SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For Quarterly period ended June 30, 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	C-74-1339132
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 4240, Houston, Texas	77210
(Address of principal executive offices)	(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 X No

Number of shares outstanding of the registrant's Common Stock, par value $.25, on August 11, 1994: 31,681,348

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Zapata Corporation

ZAPATA CORPORATION
BALANCE SHEET
ASSETS
(in thousands)

	June 30, 1994	September 30, 1993
Current assets:		
Cash and cash equivalents	$11,736	$15,273
Restricted cash and temporary investments	---	75,083
Receivables	38,836	28,321
Inventories		
Fish products	31,971	33,504
Compressor equipment and components	20,145	---
Gas liquids products	1,572	1,271
Materials, parts and supplies	3,349	3,392
Prepaid expenses and other current assets	2,928	2,280
Total current assets	110,537	159,124
Investments and other assets:		
Investments in unconsolidated affiliates	7,893	56,289
Goodwill	27,233	7,781
Deferred income taxes	10,374	---
Other assets	19,786	21,686
	65,286	85,756
Property and equipment	209,388	141,393
Less accumulated depreciation	(71,113)	(41,156)
	138,275	100,237
Total assets	$314,098	$345,117

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

ZAPATA CORPORATION
BALANCE SHEET
LIABILITIES AND STOCKHOLDERS' INVESTMENT
(in thousands)

	June 30, 1994	September 30, 1993
Current liabilities:		
Current maturities of long-term debt	$2,997	$2,714
Accounts payable and accrued liabilities	40,111	36,550
Income taxes payable	1,600	783
Total current liabilities	44,708	40,047
Long-term debt	70,323	139,646
Deferred income taxes	---	3,686
Other liabilities	15,559	15,474
Stockholders' investment:		
Preferred and preference stock	2,258	4,503
Common stock	7,920	7,235
Capital in excess of par value	152,037	121,847
Reinvested earnings from October 1, 1990	21,293	12,679
	183,508	146,264
Total liabilities and stockholders' investment	$314,098	$345,117

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

ZAPATA CORPORATION
INCOME STATEMENT
(in thousands, except per share amounts)

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993	Nine Months Ended June 30, 1994	Nine Months Ended June 30, 1993
Revenues	$86,496	$58,173	$241,924	$200,952
Expenses				
Operating	74,214	52,089	209,215	178,822
Provision for oil & gas property valuation	18,810	---	18,810	---
Depreciation, depletion and amortization	4,475	2,879	11,969	10,165
Selling, general and administrative	5,055	3,774	14,531	10,329
	102,554	58,742	254,525	199,316
Operating income (loss)	(16,058)	(569)	(12,601)	1,636
Interest income (expense)				
Interest income	431	483	1,628	1,440
Interest expense	(1,869)	(3,724)	(7,482)	(11,246)
	(1,438)	(3,241)	(5,854)	(9,806)
Other income (expense)				
Gain on sale of Tidewater stock	---	32,928	37,457	32,928
Other	3,016	(13,205)	(2,859)	(10,575)
	3,016	19,723	34,598	22,353
Income (loss) before income taxes	(14,480)	15,913	16,143	14,183
Provision for income taxes	(4,906)	5,423	6,117	4,197
Net income (loss)	(9,574)	10,490	10,026	9,986
Preferred and preference stock dividends	101	285	303	487
Net income (loss) to common stock	($9,675)	$10,205	$9,723	$9,499
Net income (loss) per common share	($0.31)	$0.37	$0.31	$0.36
Average common shares and equivalents outstanding	31,671	27,807	31,708	26,641

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

ZAPATA CORPORATION
DIVISIONAL REVENUES AND OPERATING INCOME

(in thousands)

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993	Nine Months Ended June 30, 1994	Nine Months Ended June 30, 1993
Revenues				
Natural gas compression	$21,810	$ ---	$49,874	$ ---
Natural gas gathering and processing	41,957	40,972	120,456	148,715
Oil and gas	3,026	4,231	9,287	16,596
Marine protein	19,703	12,970	62,307	35,641
	$86,496	$58,173	$241,924	$200,952
Operating income (loss)				
Natural gas compression	$2,460	$ ---	$4,842	$ ---
Natural gas gathering and processing	(473)	(340)	(696)	(158)
Oil and gas	(18,743)	1,190	(18,103)	5,553
Marine protein	2,122	415	6,016	1,362
Corporate	(1,424)	(1,834)	(4,660)	(5,121)
	($16,058)	($569)	($12,601)	$1,636

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

ZAPATA CORPORATION
STATEMENT OF CASH FLOWS
NINE MONTHS ENDED JUNE 30
(in thousands)

