to bearer, at the option of their respective holders; but no registration of any Debenture shall affect the negotiability of the interest coupons appurtenant thereto, which shall continue to be payable to bearer and transferable by delivery.

The Trustee hereunder shall, by virtue of its office as such Trustee, be the registrar and transfer agent of the company for the purpose of registering and transferring Debentures.

Whenever one or more Debentures having attached thereto all unmatured coupons for interest (accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee, duly executed by the registered holder thereof in person or by the duly authorized attorney of such holder, if such Debenture or Debentures shall at the time be registered as to principal) shall be surrendered for exchange for Debentures of other authorized denominations, the Company shall execute, and the Trustee shall authenticate and, in exchange for such surrendered Debenture or Debentures, shall deliver one or more Debentures of authorized denominations, in the same aggregate principal amount, and if Debentures registered as to principal be requested, in such name or names and in such authorized denomination or denominations, as may be requested.

In the case of every such transfer or exchange, the Trustee forthwith shall cancel the surrendered Debenture or Debentures and coupons.

Upon any transfer or exchange of Debentures permitted by the provisions of this Section 2.03, the Company, at its option, may require, as a condition precedent to such transfer or exchange, the payment of a sum sufficient to reimburse it for any stamp tax or any other governmental charge with respect to any transfer involved therein and, in addition thereto, a further sum not in excess of Two Dollars ($2) for each new Debenture issued upon any such transfer or exchange.

The Company shall not be required to make transfers or exchanges of any Debentures called or being called for redemption, except as provided in Section 3.02 of Article Three hereof.

Section 2.04. The aggregate principal amount of Debentures which may be executed by the Company and authenticated by the Trustee (except pursuant to Section 2.03, 2.05 and 2.07 hereof), is limited to Two Million One Hundred Fifty Thousand Dollars ($2,150,000).

Subject to the limitations of the next preceding paragraph, forthwith upon the execution and delivery of this Indenture or from time to time thereafter, Debentures may be executed by the Company and delivered to the Trustee for authentication, and thereupon shall be authenticated and delivered by the Trustee in accordance with the written order of the Company, signed by its President or one of its Vice Presidents or its Treasurer, without any further action on behalf of the Company.

SECTION 2.05. In case any Debenture shall at any time become mutilated or be destroyed or lost or stolen, the Company in its discretion may execute, and thereupon the Trustee shall authenticate and deliver, a new Debenture of like tenor, together with all matured and unpaid coupons and all unmatured coupons, if any, appurtenant thereto, in exchange and substitution for such mutilated Debenture and its coupons, if any, or in lieu of and in substitution for such destroyed, lost or stolen Debenture and its coupons, if any; or, if any such Debenture or coupon shall have matured, instead of issuing a substitute Debenture or coupon the Company may pay the same without surrender thereof. In case of any such mutilation, destruction, loss or theft the applicant for a substitute Debenture or for payment thereof or of any coupon shall furnish to the Company and to the Trustee evidence to their satisfaction of the mutilation, destruction, loss or theft of such Debenture and appurtenant coupons, if any, and of the ownership thereof, and also such security or indemnity as may be required by the Company and the Trustee. Thereupon the Company shall execute and the Trustee shall authenticate such substitute Debenture and deliver the same with appurtenant coupons, if any, upon the written request or authorization of the Company, or the Company may make such payment, as the case may be; and, subject to the provisions of Sections 10.01 and 10.02 of Article Ten hereof, the Trustee shall incur no liability to anyone by reason of anything done or omitted to be done by it in good faith under the provisions of this Section 2.05. Upon the issuance of any substitute Debenture, the Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge or other expense (including that of the Trustee) connected therewith.

Any such substitute Debentures authenticated and delivered in lieu of and in substitution for any such mutilated, destroyed, lost or stolen Debenture, pursuant to this Section 2.05, together with all appurtenant coupons, if any, attached thereto upon the delivery thereof by the Trustee, shall constitute original additional contractual liability on the part of the Company, whether or not the mutilated, destroyed, lost or stolen Debentures or coupons shall be at any time enforceable by anyone, and shall be entitled to equal and proportionate benefits of this Indenture with all other Debentures and coupons issued hereunder.

All Debentures are held and owned upon the express condition that the foregoing provisions are exclusive in respect of the replacement of mutilated, destroyed, lost or stolen Debentures and shall preclude any and all other rights and remedies, any law or statute now existing or hereafter enacted to the contrary notwithstanding.

Section 2.06. Each Debenture delivered pursuant to any provision of this Indenture in exchange or substitution for, or upon the transfer of, the whole or any part, as the case may be, of one or more other Debentures shall carry all of the rights to interest accrued and unpaid, and to accrue, which were carried by the whole or such part, as the case may be, of such one or more other Debentures and, notwithstanding anything contained in this Indenture, such Debenture shall be so dated, or have attached thereto such coupons, that neither gain nor loss in interest shall result from such exchange, substitution or transfer.

Section 2.07. Pending the preparation of definitive Debentures the Company may execute and the Trustee shall authenticate and deliver temporary Debentures (printed or lithographed at the option of the Company), of any authorized denomination, and substantially in the form of the definitive Debentures, but with such omissions, insertions and variations as may be appropriate for temporary Debentures, all as determined by the Board of Directors of the Company. Every temporary Debenture shall be executed by the Company and shall be authenticated by the Trustee upon the same conditions and in substantially the same manner and with like effect as the definitive Debentures. As soon as practicable the Company shall prepare and execute definitive

Debentures and thereupon any temporary Debentures may be surrendered in exchange therefor, without charge, at the principal office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Debentures a like aggregate principal amount of definitive Debentures. Until so exchanged, the temporary Debentures shall be entitled to the same benefit under this Indenture as definitive Debentures authenticated and delivered hereunder.

II. Subordination of Debentures.

Section 2.08. The Company, for itself, its successors and assigns, covenants and agrees, and each holder of Debentures, or any coupon, by his acceptance thereof, likewise covenants and agrees, that the payment of the principal of (and redemption premium, if any) and interest on each and all of the Debentures is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of all Senior Indebtedness.

Section 2.09. Upon any distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency, reorganization or receivership proceedings or upon an assignment for the benefit of creditors or any other marshalling of the assets and liabilities of the Company or otherwise) the holders of all Senior Indebtedness shall first be entitled to receive payment in full of the principal thereof and the interest due thereon before the holders of the Debentures are entitled to receive any payment upon the principal (and redemption premium, if any) of or interest on indebtedness evidenced by the Debentures; and upon any such dissolution, winding up, liquidation, or reorganization, any payment or distribution of assets of the Company of any kind or character, whether in cash, property, or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Subdivision II of Article Two with respect to the Debentures to the payment of all indebtedness of the nature of Senior Indebtedness which may at the time be outstanding, provided that the rights of the holders of the Senior Indebtedness are not altered in any respect by such reorganization or readjustment) to which the holders of the Debentures or the Trustee would be entitled except for the provisions of this Subdivision II of Article Two shall be paid by the liquidating trustee or agent or other person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, direct to the holders of Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instrument evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of the principal of and interest on the Senior Indebtedness held or represented by each, to the extent necessary to pay in full all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

In the event that, notwithstanding the foregoing, upon any such dissolution, winding up, liquidation or reorganization any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than shares of stock of the Company as reorganized or readjusted or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Subdivision II of Article Two with respect to the Debentures to the payment of all indebtedness of the nature of Senior Indebtedness which may at the time be outstanding, provided that the rights of the holders of the Senior Indebtedness are not altered in any respect by such reorganization or readjustment) shall be received by the Trustee or the holders of the Debentures before all Senior Indebtedness is paid in full, such payment or distribution shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under the indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid, until all Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness.

Upon any distribution of assets of the Company referred to in this Subdivision II of Article Two, the Trustee and the holders of the Debentures shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending or upon a certificate of the liquidating trustee or agent or other person making any such distribution to the Trustee, or to the holders of the Debentures for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Subdivision II of Article Two.

Section 2.10. Nothing contained in this Subdivision II of Article Two or elsewhere in this Indenture, or in any of the Debentures shall prevent (a) the Company, at any time except during the pendency of any such dissolution, winding up, liquidation or reorganization proceedings, from making payments at any time of principal of (and redemption premium, if any) or interest on the Debentures, or (b) the application by the Trustee of any moneys deposited with it hereunder to the payment of or on account of the principal of (and redemption premium, if any), or interest on the Debentures.

Section 2.11. Each holder of Debentures by his acceptance thereof authorizes and directs the Trustee in his behalf to take such action as may be necessary or appropriate to acknowledge or to effectuate the subordination as provided in this Subdivision II of Article Two and appoints the Trustee his attorney in fact for any and all such purposes.

ARTICLE THREE.

Redemption of Debentures.

Section 3.01. The Company, at its option to be exercised by resolution of its Board of Directors, may redeem all, or any part of the

Debentures at any time and from time to time (in amounts of $25 or multiples thereof), prior to maturity, upon notice given as hereinafter provided, at 100% of the principal amount thereof (or principal amount of the part of the Debentures so to be redeemed), together with unpaid interest accrued thereon to the date fixed for redemption.

SECTION 3.02. Notice of redemption shall be given by the Company by publication thereof once in each week for four (4) successive calendar weeks (in each instance on any business day of the week) prior to the redemption date in one newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Houston, Texas, and in a similar newspaper similarly published and of general circulation in the Borough of Manhattan, the City of New York, the first such publication to be made not less than thirty (30) days nor more than ninety (90) days before such redemption date. A copy of such notice shall also be mailed by the Company at least thirty (30) days before the redemption date to the registered holders of Debentures which are to be redeemed, at their last addresses appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure to give such notice by mailing or any defect therein shall not affect the validity of any proceedings for the redemption of Debentures.

Each such notice shall state the following: such election on the part of the Company to redeem Debentures, specifying the date fixed for redemption; if less than all of the Debentures are to be redeemed, the distinguishing numbers and letters of the Debentures to be redeemed as a whole, and the distinguishing numbers and letters of the Debentures to be redeemed in part (indicating the extent of the partial redemption thereof, respectively), together with such other description of the Debentures (and portions of Debentures, if any) as may be necessary in order to identify the same (*provided,* that the notice to be mailed to any registered holder of Debentures to be redeemed may but need not so describe any other Debentures to be redeemed); the redemption price at which such Debentures are to be redeemed; where payment of the redemption price of the Debentures to be redeemed is to be made upon presentation and surrender of such Debentures with all coupons appertaining thereto maturing after the date fixed for redemption; that interest accrued to the date fixed for redemption will be paid as specified in said notice but that from and after said date interest thereon will cease to accrue; that the principal of the Debentures so to be redeemed may be converted into Common Stock up to 3:00 o'clock in the afternoon Central Standard Time on the 5th day prior to the date fixed for redemption, and the conversion price and basis of conversion; that after provision has been made as herein provided for such notice and for the payment of the Debentures to be redeemed the Debentures to the extent so called shall cease to be entitled to any benefit under this Indenture except the right to receive the redemption price or to convert into Common Stock the Debentures or portion of Debentures so called for redemption, which conversion right shall terminate at 3:00 o'clock in the afternoon Central Standard Time on the 5th day prior to said redemption date.

