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OA/ID Number: 25849
Folder ID Number: 25849-007

Folder Title:
Zapata Off-Shore Company: LeTourneau Option [1954]

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MEMORANDUM TO MR. WALKER

RE: ZAPATA OFF-SHORE COMPANY

Dear Jess:

In connection with the conference which is set for 10 A. M., Wednesday, November 3, between Hugh Liedtke, et al, and LeTourneau, there is attached copy of Option Agreement, which will be the subject-matter of the conference. As you will see, under this agreement, our option must be exercised and an additional sum of $215,000.00 paid before midnight, November 8, 1954. This Option Agreement was prepared hurriedly and under pressure and does not detail a lot of matters which probably should be done in the final contract; and it our hope that LeTourneau will agree to most of these details which will be incorporated in the final contract. At the conference on Wednesday, it is hoped to ascertain from LeTourneau what will be included in the equipment to be delivered ~~under the~~ facilities for contract and who will pay the cost of such things as wiring, pipes, mud storage, painting, cranes, including a 10-ton whirley crane rather than the stiff-leg type of crame, and two 5-ton cranes, mountings for all drilling equipment, et al., quarters for crew, electrical power, pumping equipment, jet system, control system for raising and lowering the pontoons, personal and boat landing facilities, and the quality of the steel to be used and the quality of the welding, i.e., steel to be ABS quality as well as welding, the standards of which are apparently found in the American (?) Bureau of Ships.

At the conference on Wednesday, Mr. Liedtke and Mr. Bush will be present and also Mr. Wayne Dean, whom my people hope to employ to oversee the operation. Also, we will wish to discuss with LeTourneau procedure for having our engineer present at all times during the construction of the barge. Our thought was that, after all of these matters have been discussed with LeTourneau, we could then draft a contract which would cover the agreement of the parties between Wednesday and Monday, November 8th, at which time we would meet again to close the deal. The reason that we thought it better to postpone the final meeting until Monday is that the engineer, Mr. Taylor, whom our pople hope to employ, cannot be in Dallas until Monday, and we would like to have him go over these matters before we execute the final contract.

The charter for the Zapata Off-Shore Company was granted in Delaware about a week ago, which we secured through the C. T. Corporation System. I attach hereto the seal of the corporation and also am handing you the file of Zapata, in case you want it.

Sam

SGW:FM

November 1, 1954

MEMORANDUM TO MR. JACKSON
Nov. 2, 1954

RE: HALFF DISTRIBUTION

Dear Paul:

In connection with the matters contained in the attached letter (letter dated Oct. 29, 1954 from Leroy Denman to Mr. Jackson) and also in line with our discussion, I have reached the conclusion that the proposed divisions to be made to the beneficiaries of the Halff Estate could be done without any serious risk of tax. See M. L. Long, 35 B. T. A. 95. See also, Marie Minor Sanborn, et al., 33 B. T. A. 1120; Helen S. Delone, 6 T. C. 1188, P. 1193; Lyeth v. Hoey, 38-2 USTC Par. 9602. Of the above citations, the Long case is the only one closely in point.

Denman relies to a great extent on the fact that under the will the executor has the power to partition assets. While I think the existence of such power helps in our problem, I question whether or not the power of the executor is as broad as the language in the will might indicate.

Query: Could the executor require a beneficiary to accept the proposed division?

Sam

SGW:FM

September 10, 1954

Mr. Eugene Meyer
Washington Post Times
Washington, D. C.

Dear Mr. Meyer:

Zapata Petroleum Corporation is about to enter into the contracting business for offshore drilling. This field is a very new one and one in which we do not have any experience. However, we have done a good deal of research and we think that there is a real opportunity to participate in the offshore production of oil by getting into the field through the contracting end. In this connection we have worked out an option agreement with the R. G. LeTourneau, Inc., of Longview, Texas, to construct a large mobile drilling platform. Perhaps you know of Mr. LeTourneau. His design is a revolutionary one and we feel that his engineering know-how and genius will make it a very successful one.