	1994	1993
Operating activities:		
Net income	$10,026	$9,986
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion, amortization and valuation provision	30,779	16,165
Gain on sale of Tidewater common stock	(37,457)	(32,928)
Changes in assets and liabilities:		
Receivables	(4,012)	6,086
Inventories	(3,311)	(4,253)
Accounts payable and accrued liabilities	(2,278)	(4,108)
Other assets and liabilities	3,319	(2,718)
Total adjustments	(12,960)	(21,756)
Net cash used in operating activities	(2,934)	(11,770)
Investing activities:		
Proceeds from dispositions	88,533	74,332
Restricted cash investments	75,083	(75,735)
Proceeds from notes receivable	1,061	952
Business acquisitions	(73,222)	(2,491)
Capital expenditures	(20,049)	(1,685)
Net cash provided from (used in) investing activities	71,406	(4,627)
Financing activities:		
Interest obligations deferred	1,297	523
Borrowings	170	82,625
Proceeds from issuance of preference and common stock	---	28,750
Principal payments of long-term obligations	(70,827)	(106,800)
Preferred stock redemption	(2,245)	---
Dividend payments	(404)	---
Net cash provided from (used in) financing activities	(72,009)	5,098
Net decrease in cash and cash equivalents	(3,537)	(11,299)
Cash and cash equivalents at beginning of period	15,273	35,544
Cash and cash equivalents at end of period	$11,736	$24,245

(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.

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers Accounting for Post-employment Benefits," which will require the recognition of an obligation by employers who provide benefits to former or inactive employees after employment but before retirement. Adoption of the new standard by Zapata is required no later than the fiscal year ending September 30, 1995. Based on existing conditions and a preliminary review, management believes adoption of the new standard will not have a material impact on Zapata's results of operations or financial position as Zapata currently provides post-employment benefits on a very limited basis.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), which addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Adoption by Zapata is required no later than the fiscal year ending September 30, 1995. Zapata currently owns approximately 673,000 shares of Tidewater Inc. ("Tidewater") common stock which has a book value of approximately $7.9 million. Upon adoption of SFAS 115, this security would be reported at fair value and any unrealized gain or loss recorded as a separate component of stockholders' equity (net of deferred income taxes). If Zapata had implemented the new standard at June 30, 1994, an adjustment would have been made to increase other assets by $7.7 million, with a corresponding decrease of $2.7 million to the deferred income tax asset and an increase of $5.0 million to stockholders' investment for the unrealized appreciation.

On April 27, 1994, Zapata's stockholders approved a one-for-five reverse stock split of the Company's outstanding common stock effective May 3, 1994 that reduced the number of common shares outstanding from approximately 158.3 million to approximately 31.7 million. The number of authorized shares remained at 165.0 million and par value of the common stock was unchanged. All references to earnings per share and average number of shares outstanding have been restated to reflect the reverse stock split. Additionally Zapata's Board of Directors declared a common stock dividend of $0.035 per share totalling approximately $1.1 million to be paid in July 1994 to stockholders of record on June 30, 1994.

On June 7, 1994, Zapata announced that it would redeem one-half of the approximately 45,000 outstanding shares of the Company's $6 Cumulative Preferred Stock (Preferred Stock). The Preferred Stock was redeemed at $100 a share. The Company presently intends to redeem the balance of its outstanding Preferred Stock in 1995. Under terms of the Preferred Stock, Zapata can redeem a maximum of 22,500 shares of such stock in a calendar year.

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 is in the business of renting, fabricating, selling, installing and servicing natural gas compressor packages. Total consideration paid for the purchase of Energy Industries and certain real estate, and for a related noncompetition agreement (collectively, the "Energy Industries Acquisition") was $90.2 million consisting of $74.5 million and 2.7 million shares of Zapata common stock based on an assigned value of $5.80 per share which approximated the average trading price prior to closing of the acquisition (number of shares and per share value have been adjusted to reflect May 1994 one-for-five reverse stock split). Additionally, the Company incurred approximately $2.0 million in fees associated with the Energy Industries Acquisition. The purchase price reflects a downward adjustment of $700,000 based on an adjustment to the net working capital of Energy Industries as of October 31, 1993. The cash portion of the purchase price was funded by the proceeds which Zapata received from the June 1993 sale of 3.5 million shares of Tidewater common stock in an underwritten public offering. Zapata accounted for the acquisition using the purchase method of accounting and recorded $20.0 million of goodwill in connection therewith. The goodwill is being amortized over 40 years.

The following assets and liabilities were acquired in connection with the Energy Industries Acquisition effective November 1, 1993 (in millions):

Cash	$ 3.5
Receivables	9.3
Inventory	15.6
	28.4
Goodwill & other assets	20.4
Property & equipment, net	49.6
	$98.4
Current Liabilities	$ 5.8
Long-term debt	.2
	$ 6.0

The following pro forma information for Zapata for the nine months ended June 30, 1994 and June 30, 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, 1992 (unaudited) (in thousands, except per share amounts).

	Nine Months Ended June 30, 1994	1993
Revenues	$247,938	$244,545
Income before taxes	16,441	18,680
Net income	10,220	12,842
Net income per share	0.31	0.42

The pro forma adjustments to Zapata's results for the nine months ended June 30, 1994 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 nine 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 adjustments to Zapata's results for the nine months ended June 30, 1993 to reflect the Energy Industries Acquisition increased revenues by $43,593,000, as well as income before tax by $2,752,000. Additional pro forma adjustments for the first nine months of fiscal 1993 included the elimination of $1,627,000 of various operating and administrative expenses that were charged to Energy Industries from an affiliate, additional depreciation of $1,080,000 and $328,000 of goodwill amortization, a reduction in net interest expense of $1,526,000 related to notes receivable and payable that were not acquired by Zapata, a federal tax provision of $1,641,000 and the issuance of 2.7 million shares of Zapata common stock.

