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Zapata Off-Shore Company: Long-Term Debt Repayment Program, March 1960

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ZAPATA OFF-SHORE COMPANY

LONG-TERM DEBT REPAYMENT PROGRAM

MARCH, 1960

ZAPATA OFF-SHORE COMPANY

INTER-OFFICE CORRESPONDENCE

TO: Mr. George H. W. Bush

CC:

FROM: Frank M. Allen

DATE: March 1, 1960

SUBJECT: Application of cash flow to long-term debt.

The attached schedules are based on the following assumptions in addition to those stated on the schedules:

Loan:	$2,500,000.
Interest rate:	8 per cent
Payments (1)	$ 40,000 per month (or slightly more than 5 years)
(2)	$26,667 per month (or slightly less than 8 years)
Cash flow(1)	Break-even
(2)	
(2)	Previous computations slightly adjusted.

Insurance expenses, insurance deposits and payments on insurance note have been eliminated from all schedules. Our cash flow computation has been reduced to allow payment of insurance note and deposits along with other drilling expenses.

Assumption (1) has been changed to point out that Scorpion and Vinegarroon demonstrated the ability to generate the income set forth in the computation in January, 1960, and that Nola I operating results are consistent with the estimate used.

FMA

Frank M. Allen

FMA:ew

FORM #128

ZAPATA OFF-SHORE COMPANY
PRO FORMA BALANCE SHEET--DECEMBER 10, 1959

ASSETS

CURRENT ASSETS:	
Cash	$ 260,000
Accounts receivable	950,000
Prepaid insurance	400,000
Prepayments--foreign operations	120,000
Total current assets	$ 1,730,000
PROPERTY AND EQUIPMENT	$10,550,000
Less--reserves for depreciation	3,810,000
Total property and equipment	$ 6,740,000
INVESTMENTS:	
Common stock of subsidiaries	$ 5,000
Advances	275,000
Total investments	$ 280,000
	$ 8,750,000

LIABILITIES

CURRENT LIABILITIES:	
Bank loan	$ 600,000
Current maturities on long-term debt	1,030,000
Insurance company loan	320,000
Accounts payable and accrued liabilities	630,000
Total current liabilities	$ 2,580,000
ESTIMATED FUTURE FEDERAL INCOME TAXES PAYABLE	$ 370,000
LONG-TERM DEBT (See Notes to Pro Forma Balance Sheet)	$ 1,220,000
STOCKHOLDERS' EQUITY:	
Common stock	$ 500,000
Capital in excess of par value	3,550,000
Income retained	540,000
	$ 4,590,000
Less--Common stock repurchased	10,000
Total stockholders' equity	$ 4,580,000
	$ 8,750,000

See accompanying notes to Pro Forma Balance Sheet.

ZAPATA OFF-SHORE COMPANY
BALANCE SHEET
OCTOBER 31, 1959 AND SEPTEMBER 30, 1959

ASSETS	OCTOBER 31, 1959	SEPTEMBER 30, 1959
CURRENT ASSETS:		
Cash	$ 443,068	$ 824,540
Accounts receivable	1,057,027	784,704
Prepaid expenses:		
Insurance	47,627	65,913
Foreign operations	92,526	88,456
Total current assets	$1,640,248	$1,763,613
PROPERTY AND EQUIPMENT, at cost (substantially all pledged to secure mortgage notes payable):		
Mobile offshore drilling platforms, drilling vessels and equipment	$8,805,965	$8,896,477
Offshore oil and gas property interests, wells and equipment	671,396	685,335
Automobiles and office equipment	53,700	52,265
	$9,531,061	$9,634,077
Less--Reserves for depreciation	3,645,227	3,620,569
Total property and equipment	$5,885,834	$6,013,508
INVESTMENTS:		
Common stocks of Zapata International Corp. and Zapata de Mexico, S.A.	$ 1,000	$ 1,000
Advances	150,531	-o-
Total investments	$ 151,531	$ 1,000
	$7,677,613	$7,778,121

ZAPATA OFF-SHORE COMPANY
BALANCE SHEET, PAGE 2.

LIABILITIES	OCTOBER 31, 1959	SEPTEMBER 30, 1959
CURRENT LIABILITIES:		
Current maturities on long-term debt	$ 794,379	$1,002,000
Accounts payable and accrued liabilities	1,252,581	742,940
Total current liabilities	$2,046,960	$1,744,940
ESTIMATED FUTURE FEDERAL INCOME TAXES PAYABLE, resulting from use of accelerated depreciation for tax reporting	$ 343,000	$ 379,000
LONG TERM DEBT:		
Mortgage note payable, less current maturities of $506,379	$ 724,621	$ 786,000
Advances by supplier, less estimated current maturities of $180,000 (reversed at October 31, pending closing of loan)	-o-	221,529
Without recourse notes issued to vendor of drilling tenders, less current maturities of $288,000	15,000	63,000
Total long-term debt	$ 739,621	$1,070,529
STOCKHOLDERS' EQUITY:		
Common stock, 50¢ par value--authorized, 1,500,000 shares; issued, 1,006,337 shares; reserved for employee stock option, 14,000 shares	$ 503,169	$ 503,169
Capital in excess of par value	3,546,074	3,546,074
Income retained, end of period (under loan agreement dividends may not be paid)	511,224	546,844
	$4,560,467	$4,596,087
Less--common stock repurchased, 2,500 shares at cost (reserved for employee stock option)	12,435	12,435
Total stockholders' equity	$4,548,032	$4,583,652
	$7,677,613	$7,778,121

ZAPATA OFF-SHORE COMPANY

FMA

REPAYMENT PROGRAM FOR LONG-TERM DEBT

JULY, 1959

Schedule I

ZAPATA OFF-SHORE COMPANY

MAJOR CASH EXPENDITURES NOT CHARGEABLE TO OPERATIONS--1959

	Bank Loan	Supply House Advance
Purchase 15,000 feet of 4-1/2" drill pipe from Bahama California Oil Company	$ 92,000	
Outfit and transport the Nola I to the Gulf of Paria (Venezuela) in a condition ready to commence drilling	250,000	
First and second Magnolia YFs-		
Down payments at $30,000 each	60,000	
Cost to convert to over-the-side floating drilling vessels @ $300,000		$600,000
Installment note payments during conversion and initial month's operations--both vessels	48,000	
Drill pipe at $40,000 each	80,000	
Platform and production facilities for Block 86 producing gas property	100,000	
Extend legs of mobile barge	200,000	
Supply house down payment	60,000	(60,000)
Total cash expenditures to be financed	$ 890,000	$540,000
Balance, August 1, 1959	600,000	
Total bank loan	$1,490,000	

Note: No provision has been made for increased working capital needed to operate the two Magnolia YFs. This is expected to be provided from cash flow in excess of debt servicing.