The sworn certificate of the Company as to the giving of proper notice of redemption shall be full and complete authority to the Trustee for any action to be taken by it in reliance thereon, subject to the provisions of Sections 10.01 and 10.02 of Article Ten hereof.

If less than all the Debentures are to be redeemed, the Company shall give the Trustee adequate notice in advance as to the aggregate principal amount of Debentures to be redeemed, and thereupon the Trustee shall draw by lot, in such manner as it shall deem appropriate and fair in its discretion, and not inconsistent herewith, the numbers of the Debentures to be redeemed and shall thereafter promptly notify the Company in writing of the numbers of the Debentures to be redeemed, and the Company shall cause to be given the notice of redemption provided for in this Section 3.02.

If, in the case of the redemption of less than all of the Debentures at the time outstanding, there shall have been designated for redemption as aforesaid a portion but less than all of any outstanding Debenture, then, upon surrender for cancellation of such Debenture there shall be paid to the holder of such Debenture the principal amount of the portion of such Debenture so designated for redemption and unpaid accrued interest in respect thereof together with the applicable premium, if any; and the Company shall execute and the Trustee shall thereupon authenticate and deliver to the holder thereof, at the expense of the Company, a new Debenture or Debentures of authorized denominations for the principal amount of such Debenture remaining unpaid.

Before the redemption date specified in any notice given by the Company of its exercise of its right to redeem Debentures, the Company shall deposit with the Trustee or any paying agent, other than the Company, an amount in cash sufficient to redeem all of the Debentures which are to be redeemed (in whole or in part) on the redemption date specified in such notice, and such cash shall be held by the Trustee or such paying agent for the benefit of the respective holders of such Debentures and shall be paid to them respectively as aforesaid. If, after having given such notice in any instance, the Company shall fail to deposit the necessary funds for such redemption, such failure shall constitute an event of default under this Indenture and thereupon all the remedies provided for in Article Six hereof with respect to an event of default shall be available and enforceable by the Trustee and the holders of the Debentures.

Section 3.03. Subject to and except as otherwise provided in Section 4.01 of Article Four hereof relating to conversion of Debentures into Common Stock, if the amount necessary to redeem any Debentures called for redemption under this Article Three shall have been deposited with the Trustee or with any paying agent, other than the Company, and the notice of redemption hereinbefore specified shall have been given, such Debentures to the extent so called, whether or not presented for redemption, shall cease to be entitled to any benefit under this Indenture, except the right to receive the redemption price upon presentation thereof, and cease to be outstanding hereunder; and thereupon and upon completion of said notice such Debentures, to the extent so called, shall become due and payable on the redemption date duly specified in said notice, no interest will accrue thereon after said date, coupons thereto appurtenant maturing after said date shall be void, and the holders of such Debentures to the extent so called, shall look for the payment of the called principal of such Debentures and premium, if any, and of accrued and unpaid interest, solely to the money so deposited with the Trustee or such paying agent or held by the Trustee or such paying agent for that purpose and in no event to the Company, except as provided in Section 12.02 hereof.

All Debentures and coupons appurtenant thereto redeemed and paid under this Article Three shall be canceled by the Trustee; and no Debentures shall be issued hereunder in place thereof.

If the redemption date be a legal holiday or a day on which banking institutions are authorized by law to close, then payment of the redemption price and interest payable upon redemption may be made on the next succeeding day, not a legal holiday nor a day on which banking institutions are authorized by law to close, with the same force and effect as if made on the nominal redemption date, and no interest shall accrue for the period after the nominal redemption date upon the Debentures so redeemed.

ARTICLE FOUR.

Conversion Into Common Stock.

SECTION 4.01. At the option of the holder thereof, any Debenture or any portion of the principal amount thereof which is $25 or a multiple thereof may, at any time on or prior to July 1, 1971, or in case such Debenture or portion thereof shall be called for redemption prior to such date, then only until the time fixed pursuant to the next succeeding sentence, be converted at the principal amount thereof, or such portion thereof, into Common Stock of the Company at the conversion price of $8.70 per share, subject to adjustment as hereinafter provided.

If all or any Debentures or portion thereof are called for redemption pursuant to the provisions of Article Three hereof, the Debentures so called for redemption shall be convertible into Common Stock of the Company at the option of the holders at any time after notice of redemption and before 3:00 o'clock in the afternoon Central Standard Time on the 5th day prior to the redemption date of such Debentures at the conversion price per share of Common Stock in effect at the time such Debentures are surrendered for conversion.

The holder of any Debenture of a denomination larger than $25 shall be entitled, at his option, to exercise the right of conversion in respect of any portion of the principal amount thereof consisting of $25 or any multiple thereof and, upon the surrender of such Debenture for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver, at the expense of the Company, in exchange for the unconverted portion of such Debenture, a new Debenture or Debentures for a like aggregate amount in such authorized denominations as the holder may elect.

The Company shall not be required to issue any fraction of a share of stock or scrip representing a fraction of a share of stock on any conversion pursuant to this Article Four. Upon the surrender and acceptance of a Debenture for conversion at the office or agency specified in Section 5.03 hereof, the holder shall be entitled to receive the number of full shares of Common Stock equal to the quotient (exclusive of fractions) obtained by dividing the principal amount of the Debenture so surrendered by the conversion price then in effect, and an amount in cash, as an adjustment in lieu of any fraction of a share resulting from such division, equal to such fraction multiplied by the then applicable conversion price of one share of Common Stock. If more than one Debenture shall be surrendered and accepted for conversion at any one time by the same holder, the number of full shares issuable upon conversion and any fraction of a share in respect of which a cash adjustment is to be made shall be computed by dividing the conversion price then in effect into the aggregate principal amount of all Debentures so surrendered and accepted for conversion by such holder.

In the case of coupon Debentures, the surrender thereof shall be with all unmatured coupons thereto appertaining. In the case of the surrender of coupon Debentures which are at the time registered as to principal, such Debentures shall be duly endorsed, or accompanied by a written instrument or instruments of surrender in form satisfactory to the Company, duly executed by the holder or his attorney duly authorized in writing.

Section 4.02. The Company shall issue and deliver in exchange for the Debentures so surrendered, as soon as practicable after such surrender, certificates representing the number of shares of Common Stock into which such Debentures shall be convertible, issued in the names of the holders thereof or in such name or names as they may direct. The conversion right in respect of any Debentures shall be deemed to be exercised upon the receipt by the Company of the Debentures and any coupons thereto appurtenant, so surrendered, duly endorsed or accompanied by written instrument, if required as above provided. The holders of such Debentures shall be deemed to have become stockholders of record as of the date upon which such Debentures shall have been so received. Thereupon, such Debentures shall be deemed to be satisfied and discharged and no longer outstanding for any of the purposes of this Indenture and shall be delivered to and cancelled by the Trustee and no Debentures in lieu thereof shall be issued by the Company. The receipt of such Debentures so surrendered and accepted for conversion shall be deemed to be full payment for the Common Stock issued in conversion thereof.

SECTION 4.03. The provisions of Section 4.01 of this Article are subject to the following provisions relating to the adjustment from time to time of the conversion price governing the conversion of Debentures into Common Stock:

A. If and whenever the Company shall issue any Common Stock (other than Common Stock reserved for issue upon the conversion of the Debentures issued hereunder), in addition to the number of shares of Common Stock of the Company which will be outstanding at the close of business on July 2, 1956, either as a dividend or otherwise, without consideration, or for a consideration per share less than the conversion price then in effect, then, and thereafter successively upon each such issuance, the conversion price in effect immediately prior to the issuance of such additional shares shall forthwith be reduced to a price determined by dividing

(1) an amount equal to (a) the total number of shares of Common Stock outstanding immediately prior to such issuance multiplied by the conversion price in effect immediately prior to such issuance plus (b) the consideration, if any, received by the Company upon such issuance, by

(2) the total number of shares of Common Stock outstanding immediately after the issuance of such additional shares.

Anything in this Article Four to the contrary notwithstanding, the Company shall not be required to make any adjustment of the conversion price in accordance with the foregoing provisions of this Section 4.03 if the amount of such adjustment would be less than fifty cents per share, but in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment, which, together with any adjustment or adjustments so carried forward, shall amount to not less than fifty cents per share.

For the purposes of this Subdivision A, the following provisions shall also be applicable:

(1) In case of the issuance of additional Common Stock for cash, the consideration received by the Company therefor shall be deemed to be the amount of cash received by the Company for such shares, before deducting therefrom any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such shares.

(2) In case of the issuance (otherwise than upon conversion or exchange of obligations or shares of stock of the Company) of additional Common Stock for a consideration other than cash or a consideration a part of which shall be other than cash, the amount of the consideration other than cash received by the Company for such shares shall be deemed to be the value of such consideration as determined by resolution of the Board of Directors.

(3) In case of the issuance of additional Common Stock (other than Common Stock reserved for issue upon the conversion of the Debentures issued hereunder) upon the conversion or exchange of any obligations or of any shares of stock of the Company, the amount of the consideration received by the Company for such Common Stock shall be deemed to be the consideration received by the Company for such obligations or shares so converted or exchanged, before deducting from such consideration so received by the Company any expenses or commissions incurred or paid by the Company for any underwriting of, or otherwise in connection with, the issuance of such obligations or shares, plus any consideration or adjustment payment received by the Company in connection with such conversion or exchange.

(4) The number of shares of stock of any class at any time outstanding shall include all shares of stock of that class then owned or held by or for the account of the Company.

(5) In case of the issuance of additional Common Stock as a dividend, the aggregate number of shares of Common Stock issued in payment of such dividend shall be deemed to have been issued without consideration.

B. If at any time or from time to time the Company shall, by split-up, combination of shares, or otherwise, change as a whole the outstanding number of shares of its Common Stock into a different number of shares, thereafter any holder of Debentures, upon conversion thereof, shall be entitled to receive, in lieu of the number of shares of Common Stock to which, but for such change, he would be entitled, that number of shares for which such Common Stock would have been exchangeable had they been outstanding at the time of such change, and the conversion price per share shall be correspondingly adjusted.

