

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly period ended _____ December 31, 1994

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-4219

ZAPATA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

C-74-1339132
(I.R.S. Employer
Identification No.)

P.O. Box 4240, Houston, Texas
(Address of principal executive offices)

77210
(Zip code)

Registrant's telephone number, including area code _____ (713) 940-6100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Number of shares outstanding of the registrant's Common Stock, par value \$.25, on February 10, 1995: 31,752,407.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Zapata Corporation

Consolidated Balance Sheet
Consolidated Income Statement
Divisional Revenues and Operating Results
Consolidated Statement of Cash Flows
Notes to Financial Statements

ZAPATA CORPORATION
CONSOLIDATED BALANCE SHEET
ASSETS
(in thousands)

	December 31, 1994	September 30, 1994
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 6,288	\$ 14,386
Restricted cash	--	779
Receivables	30,128	27,591
Inventories:		
Compressor equipment and components	20,734	17,629
Gas liquids products	860	414
Prepaid expenses and other current assets	2,722	2,049
Net assets of discontinued operations	55,000	55,000
	-----	-----
Total current assets	115,732	117,848
	-----	-----
Investment and other assets:		
Notes receivable	914	1,925
Investment in equity securities	12,452	14,471
Goodwill	25,598	25,812
Deferred income taxes	3,811	3,315
Other assets	8,328	8,420
	-----	-----
	51,103	53,943
	-----	-----
Property and equipment	157,934	157,335
Accumulated depreciation	(72,545)	(70,252)
	-----	-----
	85,389	87,083
	-----	-----
Total assets	\$252,224	\$258,874
	=====	=====

The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION
CONSOLIDATED BALANCE SHEET
LIABILITIES AND STOCKHOLDERS' EQUITY

(in thousands)

	December 31, 1994	September 30, 1994
	-----	-----
Current liabilities:		
Current maturities of long-term debt	\$ 2,481	\$ 2,478
Accounts payable and accrued liabilities	25,116	27,258
	-----	-----
Total current liabilities	27,597	29,736
	-----	-----
Long-term debt	59,239	59,860
	-----	-----
Other liabilities	14,574	14,736
	-----	-----
Stockholders' equity:		
Preferred and preference stock	3	2,258
Common stock	7,931	7,930
Capital in excess of par value	137,790	138,293
Reinvested earnings from October 1, 1990	2,127	1,785
Investment in equity securities-unrealized gain, net of taxes	2,963	4,276
	-----	-----
	150,814	154,542
	-----	-----
Total liabilities and stockholders' equity	\$252,224	\$258,874
	=====	=====

The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION
CONSOLIDATED INCOME STATEMENT

(in thousands, except per share amounts)

	Three Months Ended December 31,	
	1994	1993
Revenues	\$45,970	\$59,539
Expenses:		
Operating	39,221	53,384
Depreciation, depletion and amortization	2,877	2,414
Selling, general and administrative	2,542	3,403
	44,640	59,201
Operating income	1,330	338
Other income (expense):		
Interest income	353	806
Interest expense	(1,449)	(2,518)
Gain on sale of Tidewater common stock	--	33,852
Other	490	(6,273)
	(606)	25,867
Income from continuing operations before income taxes	724	26,205
Provision for income taxes		
State	120	29
Federal	211	9,161
	331	9,190
Income from continuing operations	393	17,015
Income from discontinued operations, net of income taxes	--	313
Net income	393	17,328
Preferred stock dividends	51	101
Net income to common stockholders	\$342	\$17,227
Per share data:		
Income from continuing operations	\$0.01	\$0.55
Income from discontinued operations	--	0.01
Net income per share	\$0.01	\$0.56
Average common shares and equivalents outstanding	31,785	31,001

The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION
 DIVISIONAL REVENUES AND OPERATING RESULTS
 (in thousands)

	Three Months Ended December 31,	
	----- 1994	1993 -----
	-----	-----
Revenues		
Natural gas compression	\$18,163	\$12,631
Natural gas gathering and processing	25,031	43,471
Oil and gas	2,776	3,437
	-----	-----
	\$45,970	\$59,539
	=====	=====
Operating income (loss)		
Natural gas compression	\$ 1,923	\$ 987
Natural gas gathering and processing	(170)	561
Oil and gas	410	208
Corporate	(833)	(1,418)
	-----	-----
	\$ 1,330	\$ 338
	=====	=====