Recently the Washington Post carried some pictures of the DeLong offshore radar platform. Press releases on this deal are being handled by the LeTourneau Company and one is being forwarded to the Washington Post as well as other large papers. I told Mr. LeTourneau to send it to the attention of Mr. Phil Graham since I thought it would be of interest to you. A picture of the barge is being attached to the press releases. If this release seems newsworthy we are hopeful that the Washington Post will print it, along with the picture. In any event, because of your stock interest in Zapata, I think that you will be interested in looking it over.

The well in which you and some of the family have an interest in Ector County, flowed oil from the Ellenburger formation at the rate of thirty barrels an hour. Current plans are to test the Devonian formation, where we had another show of oil, prior to completing the well in the Ellenburger. We have hopes at this point that both formations might be productive, but if just the Ellenburger produces the deal should still be a profitable one for you and the others.

I plan to come east around the end of September. I will be staying with my Father and Mother Greenwich and shall check with your office to see if you are in New York. If not, I would like to come by Washington to report to you on the recent investments. So far we are encouraged about both Zapata and the Ector County well and we feel that the LeTourneau barge deal will add considerably to the value of Zapata.

Please don't trouble yourself over the press release. I am anxious for you to see it however, and if the paper thinks it is newsworthy, we would appreciate any coverage that you might care to give it.

With best regards,

Respectfully,

George H. W. Bush

GHWB:af

3-R

September 10, 1954

Mr. H. N. Mallon
Dresser Industries
Atlantic Building
Dallas, Texas

Dear Niel:

We made an option deal with LeTourneau - $35,000 for a sixty day option. At the end of this period we put up, if we so choose, $215,000 more. At this point construction commences. If we don't want to start construction we then forfeit our $35,000.

We have lots of work to do to get this deal in shape to talk further with you, but we are anxious to confer further with you when we get our end in shape. It occurs to me that you would want to see full plans etc. before commiting to any deal. We understand this.

Our job now is to get a good key-man and commence some of the detail work which will be ours.

I have written George Pfefferle to thank him for his interest and helpful comments, and both Hugh and I would like to thank you for suggesting that he accompany us.

I will keep you posted on our progress and I hope that we will be able to work together on this deal after it has progressed a little further.

Very truly yours,

George H. W. Bush

GHWB:af

September 10, 1954

Mr. George Pfefferle
Dresser Industries
Atlantic Building
Dallas, Texas

Dear George:

We certainly enjoyed having you along with us the other day on our trip to Longview. Both Hugh and I appreciate very much your taking the time to go over there and I hope that at some point there will be some returns in this deal for Dresser.

We will welcome any suggestions that might come to your mind on the deal, and again our sincere thanks for your interest.

Very truly yours,

George H. W. Bush

GHWB:af

P.S. We have closed our option deal with LeTourneau on the terms that I discussed with you.

September 10, 1954

Mr. R. L. LeTourneau
R. G. LeTourneau, Inc.
Longview, Texas

Dear Dick:

Attached is a copy of my letter to Mr. Meyer. I hated to put any pressure on him about this, but I believe this might get some consideration.

We are particularly anxious that this release appear in the Tulsa papers and the St. Louis papers if that can be arranged.

By way of reminder, we would like to have several copies of the press release and also several more glossy prints of the barge.

Very truly yours,

George H. W. Bush

GHWB:af
Encl.

September 10, 1954

Mr. E. F. Shiels
Ideco
P. O. Box 1331
Dallas, Texas

Dear Gene:

Thanks for your very interesting letter containing the information about Atlantic Refining Company's interest in offshore drilling. I would like very much to sit down with Mr. Patterson at some time to discuss with him some of the questions you brought up.

