

Zapata Energy Corporation Announces Strategic Corporate Acquisitions with Significant Light Oil Upside and Increased 2010 Guidance

CALGARY, June 22 /CNW/ - Zapata Energy Corporation ("Zapata" or the "Company") (TSXV: ZCO) is pleased to announce that it has entered into an agreement (the "Agreement") to acquire a private oil and gas company ("PrivateCo-1") for consideration of 0.4 Zapata shares for each PrivateCo-1 share (the "Acquisition"). Total consideration is approximately 16.0 million Zapata shares and the assumption of approximately \$11.3 million in net debt at the closing of the Acquisition.

The Acquisition is expected to close on or before July 15, 2010 and is subject to the approval of the shareholders of PrivateCo-1. Holders of approximately 75% of the common shares of PrivateCo-1 have agreed to enter into lock-up agreements with Zapata pursuant to which they have agreed to vote their shares in favour of the Acquisition and the board of directors of PrivateCo-1 has unanimously approved the Acquisition and recommended that the shareholders of PrivateCo-1 vote in favour of the Acquisition. Upon completion of the Acquisition, Zapata expects that one director of PrivateCo-1 will be joining the board of directors of Zapata.

The Agreement, among other things, provides for a mutual non-completion fee of up to \$3.5 million in the event the Acquisition is not completed in certain circumstances. Completion of the Acquisition is subject to certain conditions and the receipt of all regulatory approvals, including the approval of the TSX Venture Exchange ("TSXV").

As a result of the Acquisition, Zapata is also pleased to announce an increase to the Company's capital budget and production guidance for 2010.

ACQUISITION HIGHLIGHTS:

Through the Acquisition, Zapata will acquire high quality, long life, light oil and gas reserves, which include two high impact light oil core areas in Alberta and one in Southwest Manitoba. The producing properties are greater than 90 percent operated with high working interests, 3D & 2D seismic coverage, control of key producing infrastructure and are associated with nearly 80,000 acres of net undeveloped land.

Zapata has identified more than 125 gross (greater than 100 net) light oil horizontal drilling locations on PrivateCo-1's three core areas, with only 11 locations booked in PrivateCo-1's September 2009 reserves report. Zapata estimates the Total Petroleum Initially In Place⁽¹⁾ ("TPIIP") of these three light oil core areas is more than 190 million barrels (greater than 160 million barrels net) with cumulative oil recovery to date of less than five percent of TPIIP. Furthermore, Zapata sees the potential for increased horizontal well density and waterflooding.

The Acquisition has the following characteristics:

Current Production: 1,150 boe/d (approximately 35% light oil and NGL's)

Proved plus Probable Reserves:⁽²⁾ 4.2 MMBoe (approximately 45% light oil and NGL's)

Proved plus Probable RLI: 10.0 years

Net Undeveloped Land: approximately 80,000 acres

3D Seismic: 317 square kilometers

2D Seismic: 206 kilometers

Total light oil HZ well drilling locations: greater than 125 gross, 100 net

Operating Netback:⁽³⁾ \$26.00 per boe

Assumed Net Debt: \$11.3 million

(1) Total Petroleum Initially in Place (TPIIP) is defined as the quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulations yet to be discovered. There is no certainty that it will be economically viable or technically feasible to produce any portion of this TPIIP except for those identified as proved or probable reserves.

- (2) Reserves evaluated by Sproule Associates Ltd. ("Sproule") as at September 30, 2009 and mechanically adjusted for production to December 31, 2009 for PrivateCo-1. Gross Company Reserves means the Company's working interest reserves before the calculation of royalties, and before the consideration of the Company's royalty interests.
- (3) Based on US\$76.65/Bbl WTI, \$4.26/mcf AECO, US\$/CDN\$ exchange rate of 0.9941 and calculated by subtracting royalties and operating costs from revenues.