The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months ended December 31,	
	1994	1993
Cash flow used by operating activities:		
Continuing operations:		
Net income from continuing operations	\$ 393	\$ 17,015
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	2,877	2,414
Gain on sale of assets, net	(457)	(33,852)
Changes in other assets and liabilities	(7,581)	12,954
Total adjustments	(5,161)	(18,484)
Cash flow used by continuing operations	(4,768)	(1,469)
Discontinued operations:		
Income from discontinued operations	--	313
Increase in net assets of discontinued operations	--	(3,604)
Cash flow used by discontinued operations	--	(3,291)
Net cash used by operating activities	(4,768)	(4,760)
Cash flow provided by investing activities:		
Proceeds from dispositions of investments and other	1,777	80,528
Restricted cash investments	779	75,083
Proceeds from notes receivable	920	859
Business acquisitions, net of cash acquired	--	(73,622)
Capital expenditures	(2,277)	(2,981)
Net cash provided by investing activities	1,199	79,867
Cash flow used by financing activities:		
Principal payments of long-term obligations	(618)	(68,220)
Preferred stock redemption and common stock buyback	(2,758)	--
Dividend payments	(1,153)	(202)
Net cash used by financing activities	(4,529)	(68,422)
Net increase (decrease) in cash and cash equivalents	(8,098)	6,685
Cash and cash equivalents at beginning of period	14,386	16,008
Cash and cash equivalents at end of period	\$ 6,288	\$ 22,693

The accompanying notes are an integral part of the financial statements.

ZAPATA CORPORATION NOTES TO FINANCIAL STATEMENTS

NOTE 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements included herein have been prepared by Zapata, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments which are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although Zapata believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including significant accounting policies, normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in Zapata's latest annual report on Form 10-K.

On December 8, 1994, Zapata announced that it would redeem the remaining 22,498 outstanding shares of the Company's \$6 Cumulative Preferred Stock (Preferred Stock). The Preferred Stock was redeemed at \$100 a share.

NOTE 2. ACQUISITION

In November 1993, Zapata purchased the natural gas compression business of Energy Industries, Inc. and certain other affiliated companies ("Energy Industries"), as well as certain real estate used by the business ("Energy Industries Acquisition"). The following pro forma information for Zapata for the three months ended December 31, 1993 includes the historical results of Zapata, adjusted for the results of Energy Industries as if the Energy Industries Acquisition had been consummated on October 1, 1993 (unaudited) (in thousands, except per share amounts).

Revenues	\$65,553
Income from continuing operations before taxes	26,503
Income from continuing operations	17,209
Income per share from continuing operations	0.55

The pro forma adjustments to Zapata's results for the three months ended December 31, 1993 to reflect the Energy Industries Acquisition increased revenues by \$6,014,000, as well as income before tax by \$174,000. Additional pro forma adjustments for the first three months of fiscal 1994 included the elimination of \$124,000 of various operating and administrative expenses that were charged to Energy Industries from an affiliate, additional depreciation of \$120,000 and \$41,000 of goodwill amortization, a reduction in net interest expense of \$161,000 related to notes receivable and payable that were not acquired by Zapata and a federal tax provision of \$104,000.

The pro forma amounts presented above may not be indicative of the results that would have actually resulted if the transactions had occurred on the date indicated or which may be obtained in the future.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1994, Zapata's financial condition remains strong. Long-term debt of \$59.2 million compares favorably to working capital of \$88.1 million and stockholders' equity of \$150.8 million. Mandatory principal payments for the next twelve months total \$2.5 million. Zapata currently owns 673,077 shares of common stock of Tidewater Inc., all of which are reserved for possible exchange, at the election of the holder, for \$17.5 million of the Company's 8.5% unsecured exchangeable notes due in 1996.

As of December 31, 1994, Zapata redeemed the remaining 22,498 shares of its outstanding \$6 Cumulative Preferred Stock (Preferred Stock) at \$100 per share. In the first quarter of fiscal 1995, the Company announced that payment of dividends on its Common Stock and \$2 Noncumulative Convertible Preference Stock would be discontinued until further notice.