We made a deal with LeTourneau which will be announced shortly. By way of primary quotation on Ideco equipment, I would appreciate it if you would send me a general estimate of a fully equipped 1350, capable of drilling to 15,000 feet. I realize without breaking this down more systematically that you will not be able to make this an accurate quotation, but what I would like to have is an estimate which would include generally, draw works, large rotary table, traveling block, large crown block for standard derrick, engine compound, three large duplex pumps. This list, of course, is not conclusive so just add any of the major items that I have forgotten. When we get down to actually figuring on equipment we will, of course, have our specifications which we will forward to you. Please don't do a lot of detail work on this, but if you could have someone give me a general estimate it would be helpful. Perhaps a copy of the Kerr-McGee quotations would suffice, which quotations we would of course keep confidential.

Best regards and I am sorry to have missed you in your office the other day.

Yours very truly,

George H. W. Bush

GHWB:af

September 9, 1954

Mrs. Margaret Hampton
Senate Office Building
Washington, D. C.

Dear Mrs. Hampton:

Barbara tells me that you called regarding the offshore drilling leases while I was out of town. Many thanks for all your help on this and I hope that it did not inconvenience you.

I hope that I will have the pleasure of seeing you before too long.

Best regards,

GHWB:af

Hosi Taylor

assign to Z Offshore Co.

Glencourt
47634

Send Blue copy
on cogedell -

OPTION AGREEMENT

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

IN CONSIDERATION OF Ten Dollars ($10.00) and other good and valuable considerations, receipt of which is hereby acknowledged, the undersigned, Zapata Petroleum Corporation, a Delaware corporation, hereinafter referred to as first party, and R. G. LeTourneau, Inc., a California corporation, hereinafter referred to as second party, do hereby agree as follows:

1. First party has this day paid to second party the sum of THIRTY-FIVE THOUSAND DOLLARS ($35,000.00), in consideration of which second party agrees that first party will have the following option to acquire certain equipment which is described in Exhibit A hereto attached, which equipment is sometimes hereinafter referred to as a movable barge.

2. The option period under this contract shall extend until midnight November 8, 1954, and first party shall have the right to exercise said option by notice in writing addressed to R. G. LeTourneau, Inc., Longview, Texas, and mailed at any time prior to midnight November 8, 1954.

3. In the event first party shall exercise the option herein granted to acquire said movable barge, it is agreed that contemporaneous with the exercise of such option, first party shall pay to second party the additional sum of TWO HUNDRED FIFTEEN THOUSAND DOLLARS ($215,000.00).

4. Second party agrees that in the event first party exercises its option under this agreement and pays the additional sum of $215,000.00 as hereinabove provided, second party will complete at its sole risk the construction of said movable barge within a period of six months from the date of the exercise of this option and within such six-months period, it will also test such equipment in the Mississippi River, at or near Vicksburg, Mississippi, at second party's expense, such testing to consist of lowering

the spuds into the Mississippi River and the barge elevated to its maximum height and left for a period of twenty-four (24) hours, at which time the barge will be lowered into the water and the spuds retracted, which testing will be performed a second time as soon as possible. It is further agreed that first party shall have the right to have its representatives present during the actual testing of said barge and shall be entitled to all information obtained in connection with such testing and shall be notified in writing by second party of the completion of the test. Upon the satisfactory completion of such tests, in the Mississippi, second party shall in all events be entitled to retain the $250,000.00 payments hereinabove provided for, even though first party does not ~~elect to~~ purchase said movable barge, as provided hereinafter, unless upon the completion of tests in the Gulf of Mexico, as provided in Section 5, second party shall conclude that said movable barge has not performed satisfactorily in the Gulf. If tests are conducted in the Gulf, first party agrees to insure at its expense said barge during the testing period.

5. It is agreed that, at first party's election andat first party's expense, said barge shall be tested in the Tidelands Area in the Gulf of Mexico and that in event of such election first party shall not be required to make its election as to the purchase of such equipment until such test in the Tidelands Area has been completed and the results thereof made available to first party's representatives. In the event first party does not elect to have said barge test in the Gulf of Mexico, first party shall have a period of seven (7) days from the receipt of notice of the completion of said tests in the Mississippi River to elect whether to purchase said barge by payment of an additional sum of ONE MILLION SIX HUNDRED THOUSAND DOLLARS ($1,600,000.00) as hereinafter provided. Similarly, if testing is conducted in the Gulf, first party shall have a period of seven (7) days from receipt of

notice of the completion of the Gulf test within which to elect to purchase said barge by payment of the additional sum of $1,600,000.00.