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.

Note 3. Sales of Tidewater Common Stock and Senior Debt Prepayment

In November 1993, Zapata sold 3.75 million shares of its Tidewater common stock for a net price of $20.75 per share or $77.8 million through an underwritten public offering; the sale resulted in a pretax gain of $33.8 million. In December 1993, $73.7 million of the proceeds were used to prepay $68.5 million of the Company's 13% senior indebtedness to Norex Drilling Ltd., along with accrued interest, and to pay a $3.5 million prepayment premium.

In connection with the debt prepayment, the Norex debt agreement was amended to remove or lessen various restrictions on the Company. The Company will no longer be required to maintain certain financial ratios and will no longer be subject to limitations on its ability to incur additional indebtedness or contingent obligations, to make capital expenditures, to pay dividends or to enter into merger or consolidation transactions, to liquidate, wind up or dissolve or to make investments or loans. In addition, the Company will no longer be subject to limitations on the creation of liens or the sale of assets, except in connection with Energy Industries and certain related subsidiaries. The Company will remain subject to a covenant in the Norex debt agreement which requires it to maintain a consolidated tangible net worth as defined in such agreement of at least $100 million.

In March 1994, Zapata sold 375,175 additional shares of its Tidewater common stock for a net price of $21.34 per share or $8.0 million resulting in a pretax gain of $3.6 million. The Company currently owns approximately 673,000 shares of Tidewater common stock. The aggregate market value of Zapata's remaining shares of Tidewater common stock as of June 30, 1994 was $15.6 million based on the closing price of $23.25 per publicly-traded share on that date.

Note 4. Accounting for Income Taxes

In the first quarter of fiscal 1994, Zapata adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." The adoption of SFAS 109 changes Zapata's method of accounting for income taxes to the asset and liability approach. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting basis of assets and liabilities, and operating loss and tax credit carryforwards for tax purposes. The impact of adopting SFAS 109 was to record an increase to capital in excess of par value of $15.3 million and a net deferred tax asset of $11.6 million arising from the recognition of previously existing credit carryforward items.

Temporary differences and tax credit carryforwards that gave rise to significant portions of deferred tax assets and liabilities as of October 1, 1993 as adjusted for adoption of SFAS 109 are as follows:

Deferred Tax Assets	October 1, 1993
Asset write-downs not yet deductible	$ 8,554
U.S. net operating loss carryforward	33
Investment tax credit carryforwards	27,446
Alternative minimum tax credit carryforwards	11,180
Other	2,208
Total deferred tax assets	49,421
Valuation allowance	(5,596)
Net deferred tax assets	43,825
Deferred Tax Liabilities	
Property and equipment	(12,526)
Investment in Tidewater	(11,766)
Pension	(3,690)
Other	(4,210)
Total deferred tax liabilities	(32,192)
Net deferred tax asset	$ 11,633

The valuation allowance required under SFAS 109 represents tax credits that may not be ultimately utilized given current facts and circumstances.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1994, Zapata's financial condition remained stronger than that of any time in recent history. Long-term debt of $70.3 million compares very favorably to working capital of $65.8 million and stockholders' investment of $183.5 million. Additionally, the Company owns approximately 673,000 shares of Tidewater Inc. ("Tidewater") common stock.

In November 1993, Zapata purchased the natural gas compression business of Energy Industries, Inc. and certain other affiliated companies as well as certain real estate used by the business (collectively, "Energy Industries"). Energy Industries is engaged in the business of renting, fabricating, selling, installing and servicing natural gas compressor packages. Total consideration paid for the purchase and for a related noncompetition agreement (collectively, the "Energy Industries Acquisition") was $90.2 million. The purchase price consisted of $74.5 million and 2.7 million shares of the Company's common stock valued at $5.80 per share, which approximated the average trading price prior to closing of the acquisition (number of shares and per share value have been adjusted to reflect the May 1994 one-for-five reverse stock split of Zapata's outstanding common stock).

To fund the cash portion of the purchase price, Zapata used the proceeds from the June 1993 sale of 3.5 million shares of its Tidewater common stock. In November 1993, Zapata sold an additional 3.75 million shares of its Tidewater common stock in an underwritten public offering for a net price of $20.75 per share or $77.8 million. In December 1993, most of the proceeds from this sale were used to prepay $68.5 million of the Company's 13% senior indebtedness owed to Norex Drilling Ltd., along with accrued interest, and to pay a negotiated prepayment premium of $3.5 million. In March 1994, Zapata sold 375,175 additional shares of Tidewater stock for a net price of $21.34 per share generating $8.0 million.

As of June 30, 1994, the Company's weighted-average interest rate had been reduced to 9.9% as a result of the Norex debt prepayment. Additionally, a portion of such interest is deferred and added to principal in accordance with certain loan provisions. Mandatory principal payments for the next twelve months total $3.0 million; no significant amount of debt matures prior to fiscal 1996. Depending upon certain conditions, most of the principal payments due in 1996 may be either converted into shares of Zapata common stock or exchanged for shares of Zapata's Tidewater common stock as provided for in the Norex loan agreements.