C. The above provisions of this Section 4.03 shall similarly apply to successive issues, split-ups or combinations of Common Stock.

SECTION 4.04. Upon the conversion of the Debentures into Common Stock of the Company no allowance or adjustment shall be made either for accrued interest upon the Debentures or accrued dividend rights upon the Common Stock.

SECTION 4.05. In case of any capital reorganization or any reclassification of the capital stock of the Company or in case of the consolidation of the Company with, or merger of the Company into, another corporation (other than a merger in which the Company is the continuing corporation and which does not result in any reclassification or change of its outstanding shares of Common Stock) or the conveyance of all or substantially all of the assets of the Company to another corporation, thereafter any holder of Debentures, upon conversion thereof, shall be entitled to receive (in lieu of the number of shares of Common Stock to which, but for such change, he would be entitled) the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Company deliverable upon conversion of such Debenture would have been entitled upon such reorganization, reclassification, consolidation, merger or conveyance; and, in any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of Debentures, to the end that the provisions set forth herein (including provisions with respect to changes in, and other adjustments of, the conversion price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other securities or other property thereafter deliverable upon the conversion of Debentures. Any such adjustment which shall be made by and set forth in a supplemental indenture entered into pursuant to Section 13.01 hereof and approved by the Board of Directors of the Company shall for all purposes hereof conclusively be deemed to be an appropriate adjustment. The subdivision or combination of shares of Common Stock at any time outstanding into a greater or lesser number of shares of Common Stock (whether with or without par value) shall not be deemed to be a reclassification of the capital stock of the Company for the purposes of this Section 4.05.

Section 4.06. The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock solely for the purpose of issue upon conversion of Debentures as herein provided, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all outstanding Debentures. If the taking of any action would cause an adjustment reducing the then prevailing conversion price below the then prevailing par value, if any, of the Common Stock, the Company will take such corporate action as may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of its Common Stock at such adjusted conversion price.

Section 4.07. The issuance of certificates for shares of Common Stock upon the conversion of any Debenture shall be made without charge to the converting debenture holder for such certificates or any tax in respect of the issuance of such certificates, and such certificates shall be issued in the respective names of, or in such names as may be directed by, the holder of the Debenture so converted; provided, however, that in the event that certificates for shares of Common Stock are to be issued in a name other than the name of the registered holder of the Debenture so converted, said Debenture when surrendered for conversion shall be accompanied by an instrument of transfer, in form satisfactory to the Company, duly executed by the registered holder thereof or his duly authorized attorney, and provided further, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the holder of the Debenture so converted, and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 4.08. Whenever the conversion price shall be adjusted pursuant to the provisions of Section 4.03, the Company shall forthwith file with the Trustee a statement signed by its President or one of its Vice Presidents specifying the adjusted conversion price determined as provided in Section 4.03. Such statement shall show in reasonable detail the method of calculation of such adjustment and the facts requiring the adjustment and upon which the calculation is based. Subject to the provisions of Sections 10.01 and 10.02, the Trustee shall be under no duty or responsibility with respect to any such statement, except to exhibit the same from time to time to any debenture holder desiring an inspection thereof. The Company shall forthwith cause a notice setting forth the adjusted conversion price to be published once in a newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Houston, Texas, and in a similar newspaper similarly published and of general circulation in the Borough of Manhattan, the City of New York, and shall send a copy of such notice by mail, first class postage prepaid, to each holder of Debentures registered as to principal at his address appearing on the registration books of the Company.

ARTICLE FIVE.

Certain Covenants of the Company.

Section 5.01. The Company covenants that it is duly authorized to execute and deliver this Indenture and to issue and sell the Debentures, and that the Debentures and coupons appurtenant thereto in the hands of holders thereof are and will be valid and enforceable obligations of the Company in accordance with their terms and the terms of this Indenture.

The Company covenants that it will duly and punctually pay the principal of, and premium, if any, and interest on, each of the Debentures at the times and place and in the manner mentioned in the Debentures, and in the coupons appurtenant thereto, and herein, according to the true intent and meaning thereof and hereof, in coin or currency which at the time of payment is under the laws of the United States of America legal tender for the payment of public and private debts. When and as Debentures and coupons are paid they shall be canceled by the Trustee; and the Company covenants that no Debentures or coupons shall be issued hereunder in place thereof.

The Company covenants that, if it shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the Trustee an instrument in which it shall agree with the Trustee, subject to the provisions of this paragraph, (1) that such paying agent shall hold in trust for the benefit of the holders of Debentures or coupons, as the case may be, or of the Trustee all sums held by such paying agent for the payment of the principal of, or interest or premium on, any Debentures; and (2) that such paying agent shall give the Trustee notice of any default by the Company or other obligor in the making of any deposit with it for the payment of the principal of, or interest or premium on, any such Debentures when the same may be due and payable, and of any default by the Company or other obligor in the making of any such payment to or through such paying agent. Such paying agent shall not be obligated to segregate such sums from other funds of such paying agent, except to the extent required by law. Anything in this paragraph to the contrary notwithstanding, the agreement to hold sums in trust as provided in this paragraph shall be subject to the provisions of Section 10.07 of Article Ten and Section 12.02 of Article Twelve hereof.

If the Company shall act as its own paying agent, it will, on or before each due date of the principal of (and premium, if any) or each installment of interest on the Debentures, set aside and segregate and hold in trust for the benefit of the holders of the Debentures, or of the coupons, as the case may be, a sum sufficient to pay such principal (and premium, if any) or interest so becoming due and will notify the Trustee of such action, or of any failure to take such action.

Section 5.02. The Company covenants and agrees that it will not, directly or indirectly, extend or consent to the extension of the time for the payment of any coupon appurtenant to any of the Debentures and will not, directly or indirectly, be a party to or approve of any such arrangement by purchasing or funding such coupons or in any other manner. No coupon, the time of payment of which shall have been extended, or which shall have been purchased or funded, and no such coupon which in any way before, at or after maturity, shall have been transferred or pledged separate or apart from the Debenture to which it belongs, unless accompanied by such Debenture, shall be entitled in case of a default hereunder to any benefit under this Indenture, except after the prior payment in full of the principal of all the Debentures and of all coupons not so extended, purchased, funded, transferred or pledged.

Section 5.03. As long as any of the Debentures remain outstanding, the Company will maintain an office or agency in the City of Houston, Texas, where the Debentures may be presented for registration, transfer and exchange, and where notices and demands to or upon the Company in respect of the Debentures and coupons, or of this Indenture, may be made or served, and the Company will likewise maintain an office or agency in the City of Houston, Texas, and in the Borough of Manhattan, the City of New York, where Debentures may be presented for conversion and where Debentures and coupons may be presented for payment. Unless otherwise designated by the Company in a notice to the Trustee, such office or agency in the City of Houston, Texas, for all of the above purposes shall be the principal office of the Trustee, and such office or agency in the City of New York for the purposes of conversion and payment shall be J. P. Morgan & Co., 23 Wall Street, New York, N.Y. The Company will give to the Trustee notice of any change of location of any such office or agency. In case the Company shall fail to maintain such office or agency or shall fail to give such notice of any change in location thereof, presentations and demands may be made and notices may be served at the principal office of the Trustee in the City of Houston, Texas.

Section 5.04. The Company covenants that it will, subject to the provisions of Article Eleven hereof, at all times maintain its corporate existence and right to carry on business, and will use its best efforts to maintain, preserve and renew all its rights, powers, privileges and franchises.

ARTICLE SIX.

Remedies of the Trustee and Debenture Holders.

SECTION 6.01. If one or more of the following events, herein called "events of default", shall happen, and be continuing, that is to say:

(1) if default be made in the punctual payment of the principal of any of the Debentures, with the premium thereon, if any, when and as the same shall become due and payable, whether at the maturity or upon the redemption date of said Debentures or by declaration as provided in this Indenture, or

(2) if default be made in the payment of any installment of interest on any of the Debentures and such default shall continue for thirty (30) days after such installment becomes due and payable, or

(3) if default be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company or its successors or assigns contained in the Debentures or in this Indenture or in any indenture supplemental hereto, and any such default shall continue for sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least twenty-five per cent. (25%) in aggregate principal amount of the Debentures at the time outstanding, or

(4) if, by the order of a court of competent jurisdiction, a receiver or liquidator or trustee of the Company or of any of its property shall be appointed and shall not have been discharged within sixty (60) days, or if, by decree of such a court, the Company shall be adjudicated bankrupt or insolvent and such decree shall have continued undischarged and unstayed for sixty (60) days after the entry thereof, or if a petition to reorganize the Company pursuant to the National Bankruptcy Act or any other similar statute applicable to the Company, as now or hereafter in effect, shall be filed against the Company and shall not be dismissed within sixty (60) days after such filing, or

(5) if the Company shall file a petition in voluntary bankruptcy under any provision of any bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any such law, or if (without limitation of the generality of the foregoing) the Company shall file a petition to reorganize the Company pursuant to the National Bankruptcy Act or any

enforceable, on the overdue installments at the rate of six per centum per annum); such payments to be made, subject to the provisions of Section 5.02 of Article Five hereof, ratably to the persons entitled thereto without discrimination or preference;

(c) In case the principal of such Debentures shall have become due by declaration or otherwise, to the payment of the whole amount then unpaid upon such Debentures then outstanding for principal and interest (with interest, so far as the same may be legally enforceable, at the rate of six per centum per annum on the overdue principal and installments of interest); and, in case such moneys shall be insufficient to pay in full the whole amount so payable upon such Debentures, then, subject to the provisions of Section 5.02 of Article Five hereof, to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest;

(d) To the payment of all other amounts payable by the Company under the terms of this Indenture;

(e) To the payment of the surplus, if any, to the Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Section 6.05. All remedies specifically conferred on the Trustee or the holders of Debentures under this Indenture shall be deemed cumulative and not exclusive of any thereof or of any other remedies available to the Trustee or the holders of Debentures at law or in equity or otherwise, and no delay or omission of the Trustee or of any Debenture holder to exercise any right or power accruing upon any default, occurring and continuing as aforesaid, shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Debenture holders may be exercised from time to time as often as shall be deemed expedient by the Trustee or by the Debenture holders.