AQUISITION METRICS

Net of undeveloped land and seismic at an estimated value of \$17.0 million and based on Zapata's five day VWAP ending June 18, 2010, the transaction metrics are as follows:

- Production: \$77,200 per boe/d
- Proved plus Probable Reserves:(4) \$21.29 per boe
- Proved plus Probable Recycle Ratio:(5) 1.2 times

- (4) Reserves as disclosed above.
(5) Utilizing Netback shown above.

The Acquisition is accretive to Zapata on several key metrics, including cash flow per share (fully diluted) and production per share (fully diluted). During the third quarter of 2010, Zapata will commission Sproule Associates Ltd. to update PrivateCo-1's September 30, 2009 reserves report.

FINANCIAL ADVISORS

National Bank Financial Inc. acted as exclusive financial advisor, and Macquarie Capital Markets Canada Ltd. and GMP Securities L.P. acted as strategic advisors to Zapata with respect to the Acquisition.

FirstEnergy Capital Corp. acted as exclusive financial advisor to PrivateCo-1 with respect to the Acquisition.

STRATEGIC RATIONALE AND INCREASED 2010 GUIDANCE

The Acquisition represents a significant light oil acquisition for Zapata, and is consistent with the Company's business plan to proactively identify early stage, light oil, resource plays with large scalable reserves, significant undeveloped land, available infrastructure, multi-zone potential, all season access and operatorship.

With internally estimated net TPIIP of more than 160 million barrels of light oil and a current oil recovery factor of less than five percent, Zapata's three new light oil core areas provide a horizontal drilling inventory of more than 100 net locations before increased horizontal well density is considered. The all share Acquisition and assumption of approximately \$11.3 million of net debt will preserve Zapata's strong balance sheet and allow the Company to expand its capital program and to consider additional light oil resource play acquisitions.

Zapata will apply its proven expertise in drilling and completing horizontal wells to grow a sustainable light oil resource production base in its three new core areas: West Central Alberta, Waskada-Manitoba and Long Coulee-Alberta.

In West Central Alberta, PrivateCo-1 successfully drilled a 900 meter horizontal well and completed it with a seven stage multi-frac in a Mannville zone. After three months of production, the horizontal well is still flowing at over 140 boe/d. Zapata plans on installing artificial lift to this horizontal well during the third quarter of 2010.

Furthermore, Zapata has identified over 16 net unbooked horizontal multi-stage frac locations in the Mannville, since the current oil recovery factor in this zone is approximately two percent of the internally estimated net TPIIP of 39 million barrels. Zapata expects that implementation of the recently announced changes to the Alberta Royalty Framework should positively impact the value of future horizontal well production and reserves, as horizontal wells now drilled to the Mannville zone would be eligible for a five percent royalty rate on up to 70,000 barrels of oil equivalent, for a maximum of 30 months.

In Southwest Manitoba, PrivateCo-1's land positions at Waskada, Pierson and Goodlands give Zapata critical mass in the Spearfish (Amaranth) light oil resource play, where adjacent operators are having success in developing the Spearfish with horizontal wells and multi-stage frac technology. Zapata estimates net TPIIP of more than 62 million barrels of light oil with less

than one percent recovery to date. Zapata has identified over 60 net unbooked Spearfish horizontal drilling locations in Southwest Manitoba. In addition, Zapata sees unbooked horizontal drilling potential in the Mississippian formation at Pierson.

PrivateCo-1's lands and production in Southern Alberta are a strong fit with Zapata's current Southern Alberta holdings and exploration concepts. At Long Coulee, Zapata sees the potential for more than 10 unbooked horizontal oil wells targeting the Glauconite and Sunburst oil formations. Zapata's internal estimate for TPIIP is over 60 (net) million barrels of light oil with a current oil recovery factor of less than 10 percent. Zapata will also be evaluating Long Coulee for enhanced oil recovery opportunities.