While the Company considers its current liquidity position to be adequate, it has entered into discussions with several financial institutions with the intent of establishing committed lines of credit to fund future growth. Following the acquisition of Energy Industries, Zapata believes that its cash flow from operations will be sufficient to meet operating needs and its financial commitments. In connection with the December debt prepayment, the Norex debt agreement was amended to remove or lessen various restrictions on the Company.

Net cash used in operating activities during the first nine months of fiscal 1994 totalled $2.9 million as compared to $11.8 million used in the corresponding period in fiscal 1993. The lower use of cash in 1994 was attributable to the positive contribution from the Company's compression operations, reduced interest expense and lower fees associated with Zapata's senior debt. During the third quarter, cash and restricted cash balances declined by $16.4 million as a result of an increase in non-cash working capital and capital expenditures.

Due to the significant transactions which occurred during the first nine months of fiscal years 1993 and 1994, a more meaningful cash flow comparison can be made if investing activities are combined with financing activities. On a combined basis, these activities used $603,000 during the 1994 period and generated $471,000 during the 1993 period. This difference can be attributed to increased capital expenditures and to the redemption of preferred stock.

On April 27, 1994, Zapata's stockholders approved a one-for-five reverse stock split of the Company's outstanding common stock effective May 3, 1994 that reduced the number of common shares outstanding from approximately 158.3 million to approximately 31.7 million. The number of authorized shares remained at 165.0 million and par value of the common stock was unchanged. All references to earnings per share and average number of shares outstanding have been restated to reflect the reverse stock split. Additionally Zapata's Board of Directors declared a common stock dividend of $0.035 per share totalling approximately $1.1 million to be paid in July to stockholders of record on June 30, 1994.

As of June 30, 1994, Zapata redeemed one-half of the approximately 45,000 outstanding shares of the Company's $6 Cumulative Preferred Stock (Preferred Stock) at $100 per share. The Company presently intends to redeem the balance of its outstanding Preferred Stock in 1995. Under terms of the Preferred Stock, Zapata can redeem a maximum of 22,500 shares of the stock in a calendar year.

In July 1994 Zapata announced that it will separate its marine protein operations from its energy-related businesses. Alternatives for a sale of the marine protein operations or a spin-off of the business to the stockholders of Zapata are being considered. The Company's Board of Directors believes that the interest of Zapata's stockholders would best be served by completely separating the two businesses.

In the first quarter of fiscal 1994, Zapata was required to adopt Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." The adoption of SFAS 109 changed Zapata's method of accounting for income taxes from the deferred method to an asset and liability approach. The impact of adopting SFAS 109 was to give recognition to previously generated tax credit carryforward items by recording a net deferred tax asset of $11.6 million and increasing capital in excess of par value by $15.3 million.

RESULTS OF OPERATIONS

The Company's net loss of $9.6 million for the third quarter of fiscal 1994 compared unfavorably to the net income of $10.5 million for the same period in fiscal 1993. The current quarter loss was attributable to an $18.8 million pretax write-down of the Company's oil and gas properties in the Gulf of Mexico that was required as a result of low gas prices and a revision in estimated future costs. The 1993 period benefitted from a $32.9 million pretax gain from the sale of 3.5 million shares of Tidewater common stock.

The oil and gas valuation provision more than offset the contribution from Zapata's natural gas compression operations and improved marine protein results. For the third quarter of fiscal 1994, the Company incurred an operating loss of $16.1 million on revenues of $86.5 million which compared unfavorably to the $569,000 operating loss on revenues of $58.2 million reported for the corresponding fiscal 1993 period.

For the first nine months of fiscal 1994, Zapata's net income of $10.0 million equaled the $10.0 million of net income earned during the corresponding 1993 period. For the 1994 period, increased gains realized from the sales of Tidewater common stock and lower interest expense mitigated the effects of the oil & gas write-down. Revenues of $241.9 million and an operating loss of $12.6 million for the 1994 period compared to the 1993 period revenues of $201.0 million and operating income of $1.6 million.

NATURAL GAS COMPRESSION - In November 1993 Zapata purchased Energy Industries, a participant in all segments of the natural gas compression industry. And, in April 1994 Energy Industries acquired 41 additional compressors for $2.0 million. 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 quarter and eight month period ended June 30, 1994, in thousands, are identified below.

	Three Months Ended June 30, 1994		Eight Months Ended June 30, 1994	
	Revenues	Operating Results	Revenues	Operating Results
Compressor Rental	$ 5,163	$ 1,462	$12,066	$ 3,752
Fabrication and Sales	9,272	1,663	17,150	2,902
Parts & Service	5,187	1,107	14,123	2,826
Other	2,188	384	6,535	909
Selling & Administrative	---	(2,156)	---	(5,547)
	$21,810	$ 2,460	$49,874	$ 4,842

Natural gas compressor package rental utilization is affected by the number and age of producing oil and gas wells, the volume of natural gas consumed and natural gas prices. Average rental rates are determined by the demand for compressor packages and vary by size and horsepower of a compressor package. Energy Industries' average utilization, rental rates and fleet size during the last two quarters are in the following table. Utilization of the Company's rental units remained below the reported industry average, however, efforts undertaken to address this issue have resulted in an increase in the Company's utilization rate.