In case the Trustee shall have proceeded to enforce any right under this Indenture, by sale or otherwise, and such proceedings shall have been discontinued and abandoned because of waiver, or for any other reason, or shall have been determined adversely to the Trustee, then, other similar statute applicable to the Company, as now or hereafter in effect, or if the Company shall take action looking to the dissolution or liquidation of the Company (except in connection with a consolidation or merger pursuant to Article Eleven hereof), or if the Company shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver, or trustee, or liquidator, of the Company of all or any part of its property—

then in each and every case (unless the principal of all the Debentures shall already have become and be due and payable) at any time during the continuance of any such event of default, either the Trustee, or the holders of not less than twenty-five per cent. (25%) in aggregate principal amount of the Debentures then outstanding hereunder, by notice in writing given to the Company (and to the Trustee if given by debenture holders), may declare the principal of all the Debentures then outstanding to be due and payable immediately, and upon any such declaration the same shall become and be due and payable immediately, anything in this Indenture or in the Debentures contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if at any time after the principal of the Debentures shall have been so declared and become due and payable, and before any judgment or decree for the payment of the moneys so due, or any part thereof, shall be entered, all arrears of interest upon all the Debentures (with interest, so far as the same may be legally enforceable, at the rate of six per centum per annum upon any overdue installments of interest) and all other sums payable under this Indenture (except the principal of the Debentures which by such declaration shall have become payable), shall have been duly paid, and every other default and event of default known to the Trustee with respect to any covenant or provision of the Debentures or of this Indenture, shall have been made good or waived as provided in Section 6.02, then and in every such case the holders of a majority in aggregate principal amount of the Debentures then outstanding may, by written instrument filed with the Trustee, rescind and annul such declaration and its consequences; but no such rescission or annulment shall extend to or affect any subsequent or then existing default or event of default or impair any right consequent thereon.

Section 6.02. The Company covenants and agrees that (1) if default be made in the payment of any installment of interest on any of the Debentures and such default shall continue for thirty (30) days, or (2) if default be made in the punctual payment of the principal of any of the Debentures, with the premium thereof, if any, when the same shall become due and payable, whether at the maturity or upon the redemption date of said Debentures or by declaration as provided in this Indenture, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the holders of the Debentures and coupons then outstanding, the whole amount which then shall have become due and payable on the Debentures and coupons for interest or principal or both, as the case may be (with interest, so far as the same may be legally enforceable, at the rate of six per centum per annum upon the overdue principal and installments of interest), and in addition thereto such further amount as shall be sufficient to cover the cost and expenses of collection, including a reasonable compensation to the Trustee, its agents, attorneys and counsel and any expenses or liabilities incurred by the Trustee hereunder (except expenses or liabilities incurred by reason of the negligence or bad faith of the Trustee). In case the Company shall fail to pay the same forthwith upon such demand, the Trustee in its own name, and as trustee of an express trust, shall be authorized to recover judgment for the whole amount of such principal and/or interest so due and unpaid against the Company or any other obligor upon the Debentures.

In case any one or more events of default shall happen, the Trustee, during the continuance thereof, in its own name and as trustee of an express trust, may in its discretion, and upon request in writing of the holders of not less than a majority in aggregate principal amount of the Debentures then outstanding shall, institute such actions or proceedings at law or in equity as it shall deem expedient for the protection of the rights of the Trustee and of the holders of Debentures, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Company or any other obligor on the Debentures.

No recovery of any judgment or the obtaining of any final decree by the Trustee, and no levy of an execution under any such judgment or final decree upon any property of the Company or any other obligor on the Debentures, shall in any manner or to any extent affect any rights, powers or remedies of the Trustee or any rights, powers or remedies of the holders of the Debentures, but such rights, powers and remedies of the Trustee and of the holders of the Debentures shall continue unimpaired as before until the payment of all principal, interest and other amounts payable by the Company or any other obligor on the Debentures and coupons and this Indenture.

All rights of action under this Indenture or under any of the Debentures or coupons may be enforced by the Trustee without the possession of any of the Debentures or coupons or the production thereof at any trial or other proceedings relative thereto, and any suit or proceeding instituted by the Trustee shall be brought in its own name, and as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the holders of the Debentures and (subject to the provisions of Section 5.02 of Article Five hereof) coupons.

The holders of at least a majority in aggregate principal amount of the Debentures then outstanding shall have the right, from time to time, (A) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee, under this Indenture, or (B) on behalf of the holders of all of the Debentures to waive any past default in the performance of any of the covenants contained herein and its consequences, excluding a default in the performance of any covenant contained in the Debentures for the payment of interest on or the principal of (and premium, if any, on) any of the Debentures or for the conversion or redemption thereof. In the case of any such waiver, the Company, the Trustee and the holders of the Debentures shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.03. In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or other obligor upon the Debentures under the National Bankruptcy Act or any other applicable law or in connection with the insolvency of the Company or other obligor upon the Debentures or in case a receiver or trustee shall have been appointed for its property, or in case of any other judicial proceedings relative to the Company or other obligor upon the Debentures, its creditors or its property, the Trustee, irrespective of whether the principal of the Debentures shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of Section 6.02, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest owing and unpaid in respect of the Debentures, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Debenture holders allowed in any judicial proceeding relative to the Company, or other obligor upon the Debentures, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of the amount payable to the Trustee under Section 10.08; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of the Debenture holders to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Debenture holders, to pay to the Trustee any amount due it under Section 10.08.

Section 6.04. Any moneys collected by the Trustee under or pursuant to, or as authorized or permitted by, this Article Six, together with any other sums held by the Trustee hereunder (other than sums held in trust for the benefit of the holders of particular Debentures or coupons), shall be applied in the order set forth below at the date fixed by the Trustee for distribution of such moneys upon presentation (except in respect of subsection (a) below) of the several Debentures and/or coupons, as the case may be, with respect to which such moneys were collected, and stamping thereon the payment, if only partially paid, or upon the surrender thereof, if fully paid:

(a) To the payment of costs and expenses, including reasonable compensation to the Trustee, its agents, and counsel, and of all expenses incurred in good faith, and advances made or incurred by the Trustee;

(b) In case the principal of such Debentures shall not have become due, to the curing of the default in respect of which such moneys were collected and any balance to the payment of any interest in default in the order of the maturity of the installments of such interest (with interest, so far as the same may be legally and in every such case, the Company and the Trustee shall severally and respectively be restored to their former position and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as though no such proceedings had been taken.

Section 6.06. Regardless of the happening of an event of default (but subject to the provisions of Sections 10.01 and 10.02 of Article Ten hereof) the Trustee may, but unless first requested so to do by the holders of not less than a majority in aggregate principal amount of all the Debentures then outstanding shall not be under any obligation to, institute and maintain such suits and proceedings as may be deemed necessary or expedient to prevent any impairment of the rights of the Trustee or the rights of the Debenture holders hereunder by any acts or omissions of the Company, or of others, which may be in violation of this Indenture, or as may be deemed necessary or expedient to preserve and to protect the rights of the Trustee and the rights of the Debenture holders.

Section 6.07. In order to promote and protect the equal and ratable rights of every holder of the Debentures and coupons and to avoid multiplicity of suits, all of the Debentures and coupons shall be and are subject to the following conditions:

No holder of any Debenture or coupon shall have any right to institute or maintain any action, suit or proceeding, at law or in equity, upon or under or with respect to this Indenture, or for the execution of any trust or power hereof, unless (1) written notice shall previously have been given to the Trustee of an existing event of default, specifying briefly the nature and extent thereof, (2) the holders of at last twenty-five per cent. (25%) in aggregate principal amount of the Debentures then outstanding shall have made written request to the Trustee, after the happening and continuance of such event of default, to proceed under this Indenture, and (3) after receipt by the Trustee of such notification and request the Trustee shall have neglected or refused to execute the powers hereinbefore granted or to institute any such action, suit or proceeding in its own name for sixty (60) days; and such notification, request and neglect or refusal by the Trustee are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution otherwise than by the Trustee of the powers and trusts of this Indenture and to any action or cause of action or any remedy hereunder; it being understood and intended and being expressly covenanted by every taker and holder of every Debenture and coupon with the Company and with every other taker and holder that no one or more holders of the Debentures or coupons shall have any right, in any manner whatever, to affect, disturb or prejudice the rights of the holders of any other of the Debentures or coupons hereunder, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings hereunder shall be instituted and maintained in the manner herein provided for the equal, ratable and common benefit of all holders of the Debentures and (subject to the provisions of Section 5.02 of Article Five hereof) coupons; *provided, however,* that nothing contained in this Section 6.07 or elsewhere in this Indenture or in the Debentures or coupons shall affect or impair the obligation of the Company, which is unconditional and absolute, to pay the principal of, premium, if any, and interest on, the Debentures as therein provided or affect or impair the right of action, which is also absolute and unconditional, of the holders of Debentures and coupons to institute suit to enforce such payment by virtue of the contract embodied in the Debentures and coupons.

Section 6.08. Upon any sale made under writ of execution issued on any judgment for recovery of the indebtedness evidenced by the Debentures or recovered under this Indenture or upon any sale for the purpose of discharging such indebtedness, any purchaser shall be entitled in making settlement or payment of the purchase price of the property purchased to present and to turn in and use (subject to the provisions of Section 5.02 of Article Five hereof) any of the Debentures and coupons then matured and unpaid, said Debentures or coupons being computed for that purpose out of the net proceeds of such sale to such purchaser, as the holder thereof, for his just share and proportion of said net proceeds; and, if the proportion so payable in respect of such Debentures and coupons shall be less than the amount for which the Company may be liable thereon then the receipt endorsed thereon under the direction of any person authorized to receive payment of the purchase price for the amount to be so allowed or credited thereon shall constitute such partial payment and settlement and shall be conclusive proof of the amount thereof.

At any such sale any holder or holders of the Debentures or coupons may, directly or through one or more agents, bid for and purchase the property sold for his or their own account, and may make payment therefor as aforesaid and may hold, retain and dispose of such property without further accountability.

Section 6.09. All parties to this Indenture agree, and each holder of any Debenture by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorney's fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any holder of a Debenture, or group of holders of Debentures, holding more than ten per cent. (10%) in aggregate principal amount of the Debentures outstanding, or to any suit instituted by any holder of a Debenture for the enforcement of the payment of the principal of, premium, if any, or interest on any Debenture, on or after the due date expressed in such Debenture or its redemption date.

ARTICLE SEVEN.

Immunity of Promoters, Incorporators, Stockholders, Directors and Officers.