6. In the event first party exercises the option herein granted, it is agreed that second party shall make available to first party and its representatives all plans, designs, drawings and specifications of second party in respect of such equipment and it is agreed that second party will cooperate with representatives of first party in making available to first party any pertinent information in respect of plans, designs, et cetera of such equipment. It is also agreed that in the event first party exercises its option under this agreement, second party shall permit representatives of first party free access to observe the construction of said equipment and will confer with representatives of first party and will consider suggestions made by first party's representatives as to construction of such equipment.

7. When the construction of the equipment which is the subject-matter of this contract has been completed and tested as herein provided, first party shall have the option to purchase such equipment, the exercise of which option shall be signified by written acceptance of such equipment. In such event, first party shall be obligated to pay second party $1,600,000, which, together with the ~~[illegible]~~ [illegible] payments hereinabove referred to in the amount of $250,000.00, makes the total purchase price of said equipment $1,850,000. It is agreed that the payment of said $1,600,000 shall be made as follows: Upon the acceptance of the movable barge which is the subject-matter of this contract, first party shall pay to second party $1,000,000. The balance of said amount shall be evidenced by note of first party in the amount of $600,000.00, bearing interest at 6%, which note shall be payable in equal monthly installments over a period of eighteen (18) months, beginning six (6) months from the date of the acceptance of such equipment, which note

shall be secured by a lien on said barge and which barge shall be adequately insured by first party, provided, however, if first party within a period of ninety (90) days from the exercise of the election provided for in Section 2, deposits with second party $150,000.00, the cash payment due under this section shall be $850,000.00 and the note $750,000.00. Said deposit of $150,000.00 shall be returned to first party, in the event first party does not elect to purchase said movable barge, as provided in Section 4 of this agreement.

8. It is agreed that if the equipment which is the subject-matter of this contract has not been completed and tested as herein provided for within a period of twelve (12) months from the date of the exercise of first party's option, then and in such event first party shall have no liability under this contract and the escrowed payments in the amount of $250,000.00 shall be returned to first party.

9. It is agreed that in the event first party purchases the movable barge which is the subject-matter of this contract, then and in such event first party shall have an option to acquire any additional barge of the same or similar design constructed by second party. Second party agrees that it will not begin the construction of any such barge of the same or similar design for a period of six months from the date of the acceptance of the barge which is the subject-matter of this contract. At the expiration of such six-months period and for a period of two (2) years thereafter, first party shall have the option to purchase any similar barge or barges constructed by second party at any bona fide price at which such equipment would be offered to other parties.

10. This contract shall not be assigned except to another corporation controlled by first party or to a corporation, the management of which

includes Hugh Liedtke and George Bush, and no such assignment shall relieve first party of its primary liability under this contract.

WITNESS OUR HANDS this the 8th day of September, 1954.

ZAPATA PETROLEUM CORPORATION,

By J Hugh Liedtke
President

FIRST PARTY

E. G. LeTOURNEAU, INC.,

By R L LeTourneau
Vice Prexident

SECOND PARTY

EXHIBIT A

Le Tourneau Self-Elevating Barge

Nominal dimensions of platform:

Length:	140'	
Width:	80'	Slot size: 26 x 40'
Depth	20'	

Nominal dimensions of spuds:

20' square by 140' long

Nominal dimensions of barge, including spud wells:

Length:	170'
Width	140'
Depth:	20'

Barge to contain diesel electric generating sets of sufficient power to raise platform at rate of approximately 2'/min. /leg. with a maximum gross load of 8 million pounds (including barge). An automatic braking system will be supplied.

Provision for quarters to be arranged by the purchaser.

Furnishing and installation of drilling equipment and machinery to be arranged by purchaser.

Provisions will be made for jets associated with the spud pontoons for use with mud pumps.