	June 30, 1994	March 31, 1994
Average fleet utilization:		
Horsepower	77.8%	76.2%
Average monthly rental rate, based on:		
Horsepower	$ 17.43	$ 17.26
Average fleet size:		
Number of units	701	662
Horsepower	107,494	104,524

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. Fabrication backlog for the division remains at a high level.

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 third quarter of fiscal 1994 and 1993 are presented in the following table by major category, in thousands. For the third quarter of fiscal 1994, marketing revenues declined primarily due to the Company's decision to reduce its natural gas trading activities while gathering and processing revenues increased as a result of the expansion of the division's gathering and processing operations during 1993. The gathering and processing operation however, incurred an operating loss for the third quarter as depressed prices for natural gas liquids resulted in reduced processing margins. Subsequent to the end of the quarter, liquids prices and processing margins improved.

	Revenues		Operating Results	
	1994	1993	1994	1993
Gathering & Processing	$ 7,255	$ 2,500	$(164)	$ 147
NGL Marketing	34,702	38,472	147	191
Selling & Administrative	---	---	(456)	(678)
	$41,957	$40,972	$(473)	$(340)

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 September 1993, Cimarron significantly expanded its natural gas gathering and processing activities by acquiring approximately 350 miles 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 thousands of cubic feet, gathered and processed during the third quarter of fiscal 1994 and 1993 is shown below.

	1994	1993
Gathering	47,700	10,220
Processing	25,000	9,398

For the nine months ended June 30, 1994, revenues totalled $120.5 million with an operating loss of $696,000 as compared to revenues of $148.7 million and an operating loss of $158,000 in the corresponding fiscal 1993 period reflecting a decrease in marketing activity and the effect of continued lower prices for natural gas liquids on processing margins.

OIL AND GAS - Reflecting the $18.8 million property valuation provision, as well as lower prices for U.S. natural gas and lower U.S. natural gas production, revenues of $3.0 million and an operating loss of $18.7 million for the third quarter of fiscal 1994 compared unfavorably to the fiscal 1993 third quarter revenues of $4.2 million and operating income of $1.2 million. The valuation provision was the result of several factors: lower natural gas prices, additional capitalized costs incurred recently in connection with several workover wells at the Company's Wisdom gas field and an increase in estimated future costs.

The Bolivian operations contributed approximately $500,000 to operating income in the third quarters of 1994 and 1993; likewise, year-to-date, fiscal 1994 and 1993 Bolivian operations contributed approximately $2.4 million in each period.

Zapata's domestic natural gas production for the third quarter of fiscal 1994 was 25% lower than the fiscal 1993 period's level of production. The decline in production was due to production difficulties encountered during 1993 at the Wisdom gas field, the Company's most significant oil and gas property.

Efforts to restore production commenced in February 1994 and the workover/recompletion of the first two wells successfully restored production of these wells to acceptable levels. The Company has undertaken the recompletion of an additional well in the Wisdom gas field which the Company currently estimates will cost approximately $1.8 million.

Until such time that repairs to additional wells in the Wisdom gas field can be effected and production restored, revenues from domestic oil and gas operations will be based on lower production quantities than in prior years.

Year-to-date fiscal 1994 revenues of $9.3 million and an operating loss of $18.1 million compared unfavorably to the 1993 revenues of $16.6 million and operating income of $5.6 million as a result of the write-down and lower natural gas production.

MARINE PROTEIN - Revenues of $19.7 million and operating income of $2.1 million for the third quarter of fiscal 1994 compared favorably to the 1993 third quarter revenues of $13.0 million and operating income of $415,000. The improved results were achieved by increased sales volumes that resulted from higher levels of inventories which were carried over from the fiscal 1993 fishing season. Compared to the year-earlier period, sales volume of fish meal during the third quarter of 1994 was 43% higher while the average per ton price of $346 was 5% lower. Likewise, fish oil volumes increased significantly while the average per ton price of $302 was slightly lower.

As a result of increased sales volumes, year-to-date fiscal 1994 revenues of $62.3 million and operating income of $6.0 million compared favorably to the 1993 revenues of $35.6 million and operating income of $1.4 million.

OTHER INCOME (EXPENSE)

The current quarter includes a $2.8 million gain related to the settlement of a coal note receivable that had previously been written off while the prior year quarter includes a $6.4 million prepayment penalty that Zapata was required to pay in connection with the refinancing of its senior indebtedness and a $6.0 million write-down of the Company's investment in Arethusa Off-Shore Ltd. to approximate estimated market value.

RECENTLY ISSUED ACCOUNTING STANDARDS

In November 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Post-employment Benefits," which will require the recognition of an obligation by employers who provide benefits to former or inactive employees after employment but before retirement. Adoption of the new standard by the Company is required no later than the fiscal year ending September 30, 1995. Based on existing conditions and a preliminary review, management believes adoption of the new standard will not have a material impact on the Company's results of operations or financial position as the Company currently provides post-employment benefits on a very limited basis.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), which addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Adoption by Zapata is required no later than the fiscal year ending September 30, 1995. Zapata currently owns approximately 673,000 shares of Tidewater common stock which has a book value of approximately $7.9 million. Upon adoption of SFAS 115, this security would be reported at fair value and any unrealized gain or loss recorded as a separate component of stockholders' equity (net of deferred income taxes). If Zapata had implemented the new standard at June 30, 1994, an adjustment would have been made to increase other assets by $7.7 million, with a corresponding decrease of $2.7 million to the deferred income tax asset and an increase of $5.0 million to stockholders' investment for the unrealized appreciation.