Section 7.01. No recourse whatsoever, either directly or through the Company or any trustee, receiver or assignee, shall be had in any event or in any manner against any promoter, incorporator or any past, present or future stockholder, director or officer, as such, of the Company, by virtue of any past, present or future constitution, statute or rule of law or equity or by the enforcement of any assessment or penalty, or by any legal or equitable proceeding, or otherwise, for the payment of the principal of or premium or interest on the Debentures, or any of them, or for any claim based thereon or otherwise in respect of the Debentures or of this Indenture; this Indenture and each of the Debentures and coupons being each a corporate obligation only, all individual liability of whatsoever kind or nature of, and all rights and claims against, such promoters, incorporators, stockholders, directors and officers founded in any way, directly or indirectly, upon this Indenture, or the Debentures or coupons, or growing out of the issue thereof or out of the indebtedness thereby evidenced, are expressly waived and released by the acceptance of the Debentures and coupons by each of the holders thereof and as a condition of and a part of the consideration for the issue thereof and the execution and delivery of this Indenture.

ARTICLE EIGHT.

Evidence of Rights of Debenture Holders and Ownership of Debentures.

Section 8.01. Any demand, request, consent or other instrument required or permitted by this Indenture to be signed and executed by Debenture holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Debenture holders in person or by agents appointed in writing. Proof of the execution of any such demand, request, consent or other instrument, or of the writing appointing any such agent, and of the ownership of any of the Debentures, shall be sufficient for any purpose of this Indenture, if such proof be made in the following manner:

(a) The fact and date of the execution by any person of any such demand, request, consent or other instrument in writing may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded, to the effect that the person signing such demand, request, consent or other instrument acknowledged to him the execution thereof, or by the affidavit of a witness to such execution.

(b) The ownership of Debentures transferable by delivery, held by any person executing any such demand, request, consent or other instrument, and the amount and numbers of such Debentures, and the date of his holding the same, may be proved either by producing and exhibiting to the Trustee the Debentures themselves, or by a certificate executed by any trust company, bank, banker or other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such depositary the Debentures described in such certificate, or such facts may be proved by the certificate or affidavit of the person executing such demand, request, consent or other instrument as a debenture holder, if any such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The Trustee may consider such ownership as continuing until written notice to the contrary is received by it.

The fact and date of execution of any demand, request, consent or other instrument and the amount and numbers of Debentures transferable by delivery held by the persons so executing such demand, request, consent or other instrument, may also be proved in any other manner which the Trustee may deem sufficient.

(c) The ownership of Debentures registered as to principal shall be proved by the registers of such Debentures or by a certificate of the agent of the Company for the registration thereof.

Section 8.02. In determining whether the holders of the requisite principal amount of the Debentures have concurred in any direction, request or consent under this Indenture, Debentures which are owned by the Company or by any other obligor on the Debentures or by any person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Company or any such other obligor, shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, request or consent, only Debentures which the Trustee knows are so owned shall be disregarded.

Section 8.03. Any notice, demand, request, consent or waiver by the holder of any Debenture shall bind all future holders of the same Debenture and of Debentures issued in exchange therefor or in place thereof, in respect of anything done, suffered or omitted by the Trustee in pursuance of such notice, demand, request, consent or waiver.

ARTICLE NINE.

Debenture Holders' Lists and Reports by the Company and the Trustee.

Section 9.01. The Company will, so long as any Debentures are outstanding under this Indenture, furnish or cause to be furnished to the Trustee semi-annually not less than forty-five (45) days nor more than sixty (60) days after each interest payment date for the Debentures outstanding hereunder, beginning December 1, 1956, and at such other times as the Trustee may request in writing, within thirty (30) days after the receipt by the Company of any such request, a list in such form as the Trustee may reasonably require containing all the information in the possession or control of the Company or of any of its paying agents, as to the names and addresses of the holders of Debentures obtained since the date as of which the next previous list, if any, was furnished. Any such list shall be dated as of a date not more than fifteen (15) days prior to the time such information is furnished or caused to be furnished, and need not include information received after such date.

Section 9.02. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Debenture holders (1) contained in the most recent list furnished to it as provided in Section 9.01 of this Article Nine, (2) received by it in the capacity of paying agent under this Indenture, if and when acting in such capacity, and (3) filed with it within two preceding years pursuant to the provisions of paragraph (c) (2) of Section 9.04 of this Article Nine. The Trustee may (1) destroy any list furnished to it as provided in said Section 9.01 upon receipt of a new list so furnished; (2) destroy any information received by it as paying agent hereunder upon delivering to itself as Trustee, not earlier than forty-five (45) days after an interest payment date of the Debentures, a list containing the names and addresses of the debenture holders obtained from such information since the delivery of the next previous list, if any, with respect to such Debentures; (3) destroy any list delivered to itself as Trustee which was compiled from information received by it as such paying agent upon the receipt of a new list so delivered with respect thereto; and (4) destroy any information received by it pursuant to the provisions of paragraph (c) (2) of Section 9.04 of this Article Nine, but not until two (2) years after such information has been filed with it.

(b) In case three or more holders of Debentures outstanding hereunder (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned one or more Debentures outstanding hereunder for a period of at least six (6) months preceding the date of such application, and such application states that the applicants desire to communicate with other holders of Debentures with respect to their rights under this Indenture or under the Debentures, and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five (5) business days after the receipt of such application, at its election, either

(1) afford to such applicants access to all information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 9.02 and to the names and addresses of the holders of Debentures registered as to principal; or

(2) inform such applicants as to the approximate number of holders of Debentures whose names and addresses appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 9.02 and as to the approximate number of holders of Debentures registered as to principal, and as to the approximate cost of mailing to such Debenture holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Debenture holder whose name and address appear in the information preserved at the time by the Trustee in accordance with the provisions of subsection (a) of this Section 9.02, a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing, unless within five (5) days after such tender the Trustee shall mail to such applicants, and file with the Securities and Exchange Commission together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interest of the Debenture holders, or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If said Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections, or if, after the entry of an order sustaining one or more of such objections, said Commission shall find, after notice and opportunity for a hearing, that all the objections so sustained have been met, and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Debenture holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Each and every holder of the Debentures and coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the holders of Debentures in accordance with the provisions of subdivision (b) of this Section 9.02 regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under and in accordance with the provisions of said subdivision (b).

Section 9.03. (a) The Company will file with the Trustee within fifteen (15) days after the Company is required to file the same with the Securities and Exchange Commission, copies of the annual reports and of the information, documents, and other reports (or copies of such portions of any of the foregoing as such Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with such Commission pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents, or reports pursuant to either of such sections, then the Company will file with the Trustee and the Securities and Exchange Commission, in accordance with rules and regulations prescribed from time to time by said Commission, such of the supplementary and periodic information, documents, and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) The Company will file with the Trustee and the Securities and Exchange Commission, in accordance with the rules and regulations prescribed from time to time by said Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture as may be required from time to time by such rules and regulations;

(c) The Company will transmit to the Debenture holders in the manner and to the extent provided in subsection (c) of Section 9.04 of this Article Nine with respect to reports pursuant to subsection (a) of said Section 9.04, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.03 as may be required by the rules and regulations prescribed from time to time by the Securities and Exchange Commission; and

(d) The Company will furnish to the Trustee (1) with or as a part of each annual report and each other document or report filed with the Trustee pursuant to subsection (a) or (b) of this Section 9.03, a certificate signed by the Company, stating that in the opinion of the signers such annual report or other document or report complies with the requirements of such subsection (a) or (b) and (2) after the Company shall have mailed or caused to be mailed to holders of Debentures any summary of information, documents or reports pursuant to subsection (c) of this Section 9.03, a like certificate stating that in the opinion of the signers such summary complies with the requirements of such subsection (c).

Section 9.04. (a) The Trustee shall transmit on or before July 1, in each year beginning with the year 1957, to the Debenture holders as hereinafter in this Section 9.04 provided, a brief report dated as of the preceding May 15 with respect to:

(1) its eligibility under Section 10.13 of Article Ten hereof, and its qualifications under Section 10.10 of Article Ten hereof, or in lieu thereof, if to the best of its knowledge it has continued to be eligible and qualified under such Sections, a written statement to such effect;

(2) the character and amount of any advances (and if the Trustee elects so to state, the circumstances surrounding the making thereof) made by the Trustee, as such, which remain unpaid on the date of such report, and for the reimbursement of which it claims or may claim a lien or charge, prior to that of the Debentures, on any property or funds held or collected by it as Trustee, if such advances so remaining unpaid aggregate more than one-half of one per cent. (½%) of the aggregate principal amount of the Debentures outstanding on the date of such report;

(3) the amount, interest rate, and maturity date of all other indebtedness owing by the Company or any other obligor upon the Debentures to the Trustee in its individual capacity on the date of such report, with a brief description of any property held as collateral security therefor, except an indebtedness based upon a creditor relationship arising in any manner described in paragraphs (2), (3), (4), or (6) of subsection (b) of Section 10.11 of Article Ten hereof;

(4) the property and funds physically in the possession of the Trustee, as such Trustee, or of a depositary for it, on the date of such report; and

(5) any action taken by the Trustee in the performance of its duties under this Indenture which it has not previously reported and which in its opinion materially affects the Debentures, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 9.05 of this Article Nine.

(b) If since the date of the last report transmitted pursuant to the provisions of subsection (a) of this Section 9.04 (or, if no such report has yet been transmitted, since the date of the execution of this Indenture), the Trustee, as such, shall have made any advances for the reimbursement of which it claims or may claim a lien or charge prior to that of the Debentures on any property or funds held or collected by it as Trustee hereunder, and the aggregate of the advances so remaining unpaid and not previously reported pursuant to this subsection (b) at any time equals more than ten per cent. (10%) of the principal amount of the Debentures then outstanding, the Trustee shall, within ninety (90) days after such time, transmit to the holders of Debentures as provided in subsection (c) of this Section 9.04, a brief report of the character and amount of such advances.

(c) Reports pursuant to this Section 9.04 shall be transmitted by mail—

(1) to all registered holders of Debentures, as the names and addresses of such holders appear upon the registration books of the Company;

(2) to such holders of Debentures as have, within two years preceding such transmission, filed their names and addresses with the Trustee for that purpose; and

(3) except in the case of reports pursuant to subsection (b) of this Section 9.04, to all holders of Debentures whose name and address is preserved at the time by the Trustee, as provided in subsection (a) of Section 9.02 of this Article Nine.

(d) A copy of each such report shall, at the time of such transmission to Debenture holders, be filed by the Trustee with each stock exchange upon which the Debentures are listed and also with the Securities and Exchange Commission.

(e) For the purpose of this Section 9.04 all Debentures which have been authenticated and delivered and not returned to the Trustee and canceled, shall be deemed to be outstanding.