Net cash used by operating activities for the first quarters of fiscal 1995 and 1994 each totalled \$4.8 million. However, cash provided by investing activities of \$1.2 million during the first quarter of fiscal 1995 was significantly lower than the \$79.9 million provided in the corresponding fiscal 1994 period as a result of the sale of 3.75 million shares of Zapata's Tidewater common stock in November 1993. Reflecting a senior debt prepayment in December 1993, net cash used by financing activities of \$4.5 million in the first quarter of fiscal 1995 was substantially lower than the \$68.4 million used in the prior-year period.

RESULTS OF OPERATIONS

Zapata reported net income of \$393,000 for the first quarter of fiscal 1995 as compared to net income of \$17.3 million for the same period in fiscal 1994. The decrease was primarily attributable to a \$33.8 million pretax gain from the sale of 3.75 million shares of Zapata's Tidewater common stock in the fiscal 1994 period. This gain was partially offset by a \$6.8 million expense associated with the partial prepayment of the Company's senior indebtedness during the first quarter of fiscal 1994. Interest expense was lower in the first quarter of fiscal 1995 as compared to the corresponding 1994 period due primarily to the 1994 senior debt prepayment. The fiscal 1994 results include net income of \$313,000 from the Company's discontinued marine protein operations.

The Company's operating income of \$1.3 million for the first quarter of fiscal 1995 compared favorably to operating income of \$338,000 for the corresponding fiscal 1994 period. The improvement was primarily attributable to Zapata's natural gas compression division that was acquired in November 1993. The benefits of reduced general and administrative expenses associated with the Company's corporate headquarters and the absence of domestic oil and gas operations workover expenses in the first quarter of fiscal 1995 were offset by an operating loss from the Company's natural gas gathering, processing and marketing operations. Revenues for the first quarter of fiscal 1995 totalled \$46.0 million as compared to \$59.5 million for the first quarter of fiscal 1994.

NATURAL GAS COMPRESSION - In November 1993, Zapata purchased Energy Industries, Inc. ("Energy Industries") a participant in all segments of the natural gas compression industry. Energy Industries operates one of the ten largest rental fleets of natural gas compressor packages in the United States. Its compressor fleet is located in Texas, Louisiana, Arkansas, Oklahoma and New Mexico, as well as offshore in the Gulf of Mexico.

Energy Industries primarily supplies natural gas compressor packages in natural gas production and processing applications. In natural gas production applications, natural gas compression is used to increase the flow rate of gas wells with low reservoir pressures. In natural gas processing applications, natural gas compression is used in the process of separating the various hydrocarbon components of the wellhead natural gas stream. In interstate natural gas pipeline applications, natural gas compression is used to increase the pressure of natural gas from reservoir levels to interstate pipeline standards. Energy Industries maintains an inventory of compressor and engine components to support the fabrication, service and repair of natural gas compressor packages.

The major segments of Energy Industries' natural gas compression revenues and operating results for the three months ended December 31, 1994 and the two months ended December 31, 1993, in thousands, are identified below.

	Revenues		Operating Results	
	1995	1994	1995	1994
Compressor Rental	\$ 4,329	\$ 2,914	\$ 1,450	\$ 976
Fabrication and Sales	6,845	3,493	921	334
Parts & Service	5,384	4,166	1,006	777
Other	1,605	2,058	176	92
Selling & Administrative	---	---	(1,630)	(1,192)
	<u>\$18,163</u>	<u>\$12,631</u>	<u>\$ 1,923</u>	<u>\$ 987</u>

Natural gas compressor package rental utilization is affected primarily by the number and age of producing oil and gas wells, the volume of natural gas consumed and natural gas prices. Rental rates are determined primarily by the demand for compressor packages and vary by size and horsepower of a compressor package. Energy Industries' utilization, rental rates and fleet size as of December 31, 1994 and 1993 are compared in the following table.

	December 31, 1994	December 31, 1993
Fleet utilization:		
Horsepower	79.5%	76.8%
Monthly rental rate, based on:		
Horsepower	\$ 16.36	\$ 16.83
Fleet size:		
Number of units	711	684
Horsepower	113,706	106,139

Although utilization of the Company's compressor packages was higher at December 31, 1994 as compared to that at December 31, 1993, compressor utilization and rental rates have both been negatively impacted during the current fiscal quarter by the effects of low natural gas prices.