Part II. Other Information

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

The Company held its 1994 Annual Meeting of Stockholders on April 27, 1994 (the "1994 Annual Meeting"). An aggregate of 158,350,538 shares of the Company's equity securities were outstanding and entitled to vote at the 1994 Annual Meeting as follows: 158,302,958 shares of Common Stock; 44,943 shares of $6 Cumulative Preferred Stock and 2,637 shares of $2 Noncumulative Convertible Preference Stock. At this meeting, the stockholders voted on the following matters:

Election of Class II Directors

	For	Withhold Authority To Vote
Peter M. Holt	143,954,750	752,249
Kristian Siem	143,969,356	737,643

In addition to the Class II directors elected at the 1994 Annual Meeting, Jack T. Trotter and Daniel P. Whitty continue to serve as Class III directors until the 1995 annual meeting of stockholders, and Ronald C. Lassiter, Avram A. Glazer and Malcolm I. Glazer continue to serve as Class I directors until the 1996 annual meeting of stockholders.

Reverse Stock Split

For	Against	Abstained	Broker Non-Vote
142,033,221	2,385,029	259,709	29,040

The Board of Directors of the Company approved the 1-for-5 reverse stock split (the "Reverse Stock Split") of the Company's Common Stock and directed that it be submitted to the Company's stockholders for consideration and action. In the Reverse Stock Split, the total number of shares outstanding of Common Stock held by each stockholder prior to the Reverse Stock Split was converted automatically into the right to receive an amount of whole shares of new Common Stock equal to the number of shares owned immediately prior to the Reverse Stock Split divided by five. No fractional shares are being issued, and no such fractional share interest will entitle the holder thereof to vote, or to any rights of a stockholder of the Company. In lieu of any fractional share interest, each holder of Common Stock who would otherwise be entitled to receive a fractional share of Common Stock after the Reverse Stock Split will be paid cash upon the surrender of the certificate(s) representing Common Stock held by such holder in an amount equal to the product of such fraction multiplied by $5.50, which is the closing price on the first trading date after the effective date of the Reverse Stock Split. The number of authorized shares of the Company's Common Stock shall remain at 165,000,000 and the par value of the Common Stock shall remain at $0.25 per share.

Stockholder Proposal on Cumulative Voting

For	Against	Abstained	Broker Non-Vote
7,077,149	95,917,885	17,744,511	23,967,454

Mr. Martin Glotzer, a shareholder of the Company, presented the stockholder proposal to be voted on at the 1994 Annual Meeting in which he requested that the stockholders of the Company amend the Company's Restated Certificate of Incorporation, as amended, to provide for cumulative voting on the election of directors of the Company.

Ratification of the Appointment of Coopers & Lybrand as Independent Public Accountants

For	Against	Abstained	Broker Non-Vote
142,523,121	441,038	1,713,800	29,040

Subject to stockholder approval, the Board of Directors of the Company appointed Coopers & Lybrand to serve as the Company's independent public accountant for the fiscal year ending September 30, 1994.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 10(a) - Consulting Agreement between Ronald C. Lassiter and Zapata Corporation dated as of July 15, 1994.

(b) Reports on Form 8-K:

Current report on Form 8-K dated April 27, 1994 (Item 5. Other Events).

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
(Registrant)

Dated: August 12, 1994

By: /s/ M. J. Migura

Marvin J. Migura
Senior Vice President

/s/ M. J. Migura

Marvin J. Migura
Chief Financial Officer

EXHIBIT 10(a)

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") made and entered into as of the 15th day of July, 1994, by and between ZAPATA CORPORATION, a Delaware corporation (the "Company"), ZAPATA PROTEIN, INC., a Delaware corporation ("Zapata Protein"), and R. C. LASSITER, an individual residing in Houston, Harris County, Texas (the "Executive");

W I T N E S S E T H:

WHEREAS, the Executive has been an officer of the Company pursuant to the Employment Agreement dated effective March 15, 1991 between the Company and the Executive (the "Employment Agreement"); and

WHEREAS, the Employment Agreement provided for certain additional remuneration and certain additional benefits to be paid to the Executive if the Executive terminated his employment with the Company in the event of a Change of Control under certain conditions (as defined in Paragraph 5.B(i) of the Employment Agreement) after March 15, 1991; and

WHEREAS, a Change of Control of the Company occurred on or about July 16, 1992; and

WHEREAS, pursuant to Paragraph 5.B of the Employment Agreement, a Good Reason (as defined in the Employment Agreement) has occurred, pursuant to which the Executive may terminate his employment on or before July 16, 1994 and receive three years' salary from the date of such termination; and

WHEREAS, the Executive has given notice to the Company, dated July 15, 1994, to terminate his employment pursuant to Paragraph 5.B of the Employment Agreement; and

WHEREAS, the Company desires to retain the Executive to continue to provide management services to its subsidiary, Zapata Protein, after his termination of employment and Executive is willing and able to provide such services under the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the parties agree as follows:

1. Consulting Employment: The Company and the Executive agree that Executive's full-time employment under the Employment Agreement with the Company will terminate as of July 15, 1994. The Company hereby employs the Executive as an independent consultant and the Executive agrees to render consulting services to act as general manager of Zapata Protein for a term beginning on July 15, 1994 and ending on January 16, 1995 (the "Term of this Agreement"), and the Executive shall provide services as more fully described in the attached

EXHIBIT "A" incorporated herein by reference. The Executive shall provide such services in compliance with the requests of the Company's Board of Directors, and the Executive shall report the progress of his efforts to the Board of Directors on a regular basis. Executive shall perform the services at Zapata's One Riverway offices or such other location(s) as the Company may reasonably designate, and he shall be an independent consultant and shall not be deemed for any purpose to be an employee, agent or servant of the Company or Zapata Protein. The Company shall have no direction or control of the Executive except in the results to be obtained.

2. Direct Compensation: As compensation for services rendered hereunder, the Company shall pay the Executive the amounts due pursuant to Paragraph 5.B of the Employment Agreement commencing on July 15, 1994, in a monthly amount equal to Fourteen Thousand Five Hundred Eighty-Three and 33/100 Dollars ($14,583.33), until the earlier of: (a) January 15, 1995 or (b) the sale of all or substantially all of the capital stock or assets of Zapata Protein.

If the event in subparagraph 2(a) of this Agreement occurs first, the Company shall pay any remaining amounts owed under Paragraph 5.B of the Employment Agreement at the rate of Three Hundred Fifty-Eight Thousand Six Hundred and No/100 Dollars ($358,600.00) per year until the full amount to which the Executive is entitled under Paragraph 5.B of the Employment Agreement is paid to the Executive.

If the event in subparagraph 2(b) of this Agreement occurs first, the Company shall assign all of its rights and obligations under this Agreement to Zapata Protein and/or its successor; provided, however, that if all or substantially all of the capital stock or assets of Zapata Protein are sold to a party with which the Executive has no relationship or interest of any kind, including, but not limited to, a relationship or interest as an investor, stockholder, officer or consultant, then the Company shall remain liable for all remaining amounts payable to the Executive pursuant to Paragraph 2(c) of this Agreement. Subject to the foregoing, the Executive and Zapata Protein hereby consent to any such assignment pursuant to this Agreement, and Zapata Protein agrees to pay or cause to be paid all remaining amounts due to the Executive under Paragraph 5.B of the Employment Agreement in the event of such assignment at a rate of One Hundred Seventy-Five Thousand and No/100 Dollars ($175,000.00) per year until the full amount to which the Executive is entitled under Paragraph 5.B of the Employment Agreement is paid to the Executive.

In no event shall the amounts payable hereunder pursuant to Paragraph 5.B of the Employment Agreement be less than or exceed the total amount due under Paragraph 5.B of the Employment Agreement as of July 15, 1994.

3. Reimbursement of Expenses: The Company shall reimburse the Executive for all reasonable and necessary expenses he incurs under this Agreement. The Company shall provide the Executive office space at One Riverway, Houston, Texas 77056 (or at such other location(s) as the Company may reasonably designate) and one reserved parking space for the duration

of the Term of this Agreement.

4. Benefits: During the Term of this Agreement, the Executive shall be entitled to participate in the Company's group health and dental care plans pursuant to the terms and conditions of those plans. Premiums will be deducted from each monthly check paid to the Executive. Executive shall not participate in any other employee benefit plan or program sponsored by the Company, Zapata Protein or its successor during the Term of this Agreement.

5. Directors' and Officers Insurance and Indemnity: The Company agrees to use reasonable efforts to obtain a directors' and officers' liability insurance policy covering Executive and to continue to maintain such policy. The amount of such coverage, if available, shall be reasonable in relation to the Executive's responsibilities during the Term of this Agreement. Additionally, the Company agrees to indemnify fully and hold the Executive harmless against any causes of action of any type whatsoever to the fullest extent permitted by law and consistent with the Company's Certificate of Incorporation and By-laws in effect as of the date hereof with respect to any acts or non-acts he may commit in connection with the performance of his consulting services under this Agreement and during the Term of this Agreement, even if the Executive is shown to be negligent or grossly negligent, in whole or in part.

6. Notices: Any notices required to be made hereunder shall be deemed effective when placed in writing and hand-delivered or mailed in the U.S. mail, postage-prepaid, as follows:

To Company: Zapata Corporation
One Riverway, Suite 2200
Houston, Texas 77056
Attention: Corporate Secretary

To Executive: Mr. R. C. Lassiter
11115 Wickwood
Houston, Texas 77024

7. Death or Disability: If, during the Term of this Agreement, Executive dies or becomes totally and permanently disabled (as defined in the Company's Long-Term Disability Plan), the Company shall be obligated to pay (in the case of death) to the Executive's beneficiary or beneficiaries designated in writing, or to his estate in the absence or lapse of such designation, or (in the case of such disability) to the Executive or his representative, the remaining amount payable under Paragraph 5.B of the Employment Agreement in a lump sum.