Section 9.05. The Trustee shall, within ninety (90) days after the occurrence thereof give to the Debenture holders, in the manner and to the extent provided in subsection (c) of Section 9.04 of this Article Nine, notice of all defaults known to the Trustee, unless such defaults shall have been cured before the giving of such notice (the term "defaults" for the purposes of this Section being hereby defined to be the events specified in Section 6.01 of Article Six of this Indenture, not including any periods of grace provided for therein); provided that, except in the case of default in the payment of the principal of, or premium, if any, or interest on any of the Debentures, the Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the Executive Committee, or a trust committee of directors and/or responsible officers, of the Trustee in good faith determine that the withholding of such notice is in the interests of the Debenture holders.

ARTICLE TEN.

Concerning the Trustee.

Section 10.01. The Trustee hereby accepts the trusts created by this Indenture. The Trustee undertakes, prior to the occurrence of an event of default as such term is defined in Section 6.01 of Article Six hereof, and after the curing of any such event of default, to perform such duties and only such duties as are specifically set forth in this Indenture, and in case of the occurrence of any such event of default (which has not been cured) to exercise such of the rights and powers vested in it by this Indenture, and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

For the purposes of Sections 10.01 and 10.02 of this Article Ten, an event of default shall be deemed cured when the default which gave rise to such event of default has been cured or the event of default has been waived as permitted by this Indenture.

Section 10.02. The Trustee, upon receipt of evidence furnished to it by or on behalf of the Company pursuant to any provision of this Indenture, will examine the same to determine whether or not such evidence conforms to the requirements of this Indenture.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(a) prior to the occurrence of an event of default hereunder as defined in Section 6.01 of Article Six hereof, and after the curing of any such event of default, the Trustee shall not be liable except for the performance of such duties as are specifically set out in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee, but the duties and obligations of the Trustee, prior to the occurrence of such an event of default and after the curing of any such event of default which may have occurred, shall be determined solely by the express provisions of this Indenture; and

(b) prior to the occurrence of an event of default hereunder as defined in Section 6.01 of Article Six hereof, and after the curing of any such event of default, and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions conforming to the requirements of this Indenture; and

(c) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(d) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in aggregate principal amount of the Debentures at the time outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

Section 10.03. The recitals of fact in this Indenture and in the Debentures contained (other than the certificate of authentication of the Trustee on the Debentures) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity of this Indenture or of the Debentures or coupons issued hereunder, and the Trustee shall incur no responsibility, in respect of such matters.

Except as herein otherwise provided, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee on the Company shall be deemed to have been sufficiently given and served, for all purposes, by being deposited postage prepaid, in a post office letter box, addressed (until another address is filed by the Company with the Trustee) to the Company at 2218 First City National Bank, Houston 2, Texas.

The Trustee shall not be required to advance or expend or risk its own funds or incur personal financial liability in the exercise of any of its rights or powers or in the performance of any of its duties if there is reasonable ground for believing that repayment of such funds or liability is not reasonably assured to it by the terms of the Indenture.

Section 10.04. Except to the extent otherwise provided by Sections 10.01 and 10.02 of this Article Ten:

(1) The Trustee may rely and shall be protected in acting upon any resolution, certificate, opinion, notice, request, consent, order, statement, report, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(2) The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and pro-

tection in respect of any action taken or suffered by it hereunder in good faith and in accordance with such opinion of counsel.

(3) The Trustee may execute any of the trusts or its power under this Indenture and perform any duty hereunder, itself or by or through its attorneys, agents or employees.

(4) Whenever the existence or non-existence of any fact or other matter shall be material, the Trustee shall, prior to the occurrence of an event of default hereunder as defined in Section 6.01 of Article Six hereof, and after the curing of any such event of default, be protected in acting or refraining from acting under any provision of this Indenture, in relying upon a certificate of the Company as to the existence or non-existence of any such fact or matter, but in its discretion the Trustee may accept other evidence of such fact or matter, or may require such further or additional evidence as to it may seem reasonable.

(5) The Trustee shall not be required to exercise any of its rights or powers under this Indenture at the request or direction of any of the holders of the Debentures unless such holders of the Debentures shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred thereby.

Section 10.05. Whenever provision is made in this Indenture for the payment of moneys by the Trustee, whether on redemption of Debentures, payment of Debentures or interest coupons, or the payment or repayment of moneys to the Company, the Trustee shall in no event be liable to anyone beyond the amount of moneys deposited with it for any such purpose.

Section 10.06. The Trustee, in its individual or other capacity may become the owner or pledgee of Debentures and coupons with the same rights it would have had if it were not Trustee hereunder.

Section 10.07. All moneys received by the Trustee whether as Trustee or paying agent shall, until used or applied as herein provided, be held in trust for the purposes for which they were paid, but need not be segregated from other funds, except as otherwise provided by law, and the Trustee shall not be under any liability to pay interest thereon except such, if any, as during the period it may generally allow on similar funds. Unless an event of default as defined in Section 6.01 of Article Six hereof shall have happened and shall be continuing, any interest so allowed by the Trustee shall be paid over to the Company.

Section 10.08. The Trustee shall be entitled to reasonable compensation (which shall not be limited to the compensation of trustees of an express trust as provided by law), for all services rendered by it in the execution of the trusts by this Indenture created, and such compensation, as well as the reasonable compensation of its counsel and of such persons as it may employ in the administration or management of the trust, and all other reasonable expenses necessarily incurred by it and actually disbursed by it under this Indenture, the Company agrees to pay and, for such payment, the Trustee shall have a lien on any funds or property at any time in its hands under this Indenture in priority to the rights and claims of the holders of the Debentures, except funds held in trust for the benefit of the holders of particular Debentures or coupons.

Section 10.09. Whenever it is provided in this Indenture that the Trustee shall take any action upon the happening of a specified event or upon the fulfillment of any condition or upon the request of the Company or of Debenture holders, the Trustee taking such action shall have full power to give any and all notices and to do any and all acts and things incidental to such action.

Section 10.10. (a) If the Trustee has or acquires any conflicting interest, as defined by subsection (d) of this Section, the Trustee shall within ninety (90) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner hereinafter provided in Section 10.14 of this Article Ten, but such resignation shall not become effective until the appointment of a successor trustee and such successor's acceptance of such appointment. The Company covenants to take prompt steps to have a successor appointed in the manner hereinafter provided in Section 10.16 of this Article Ten.

(b) In the event that the Trustee shall fail to comply with the provisions of the preceding subsection (a) of this Section 10.10, the Trustee shall within ten (10) days after the expiration of such ninety (90) day period transmit notice of such failure to the Debenture holders, in the manner and to the extent provided in subsection (c) of Section 9.04

of Article Nine hereof, with respect to reports pursuant to said Section 9.04.

(c) Subject to the provisions of Section 6.09 of Article Six of this Indenture, any Debenture holder who has been a bona fide holder of a Debenture or Debentures for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor if the Trustee fails, after written request therefor by such holder, to comply with the provisions of subsection (a) of this Section 10.10.

(d) The Trustee shall be deemed to have a conflicting interest if—

(1) the Trustee is trustee under another indenture under which any other securities, or certificates of interest or participation in any other securities, of the Company, are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Debentures issued under this Indenture, provided that there shall be excluded from the operation of this paragraph any indenture or indentures under which other securities, or certificates of interest or participation in other securities, of the Company are outstanding if (aa) this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the Trust Indenture Act of 1939, unless the Securities and Exchange Commission shall have found and declared by order pursuant to subsection (b) of Section 305 or subsection (c) of Section 307 of the Trust Indenture Act of 1939 that differences exist between the provisions of this Indenture and the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture or such other indenture or indentures, or (bb) the Company shall have sustained the burden of proving, on application to the Securities and Exchange Commission and after opportunity for hearing thereon, that the trusteeship under this Indenture and such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under one of such indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Debentures or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, trustee, officer, partner, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (A) one individual may be a director and/or an executive officer of the Trustee and a director and/or an executive officer of the Company, but may not be at the same time an executive officer of both the Trustee and the Company; (B) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director and/or an executive officer of the Trustee and a director of the Company; and (C) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent or depositary or in any other similar capacity or, subject to the provisions of paragraph (1) of this subsection, to act as trustee whether under an indenture or otherwise;

(5) ten per cent. (10%) or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director or executive officer thereof, or twenty per cent. (20%) or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or ten per cent. (10%) or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default, (A) five per cent. (5%) or more of the voting securities, or ten per cent. (10%) or more of any other class of security of the Company, not including the Debentures issued under this Indenture and securities issued under any other indenture under which the Trustee is also trustee, or (B) ten per cent. (10%) or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default, five per cent. (5%)

or more of the voting securities of any person who, to the knowledge of the Trustee, owns ten per cent. (10%) or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of or holds as collateral security for an obligation which is in default ten per cent. (10%) or more of any class of security of any person who, to the knowledge of the Trustee, owns fifty per cent. (50%) or more of the voting securities of the Company; or

(9) the Trustee owns on May 15th in any calendar year in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of twenty-five per cent. (25%) or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraphs (6), (7) or (8) of this subsection. As to any such securities of which the Trustee acquired ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed twenty-five per cent. (25%) of such voting securities or twenty-five per cent. (25%) of any such class of security. Promptly after May 15th, in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of May 15th. If the Company fails to make payment in full of principal or interest upon the Debentures when and as the same become due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this subsection (d).

The specifications of percentages in paragraphs (5) to (9), inclusive, of this subsection shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this subsection.

For the purposes of paragraphs (6), (7), (8) and (9) of this subsection only, (A) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms or any certificate of interest or participation in any such note or evidence of indebtedness; (B) an obligation shall be deemed to be in default when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (C) the Trustee shall not be deemed to be the owner or holder of (i) any security which it holds as collateral security (as trustee or otherwise) for an obligation which is not in default as above defined, or (ii) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (iii) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

The percentages of voting securities and other securities specified in this Section shall be calculated in accordance with the following provisions:

(a) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(b) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(c) The term "amount", when used in regard to securities, means the principal amount if relating to evidence of indebtedness, the number of shares if relating to capital shares, and the number of units, if relating to any other kind of security.

(d) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(1) Securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(2) Securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(3) Securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise;

(4) Securities held in escrow if placed in escrow by the issuer thereof;

provided, however, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(e) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges, provided, however, that, in case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes, and provided, further, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

For the purposes of this Section 10.10 the term "underwriter" when used with reference to the Company means every person, who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has sold for the Company, in connection with, the distribution of any security of the Company, outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

For the purposes of this Section 10.10 the terms "directors", "executive officers" and "voting securities" shall have the meanings assigned to such terms in Section 303 of the Trust Indenture Act of 1939.