In addition to operating a fleet of natural gas compressor packages for rental purposes, Energy Industries designs, fabricates and sells natural gas compressor packages to customer specifications. Energy Industries sells compressor packages to natural gas producers, gatherers and transmission companies which expect the long life of their associated reserves or pipeline to justify the capital cost of acquiring, rather than renting, a natural gas compressor package. Most of Energy Industries' natural gas compressor package sales are for larger, high horsepower packages.

NATURAL GAS GATHERING, PROCESSING AND MARKETING - Zapata's natural gas

gathering, processing and marketing operations are conducted through Cimarron Gas Holding Company and its subsidiaries. Cimarron was acquired early in fiscal 1993 to serve as the vehicle for the Company's expansion into the natural gas services market. As a division of Zapata, Cimarron's operations involve two major categories of business activities: the gathering and processing of natural gas and its constituent products and the marketing and trading of natural gas liquids (NGL's).

Revenues and operating results for the first quarters of fiscal 1995 and 1994 are presented in the following table by major category, in thousands.

	Revenues		Operating Results	
	1995	1994	1995	1994
	-----	-----	-----	-----
Gathering & Processing	\$ 4,305	\$ 6,080	\$ 36	\$ 558
NGL Marketing	20,726	37,391	16	535
Selling & Administrative	---	---	(222)	(532)
	-----	-----	-----	-----
	\$25,031	\$43,471	\$(170)	\$ 561
	=====	=====	=====	=====

For the first quarter of fiscal 1995, gathering and processing revenues and operating income were lower than the prior-year results as the negative impact of significantly lower natural gas prices more than offset improved processing margins. Marketing revenues and operating income also declined in the 1995 period reflecting the Company's decision to reduce its natural gas trading activities.

Gas gathering is the collection of natural gas from various individual wells, combining it into a single gas stream and delivering it into a major transmission line for transportation to market. A gathering system sometimes includes an associated processing plant for the removal of gas liquids, depending on the content of liquefiable hydrocarbons in the gas streams and the capabilities of transmission lines.

In fiscal 1994 and 1993, Cimarron significantly expanded its natural gas gathering and processing activities through the acquisition and expansion of natural gas gathering systems in West Texas and Oklahoma and a gas processing plant in Sutton County, Texas. A comparison of average daily volumes of gas, measured in millions of cubic feet, gathered and processed during the first quarters of fiscal 1995 and 1994 are shown below.

	1995	1994
Gathering	51.3	40.4
Processing	27.2	18.8

OIL AND GAS - Operating income of \$410,000 for the first quarter of fiscal 1995

compared favorably to the fiscal 1994 period's operating income of \$208,000 while revenues declined to \$2.8 million in the 1995 period as compared to \$3.4 million in the prior-year period. The improvement in operating income was due primarily to the absence of workover expenses in fiscal 1995; the fiscal 1994 period included \$400,000 of workover expenses at the Company's Wisdom gas field. The division's results were negatively impacted by the significantly lower natural gas prices in the first quarter of fiscal 1995, as well as reduced receipts from the Bolivian operations (\$700,000 in 1995 compared to \$1.0 million in 1994). Additionally, the Company curtailed production in the Gulf of Mexico during the first quarter of fiscal 1995 as a result of the low gas prices.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits -

Exhibit 27 - Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZAPATA CORPORATION

February 13, 1995

By: /s/ Joseph L. von Rosenberg III

Joseph L. von Rosenberg III
Vice President, General Counsel
and Corporate Secretary

February 13, 1995

By: /s/ Lamar C. McIntyre

Lamar C. McIntyre
Vice President, Chief Financial Officer,
Treasurer and Assistant Secretary

5
1,000

	3-mos
SEP-30-1995	
OCT-01-1994	
DEC-31-1994	6,288
	0
	30,128
	0
	21,594
115,732	157,934
	72,545
	252,224
27,597	59,239
	7,931
0	3
	142,880
252,224	45,970
	45,970
	39,221
	44,640
	(490)
	0
1,096	724
	331
393	0
	0
	0
	393
	.01
	.01