8. Covenant Not to Disclose: In consideration for mutual covenants and agreements herein, the Executive agrees that he shall not, except as permitted by the Company in writing, in any manner, at any time, directly or indirectly, disclose or appropriate to his own use or the use

of others any Company, Zapata Protein or affiliate trade secrets, supplier or customer lists or any other "confidential information." Confidential information means any and all information concerning the Company, Zapata Protein or an affiliate thereof not known to the general public or in the industry in which the Executive is engaged that is disclosed to the Executive or known or acquired by the Executive as a consequence of his prior full-time employment or the Term of this Agreement with the Company, Zapata Protein or any affiliate thereof, or that was acquired during his prior full-time employment or the Term of this Agreement with the Company, Zapata Protein or an affiliate thereof. The Executive confirms that any such trade secrets, supplier or customer lists, and any other confidential information are the exclusive property of the Company. The Executive acknowledges that the Company, Zapata Protein or an affiliate would be irreparably injured by a violation of the provisions of this Paragraph and the Company, Zapata Protein or an affiliate would have no adequate remedy at law. Therefore, the Executive acknowledges and agrees that injunctive relief, specific performance or any other appropriate equitable remedy (without any bond or other security being required) are appropriate remedies to enforce compliance with this Paragraph.

9. Restrictive Covenant Not to Compete: In consideration for mutual covenants and agreements contained herein, the Executive agrees that during the Term of this Agreement he will engage in no direct competition with the Company or Zapata Protein in Louisiana without prior consent of the Board of Directors of the Company. Nothing contained herein shall prevent Executive from accepting less than full-time employment from other third-party employers, from engaging in his own business as an employee or otherwise, or from engaging in other business or investment opportunities provided the Executive does not violate the foregoing provisions of this Paragraph.

10. Source of Payments: All payments provided in this Agreement shall be paid in cash from the general funds of the Company, Zapata Protein or its successor, and no special or separate funds shall be established and not other segregation of assets shall be made to assure payment. The Executive shall have no right, title or interest whatever in or to any investments which the Company, Zapata Protein or its successors may make to aid the Company, Zapata Protein and its successor in meeting its obligations hereunder. Nothing contained in this Agreement, and no action taken pursuant to this provision, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company, Zapata Protein and its successor and the Executive or any other person. To the extent that any person acquires a right to receive payments from the Company, Zapata Protein and its successor hereunder, such right shall be no greater than the right of an unsecured creditor of the Company, Zapata Protein and its successor.

11. Income Tax: The Executive shall have the sole responsibility of the payment of all federal, state, city or other taxes that shall be required pursuant to any law or governmental regulation or ruling. Where the Company chooses not to withhold taxes, Executive shall pay all such taxes directly and shall indemnify and hold the Company harmless from any and all claims,

demands, costs, penalties, attorneys' fees and liabilities arising as a result of Company's failure to do so.

12. Effect of Prior Agreements: This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the Company or any predecessor of the Company and the Executive, except that this Agreement shall not affect or operate to reduce or increase any benefit or compensation inuring to the Executive the amount payable to the Executive under Paragraph 5.B of the Employment Agreement.

13. Enforceability and Governing Law: Should any portion of this Agreement be held unenforceable or inoperative for any reason, in whole or in part, it shall not affect any other portion of this Agreement, but the remainder shall be effective as though the ineffective portion is not contained herein. The Executive shall not assign or transfer his rights or duties under this Agreement without the prior written consent of the Company. No waiver or any breach or violations of this Agreement by the parties shall be deemed made unless made in writing. Any such waiver shall not operate or be construed as a waiver of any subsequent breach or violation of this Agreement. This Agreement is to be effective in and shall be construed in accordance with the laws of the State of Texas. This Agreement is binding upon and shall inure to the benefit of the parties hereto and their successors and assigns. This Agreement contains the entire understanding of the parties.

14. General Provisions:

    a. Non-Assignability: Neither this Agreement nor any right or interest hereunder shall be assignable by the Executive, his beneficiaries or legal representatives without the Company's prior written consent; provided, however, nothing in this Paragraph 12.A shall preclude (i) the Executive from designating a beneficiary to receive any benefit payable hereunder upon his death or (ii) the executors, administrators or other legal representatives of the Executive or his estate from assigning any rights hereunder to the person or persons entitled thereto.

    b. No Attachment: Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect such action shall be null, void and of no effect.

    c. Binding Effect: This Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, except as otherwise provided herein.

    d. Modification and Waiver:

        (i) Amendment of Agreement: This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(ii) Waiver: No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

e. Headings: The headings of paragraphs herein are included solely for convenience and reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IT WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officer thereunto duly authorized, and the Executive has signed this Agreement all as of the day and year first written above.

ZAPATA CORPORATION

By: /s/ Kristian Siem
____
Kristian Siem
Chief Executive Officer and President

ZAPATA PROTEIN, INC.

By: /s/ Joseph D. Oliver
____
Joseph D. Oliver
Executive Vice President

EXECUTIVE

/s/ R. C. Lassiter
____
R. C. Lassiter

EXHIBIT "A"

1. Responsible to the Board of Directors for profitable long-term management of the business.

2. Developing, and with the Board of Directors approval, implement both annual and long-range business plans and organizational policies.

3. Responsible for directing operations, accounting and control functions, marketing, and within guidelines established by the Board of Directors, managing capital investment and the administration of broad corporation strategy.

4. Exercising due care and loyalty towards the corporation and its shareholders while conducting activities in the ordinary course of business.