For the purposes of this Section 10.10 the term "person" shall have the meaning assigned to such term in Section 2 of the Securities Act of 1933.

Section 10.11. (a) Subject to the provisions of subsection (b) of this Section 10.11, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within four (4) months prior to a default (as defined in the last paragraph of this subsection (a)), or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the holders of the Debentures, and the holders of other indenture securities (as defined in the last paragraph of this subsection)

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest effected after the beginning of such four months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of the subsection (a) or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise after the beginning of such four months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee—

(A) to retain for its own account (i) payments made on account of any such claim by any person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third person, and (iii) distributions made in cash, securities, or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such four months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default as defined in the last paragraph of this subsection would occur within four months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of the above paragraphs (B), (C) and (D), property substituted after the beginning of such four months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released and, to the extent that any claim referred to in any such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Trustee, the Debenture holders, and the holders of other indenture securities in such manner that the Trustee, the Debenture holders, and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee, the Debenture holders, and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to the Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities, or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The Court in which such bankruptcy, receivership, or proceeding for reorganization is pending shall have jurisdiction (i) to apportion between the Trustee, the Debenture holders, and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee, the Debenture holders, and the holders of other indenture securities, with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee who has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this subsection as though such resignation or removal had not occurred. Any Trustee who has resigned or been removed prior to the beginning of such four months' period shall be subject to the provisions of this subsection if and only if the following conditions exist—

(i) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Trustee had continued as trustee, occurred after the beginning of such four months' period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

As used in this subsection (a), the term "default", means any failure to make payment in full of the principal of or interest upon the Debentures or upon the other indenture securities when and as such principal or interest becomes due and payable; and the term "other indenture securities" means securities upon which the Company is an obligor (as defined in Section 303 (12) of the Trust Indenture Act of 1939) outstanding under any other indenture (a) under which the Trustee is also trustee, (b) which contains provisions substantially similar to the provisions of this subsection, and (c) under which a default exists at the time of the apportionment of the funds and property held in said special account.

(b) There shall be excluded from the operation of subsection (a) of this Section 10.11 a creditor relationship arising from —

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction, or by this Indenture, for the purpose of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the Debenture holders, at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction as defined in the last paragraph of this subsection;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; or

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall

within the classification of self-liquidating paper as defined in the last paragraph of this subsection.

As used in this subsection (b), the term "security" or "securities" shall have the same meaning as the singular and plural, respectively, of the term "security" as that term is defined in the Securities Act of 1933, as amended and in force at the date of the execution of this Indenture; and the term "cash transaction" shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; the term "self-liquidating paper" shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares, or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 10.12. In the event that any person shall at any time become an obligor upon any of the Debentures issued under this Indenture, so long as such person shall continue to be an obligor upon such Debentures, the term "Company", as used in Section 9.01, Section 10.10 and in Section 10.11 shall include any other obligor upon the Debentures issued hereunder.

Section 10.13. At all times the Trustee hereunder shall be a bank or trust company which is a corporation organized and doing business under the laws of the United States or of any state or territory, or the District of Columbia, which (A) is authorized under such laws to exercise corporate trust powers and has its principal office in the City of Houston, Texas, and (B) is subject to supervision or examination by Federal or State authority, and (C) has a combined capital and surplus aggregating at least $5,000,000. If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 10.13 the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 10.14. The Trustee may resign and be discharged from the trusts created by this Indenture by giving written notice thereof to the Company and by publishing such notice at least once not less than fifteen (15) nor more than thirty (30) days prior to the date so specified, in two (2) newspapers printed in the English language and customarily published on each business day and of general circulation in the City of Houston, Texas, in the case of one such newspaper and in the Borough of Manhattan, the City of New York, in the case of the other newspaper. Such resignation shall not become effective until the appointment of a successor trustee and such successor's acceptance of such appointment. The Company covenants upon receiving such notice of resignation to take prompt steps to have a successor appointed in the manner hereinafter provided in Section 10.16 of this Article Ten.

Section 10.15. Any Trustee hereunder may be removed at any time by an instrument in writing, filed with the Trustee, signed by the holders of a majority in aggregate principal amount of the Debentures then outstanding.

Section 10.16. In case at any time the Trustee, or any successor hereafter appointed, shall resign or shall be removed (unless the Trustee shall be removed as provided in subsection (c) of Section 10.10 of this Article Ten in which event the vacancy shall be filled as provided in said subsection) or shall become incapable of acting, or shall be adjudicated a bankrupt or insolvent, or if a receiver of the Trustee or of any such successor or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of any such successor or of its property and affairs, a successor may be appointed by the holders of a majority in aggregate principal amount of the Debentures then outstanding, within one year from the date they first had the right so to appoint, by an instrument or concurrent instruments in writing signed and acknowledged by such Debenture holders or by their attorneys in fact duly authorized, and filed with such successor trustee, notification thereof being given to the Company and the retiring trustee; provided, nevertheless, that until a new trustee shall be appointed by the Debenture holders as aforesaid, the Company, by instrument executed by order of its Board of Directors by its President or a Vice President and its Secretary or an Assistant Secretary, may appoint a trustee to fill such vacancy until a new trustee shall be appointed by the Debenture holders as herein authorized. The Company shall publish notice of any such appointment, which notice shall be published at least once a week for four (4) successive weeks in two (2) newspapers printed in the English language and customarily published on each business day and of general circulation in the City of Houston, Texas, in the case of one such newspaper and in the Borough of Manhattan, the City of New York, in the case of the other newspaper. Any such trustee so appointed by the Company shall immediately and without further act be superseded by a trustee appointed by the Debenture holders as herein provided.

If in a proper case no appointment of a successor trustee shall be made pursuant to the foregoing provisions of this Section 10.16 within six (6) months after a vacancy shall have occurred in the office of trustee, the holder of any Debenture outstanding hereunder may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

If the Trustee resigns because of a conflict of interest as provided in subsection (a) of Section 10.10 of this Article Ten and a successor has not been appointed by the Company or the Debenture holders or, if appointed, has not accepted the appointment within thirty (30) days after the date of such resignation, the resigning Trustee may apply to any court of competent jurisdiction for the appointment of a successor trustee.

Any trustee appointed under the provisions of this Article Ten in succession to the Trustee shall be a corporation eligible under Section 10.13, and qualified under Section 10.10, of this Article Ten.

Any trustee which has resigned or been removed shall nevertheless retain the lien upon all property or funds held or collected by the trustee as such, to secure the amounts due to it as compensation, reimbursement and expenses, afforded to it by Section 10.08 of this Article Ten and retain the rights afforded to it by Section 10.09 of this Article Ten.

Section 10.17. Any successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor trustee and to the Company, or to the court appointing it, as the case may be, an instrument accepting such appointment hereunder, and thereupon such successor trustee, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor trustee with like effect as if originally named as trustee hereunder, and such predecessor trustee shall thereupon become obligated to pay over, and such successor trustee shall be entitled to receive, all moneys on deposit with or held by such predecessor trustee as trustee hereunder. Nevertheless, on the written request of the Company or of the successor trustee or of the holders of ten per cent. (10%) in principal amount of the Debentures then outstanding, such predecessor trustee, upon payment of its charges and disbursements then unpaid, shall execute and deliver an instrument transferring to such successor trustee upon the trusts herein expressed all the rights, powers and trusts of such predecessor trustee, and shall assign, transfer and deliver to the successor trustee, all moneys and properties held by such predecessor trustee; and upon request of any such successor trustee, the Company shall make, execute, acknowledge and deliver any and all instruments in writing for more fully and effectually vesting in and confirming to such successor trustee all such authority, rights, powers, trusts, immunities, duties and obligations.

Section 10.18. Any corporation into which the Trustee, or any successor to it, may be merged or with which it, or any successor to it, may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee, or any successor to it, shall be a party, provided such corporation shall be eligible under the provisions of Section 10.13 of this Article Ten and qualified under the provisions of Section 10.10 of this Article Ten, shall be a successor trustee under this Indenture, without the execution or filing of any paper or the performance of any further act on the part of any other parties hereto, anything herein to the contrary notwithstanding. In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Debentures shall have been authenticated but not delivered, any such successor trustee may adopt the certificate of authentication of the original Trustee, or of any successor to it, as trustee hereunder, and deliver the same so authenticated; and in case at that time any of the Debentures shall not have been authenticated, any successor trustee may authenticate such Debentures either in the name of any predecessor hereunder or in the name of the successor trustee, and in all such cases such certificate of authentication shall have the full force which it is anywhere in the Debentures or in this Indenture provided that the certificate of authentication of the Trustee shall have.

ARTICLE ELEVEN.

Consolidation, Merger, Sale, Transfer and Lease.

Section 11.01. Nothing contained in this Indenture or in any of the Debentures shall prevent any consolidation or merger of the Company with any corporation or successive consolidations or mergers in which the Company or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or other disposition of all or substantially all of the property and assets of the Company to any corporation authorized to acquire the same, *provided, however,* that no such consolidation, merger, sale, transfer, lease or other disposition shall impair the obligations of this Indenture or any of the rights or powers hereunder of the Trustee or of the holders of the Debentures; and, *provided further,* that upon any such consolidation, merger, sale, lease, transfer or other disposition the instrument required by Section 11.02 of this Article Eleven shall have been executed and delivered.

Section 11.02. In case of any such consolidation, merger, sale, lease, transfer or other disposition, the successor corporation shall assume, by instrument in writing delivered to the Trustee, satisfactory in form to the Trustee, the due and punctual payment of the principal of, and premium and interest on, all the Debentures, according to their tenor, and the due and punctual performance of all the covenants and conditions of this Indenture and of any and all indentures supplemental hereto, and thereupon such successor corporation shall succeed to and be substituted for the Company with the same effect as if it had been named herein as a party hereto; and upon the order of such successor corporation instead of the Company, subject to all the terms, conditions and limitations in this Indenture and in any indenture supplemental hereto prescribed, the Trustee shall authenticate and shall deliver any Debentures which previously shall have been signed and delivered to it by the Company for that purpose, and such successor corporation may cause to be signed and issued, either in its own name or in the name of the Company, and under the official seal of either, any and all Debentures thereafter to be issued hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. Notwithstanding anything contained in this Article Eleven, the Company shall not in any event be released from its liabilities or obligations with respect to the Debentures and coupons, or under this Indenture or any indenture supplemental hereto.