PRIVATECO-2 ACQUISITION

In addition to the Acquisition, Zapata has also entered into a definitive agreement with a private oil and gas company ("PrivateCo-2") for total consideration of 282,333 shares of Zapata (the "PrivateCo-2 Acquisition" and collectively with the Acquisition, the "Acquisitions"). PrivateCo-2 is currently producing 40 boe/d and its assets are synergistic with Zapata's Southern Alberta assets and provide Zapata with five unbooked horizontal well locations targeting oil in the Sawtooth formation. Zapata expects to close the PrivateCo-2 Acquisition on or before July 19, 2010. Completion of the PrivateCo-2 Acquisition is subject to certain conditions and the receipt of all regulatory approvals, including the approval of the TSXV.

PROFORMA HIGHLIGHTS

Proforma the Acquisitions, Zapata has the following characteristics:

Average 2010 Production:	2,850 boe/d (62% oil and NGLs)
Exit 2010 Production:	3,800 boe/d (65% oil and NGLs)
2010 Capital Expenditures:	\$142 million (\$34 million net of acquisitions)
Annualized 2010 Exit FFO:(3)	\$45 million
Annualized 2010 Exit FFO per share (basic):(3)	\$0.95
Proved plus Probable Reserves:(1)	14.2 MMBoe (55% oil and NGLs)
Proved plus Probable RLI:(2)	13.7 years
Net Undeveloped Land:	more than 420,000 acres
3D Seismic:	717 square kilometers
Total Development Drilling Locations:	greater than 170 gross, 145 net
Operating Netback:(3)	\$33.00 per boe
Shares Outstanding:	47.3 million (basic) 51.6 million (fully diluted)
Net Cash at close of Acquisitions:	\$2.9 million
Anticipated Bank Line:	\$80 million (under review)

(1) Reserves evaluated by Sproule Associates Ltd. ("Sproule") as at December 31, 2009 for Zapata and as at September 30, 2009 and mechanically adjusted for production to December 31, 2009 for PrivateCo-1, and Paddock Lindstrom & Associates Ltd. as at December 31, 2009 for PrivateCo-2. Gross Company Reserves means the Company's working interest reserves before the calculation of royalties, and before the consideration of the Company's royalty interests.

(2) Based on forecast average 2010 production.

(3) Based on US\$76.65/Bbl WTI, \$4.26/mcf AECO, US\$/CDN\$ exchange rate of 0.9941 and calculated by subtracting royalties and operating costs from revenues.

Zapata is a junior oil and gas production company operating in western Canada. Zapata's Common Shares trade on the TSX Venture Exchange under the symbol ZCO. Upon closing of the Acquisitions Zapata will have approximately 47.3 million basic and 51.6 million fully diluted shares outstanding. Zapata will seek approval of its shareholders for a name change to "Surge Energy Inc." at a meeting of shareholders on June 25, 2010 in Calgary.

Note Regarding Forward Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning the anticipated dates for the closing of the disclosed Acquisitions and the anticipated accretive impact of the Acquisitions on Zapata.

The forward-looking statements contained in this document are based on certain key expectations and assumptions made by Zapata, including: (i) with respect to the anticipated closing dates of the Acquisitions, expectations and assumptions concerning timing of receipt of required shareholder and regulatory approvals and third party consents and the satisfaction of other conditions to the completion of the Acquisitions and (ii) with respect to the anticipated accretive impact of the transaction on Zapata, expectations and assumptions concerning the success of future drilling and development activities, the performance of existing wells, the performance of new wells and prevailing commodity prices.

Although Zapata believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Zapata can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the failure to obtain necessary regulatory approvals or satisfy the conditions to closing the Acquisitions, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), commodity price and exchange rate fluctuations and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. Certain of these risks are set out in more detail in Zapata's Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com.

The forward-looking statements contained in this document are made as of the date hereof and Zapata undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Note: Boe means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

In this press release: (i) boe/d means boe per day; (ii) MMboe means million boe; (iii) bbl means barrel; and (iv) mcf means thousand cubic feet.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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