Section 11.03. The Trustee shall be protected, to the extent permitted by the provisions of Sections 10.01 and 10.02 of Article Ten hereof, in acting hereunder upon receipt of a certificate signed by authorized officers of the Company (as provided in Section 14.03 of Article Fourteen hereof) and an opinion of counsel (who may be counsel for the Company), in each case conforming to the requirements of Section 14.03 of Article Fourteen hereof, stating that in the opinion of the signers the provisions of this Article Eleven have been complied with in connection with any such consolidation, merger, sale, transfer, lease or other disposition.

ARTICLE TWELVE.

Discharge of Indenture.

Section 12.01. If and when the principal of, and premium, if any, and interest on, all of the Debentures shall have become due and payable, either at the date of maturity or at the redemption date thereof, and, proof being given to the reasonable satisfaction of the Trustee that all of the Debentures and interest thereon and premium, if any, have been paid or provision, satisfactory to the Trustee, for the payment thereof has been made, and if payment or provision for payment, satisfactory to the Trustee, has been made of the costs, charges and expenses incurred or to be incurred by the Trustee in relation thereto or in acting under and carrying out any and all of the provisions of this Indenture, and of all other sums payable or which may become payable by the Company hereunder, and upon receipt of a certificate signed by authorized officers of the Company (as provided in Section 14.03 of Article Fourteen hereof) and an opinion of counsel (who may be counsel for the Company) each stating that in the opinion of the signers all conditions precedent to the cancellation and satisfaction of this Indenture have been complied with, which certificate and opinion shall conform to the requirements of Section 14.03 of Article Fourteen hereof, then the agreements set forth in this Indenture shall cease and determine and the Trustee shall cancel and satisfy this Indenture. Debentures which are no longer outstanding, as that term is defined in Section 1.01 of Article One hereof, shall be deemed paid and satisfied for all purposes of this Article Twelve. The cancellation and satisfaction of the Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed for any expenditures which it may properly thereafter incur.

Section 12.02. All moneys deposited with the Trustee or any paying agent pursuant to the provisions of this Indenture not applied but remaining unclaimed by the holders of Debentures and coupons for six years after the date upon which the principal of (and premium, if any) or interest on such Debentures shall have become due and payable, shall be repaid to the Company by the Trustee or such paying agent on demand; and thereupon the Trustee or such paying agent shall be released from all further liability with respect to such moneys, and the holder of any of the Debentures or coupons entitled to such payment shall thereafter look only to the Company for the payment thereof.

Any moneys deposited with the Trustee or any paying agent for the redemption of Debentures subsequently converted shall be returned to the Company by the Trustee or such paying agent on demand.

ARTICLE THIRTEEN.

Supplemental Indentures.

Section 13.01. In addition to any supplemental indentures that may be entered into pursuant to the provisions of Section 4.05, the

Company, when authorized by resolution of its Board of Directors, and the Trustee, from time to time and at any time, subject to the restrictions in this Indenture contained, may, and when so required by this Indenture shall, enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Company such further covenants and agreements thereafter to be observed and to surrender any right or power herein reserved to or conferred upon the Company;

(b) to evidence the succession of any corporation or organization to the Company, or successive successions, and the assumption by a successor corporation or organization of the covenants and obligations of the Company in the Debentures and in this Indenture or any supplemental indenture contained;

(c) to cure any ambiguity or to make such provision in regard to matters or questions arising under this Indenture as may be necessary or desirable and not inconsistent with this Indenture.

Section 13.02. In addition to any supplemental indenture authorized by Section 13.01 of this Article Thirteen, the Company, when authorized by resolution of its Board of Directors, and the Trustee, from time to time and at any time, subject to the restrictions in this Indenture contained, may enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof, for the purpose of amending, modifying, suspending or rescinding any provisions of this Indenture or inserting any additional provision herein, but only if such amendment, modification, suspension, rescission or insertion shall theretofore have been approved in a writing, filed with the Trustee, by holders of not less than sixty-six and two-thirds per cent. (66⅔%) in aggregate principal amount of the Debentures then outstanding; provided, however, that:

(a) the Trustee shall have received from the Company (i) a copy of a resolution of its Board of Directors, certified by the Secretary or an Assistant Secretary, authorizing the execution of any such supplemental indenture and (ii) evidence of consent of the debenture holders under this Section 13.02, such consent being evidenced as provided in Section 8.01 hereof;

(b) no such amendment, modification, suspension, rescission or insertion shall (i) extend the fixed maturity of any Debentures, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the holder of each Debenture so affected, or (ii) take away the conversion right or change the conversion price or the provisions for its adjustment, or (iii) reduce the percentage of the principal amount of Debentures the consent of the holders of which shall be required for the authorization of the execution on an indenture supplemental hereto pursuant to the provisions of this Section 13.02 without the consent of the holders of all of the Debentures then outstanding, or (iv) modify, without the written consent of the Trustee, the rights, duties or immunities of the Trustee.

It shall not be necessary for the consent of the Debenture holders under this Section 13.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section 13.02, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in a newspaper printed in the English language and customarily published on each business day and of a general circulation in the City of Houston, Texas, and in a similar newspaper similarly published and of general circulation in the Borough of Manhattan, the City of New York. Any failure of the Company to publish such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 13.03. Any supplemental indenture executed pursuant to the provisions of this Article Thirteen or of Section 4.05 shall comply with the provisions of the Trust Indenture Act of 1939 as and if then in effect. The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make the further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder. The Trustee in executing any such supplemental indenture shall be fully protected to the extent permitted by the provisions of Sections 10.01 and 10.02 of Article Ten hereof, in relying on an opinion of counsel (who may be counsel for the Company), conforming to the requirements of Section 14.03 of Article Fourteen hereof, that such supplemental indenture is authorized or permitted by the provisions of this Indenture and is not inconsistent therewith.

An executed counterpart of each such supplemental indenture shall be deposited with the Trustee at its principal office.

In case any supplemental indenture shall have been executed for the purpose and pursuant to the consent specified in Section 13.02 of this Article Thirteen, any written consent shall be conclusive and binding on the holder and all future holders and owners of the Debentures. If the Company or the Trustee shall so determine, new Debentures so modified as, in the opinion of the Trustee and the Board of Directors of the Company, to give effect to the provisions of such supplemental indenture shall be prepared, authenticated and delivered upon the demand of the holder of any Debenture then outstanding in exchange for and upon surrender of such outstanding Debenture with all unmatured coupons, if any, appurtenant thereto; and such exchange shall be made without cost to such holder.

ARTICLE FOURTEEN.

Miscellaneous.

Section 14.01. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Company, shall bind its successors and assigns, whether so expressed or not, and are for the common and equal use, benefit and security of all and singular the present and future holders of the Debentures and coupons, or any of them, without (subject to the provisions of Section 5.02 of Article Five hereof) preference, priority or distinction of any of the Debentures or coupons over any of the others by reason of priority in the issue, sale or negotiation thereof, or otherwise.

Section 14.02. Nothing expressed in or to be implied from this Indenture, or in or from the Debentures, is intended or shall be construed to give to any person, firm or corporation, other than the parties hereto and the holders of the Debentures and coupons, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein contained; this Indenture and all the covenants and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Debentures and coupons, as herein provided.

SECTION 14.03. Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall furnish to the Trustee a certificate (signed by authorized officers of the Company as hereinafter provided) stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an opinion of counsel who may be an employee of or of counsel to the Company stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

In each case in which this Indenture requires that the Company furnish to the Trustee a certificate or opinion conforming to the requirements of this Section 14.03, such certificate or opinion shall include (1) a statement that the person making such certificate or opinion has read the covenant or condition in respect of which such certificate or opinion shall have been furnished; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any such certificate or opinion of an officer of the Company may be based, in so far as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous. Any such certificate or opinion of counsel may be based, in so far as it relates to factual matters, information with respect to which is in the possession of the Company, upon the certificate or opinion of or representations by an officer or officers of the Company, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known were erroneous.

Unless herein otherwise expressly provided, any order, notice, request, certificate, statement or other instrument of the Company or of its officers required or permitted to be filed with the Trustee or to be made or given under any provision hereof shall be signed by its President or one of its Vice Presidents and by its Treasurer or one of its Assistant Treasurers or its Secretary or one of its Assistant Secretaries.

Section 14.04. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is substantially similar to a provision required to be included in this Indenture by the provisions of any of Sections 310 to 317, inclusive, of the Trust Indenture Act of 1939, such required provision shall control.

Section 14.05. The Trustee shall cremate periodically all Debentures and coupons canceled by it and deliver a certificate of such cremation to the Company.

Section 14.06. This Indenture may be executed in several counterparts, each of which shall be an original, and all collectively shall constitute but one instrument.

Section 14.07. This Indenture and each Debenture and coupon issued hereunder shall be deemed to be a contract made under the laws of the State of Texas, and for all purposes shall be construed in accordance with the laws of said State.

Section 14.08. The cover of this Indenture and all article headings, and the table of contents and marginal notes and headings, if any, are inserted for convenience only, and shall not affect any construction or interpretation hereof.

In Witness Whereof, Zapata Off-Shore Company has caused this Indenture to be executed in its name and on its behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Secretary or an Assistant Secretary, and Texas National Bank of Houston has caused this Indenture to be executed in its name and on its behalf by its President or a Vice President and its corporate seal to be hereunto affixed and attested by its Cashier or an Assistant Cashier, all as of the day and year first above set forth.

Zapata Off-Shore Company

....
President

Attest:

....
Secretary

Texas National Bank of Houston

....
Vice President

Attest:

....
Assistant Cashier

County of Harris }
State of Texas }

Before Me, a Notary Public in and for said County and State, on this day personally appeared George H. W. Bush, known to me to be the President of Zapata Off-Shore Company and to be the person whose name is subscribed as President of said Company to the foregoing instrument, and acknowledged to me that he executed said instrument as the act and deed of said corporation for the purposes and consideration therein expressed.

Given Under My Hand and Seal of office this .... day of July, 1956.

....
Notary Public in and for
Harris County, Texas
My Commission Expires ....

State of Texas }
County of Harris }

Before Me, a Notary Public in and for said County and State, on this day personally appeared Arthur Trum, known to me to be the Vice President of Texas National Bank of Houston and to be the person whose name is subscribed as Vice President of said Bank to the foregoing instrument, and acknowledged to me that he executed said instrument as the act and deed of said corporation for the purposes and consideration therein expressed.

Given Under My Hand and Seal of office this .... day of July, 1956.

....
Notary Public in and for
Harris County, Texas
My Commission Expires ....