

Zapata Energy Corporation Announces First Quarter Results

CALGARY, ALBERTA--(May 28, 2010) - Zapata Energy Corporation ("Zapata" or the "Company") (TSX:ZCO) reports its financial and operating results for the quarter ended March 31, 2010. Subsequent to the first quarter, Zapata announced completion of a \$17 million private placement and the appointment of a new management team and board of directors, followed by completion of a \$50 million equity issue. Zapata will seek approval of its shareholders for a name change to "Surge Energy Inc." at a meeting of shareholders planned for June 25, 2010 in Calgary.

Financial and Operating Summary

	3 Months Ended March 31,		
	2010	2009	% Change
Financials (\$000s except per share amounts)			
Oil and NGL sales	11,112	5,663	96
Natural gas sales	2,750	3,515	(22)
Other revenue	116	(3)	nm
Total oil, natural gas and NGL revenue	13,978	9,175	52
Cash flow from operations	5,403	4,370	24
Funds from operations ¹	6,039	3,519	72
Per share basic (\$)	0.33	0.21	57
Per share diluted (\$)	0.32	0.21	52
Net earnings (loss)	2,168	(1,641)	nm
Per share basic (\$)	0.12	(0.10)	nm
Per share diluted (\$)	0.11	(0.10)	nm
Capital expenditures ²	6,354	6,961	(9)
Net debt (end of period)	43,516	52,456	(17)
Operating Highlights			
Production:			
Oil & NGL (bbls per day)	1,707	1,492	14
Natural gas (mcf per day)	5,874	7,223	(19)
Total (boe per day) (6:1)	2,686	2,695	-
Average realized price:			
Oil & NGL (\$ per bbl)	72.35	42.18	72
Natural gas (\$ per mcf)	5.20	5.41	(4)
Realized gain / (loss) on commodity contracts (\$ per boe)	0.96	4.73	(80)
Combined average (incl. processing revenue) (\$ per boe)	57.83	37.82	53
Netback (\$ per boe)			
Oil, natural gas and NGL sales	57.83	37.82	53
Royalties	(7.80)	(5.07)	54
Operating expenses	(16.11)	(15.63)	3
Transportation expenses	(3.21)	(2.34)	37
Operating netback	30.71	14.78	108
G&A expenses	(4.55)	(3.38)	35
Interest expense	(1.74)	(1.45)	20
Corporate netback	24.42	9.95	145
Common Shares (000s)			
Common Shares outstanding, end of period	18,842	16,689	13
Weighted average basic shares outstanding	18,576	16,695	11
Stock option dilution (treasury method)	457	-	nm
Weighted average diluted shares outstanding	19,034	16,695	14

¹ Management uses funds from operations (before changes in non-cash working capital) to analyze operating performance and leverage. Funds from operations as presented does not have any standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable with the calculation of similar measures for other entities.

² Capital expenditures includes cash additions for the period including acquisition additions net of dispositions.

Overview and Highlights

- Zapata participated in the drilling of one gross (0.5 net), acquired 23,565 hectares of land and

shot a seismic program in the Silver area for a capital investment of \$6.4 million during the first quarter.

- Zapata averaged 2,686 boe per day in the first quarter of 2010, a small decrease as compared to the first quarter of 2009 production rate of 2,695 boe per day. Zapata realized a 64 percent production weighting to oil and natural gas liquids in the quarter.
- Zapata achieved funds from operations per basic share of \$0.33 in the first quarter of 2010, a 57 percent increase from \$0.21 in the same period of 2009. Funds from operations were \$6.0 million in the first quarter of 2010 as compared to \$3.5 million in the first quarter of 2009.
- The Corporation recorded net earnings of \$0.12 per basic share for the first quarter of 2010 as compared to a net loss of \$0.10 per basic share in the same period of 2009. The increase in oil and gas prices in the first quarter of 2010 relative to the same period of 2009 was a large contributor to the \$2.2 million net earnings for the first quarter of 2010.
- A 53 percent increase in revenue per boe contributed to the 108 percent increase in Zapata's operating netback (defined as revenue excluding realized and unrealized gain/(losses) on commodity contracts per boe less royalties, operating and transportation expenses on a per boe basis) which averaged \$30.71 per boe in the first quarter of 2010. The Corporation's corporate netback (defined as operating netback per boe less G&A and interest expense per boe) was \$24.42 per boe for the first quarter of 2010.
- At the end of the first quarter of 2010, Zapata had \$43.5 million of net debt, leaving \$6.5 million available on its \$50 million credit facility.
- On March 25, 2010, the Corporation entered into a Reorganization and Investment Agreement with an investor group led by former Breaker Energy Ltd. members Dan O'Neil, Max Lof, Dan Brown and Paul Colborne. The Agreement provided for a recapitalization of the Corporation through a \$17.0 million non-brokered private placement, the appointment of a new management team, key employees and board of directors.

Subsequent Events

On April 13, 2010 the Company completed the \$17.0 million non-brokered private placement, issuing a total of 3,863,636 common and flow through shares at \$4.40 per common share, 2,076,136 performance warrants exercisable at \$5.17 per warrant and appointed the new management team, key employees and board of directors.

On May 5, 2010 the Company completed an equity financing for gross proceeds of \$50,004,000 issuing 6,945,000 common shares at \$7.20 per common share.

As of May 28, 2010 the Company has a strong balance sheet with an estimated \$16 million of cash and a bank line of \$50 million.

Corporate Strategy and New Business Plan

The new management team has a proven track record of aggressively and efficiently growing oil and gas companies while achieving strong per share reserves, production and cash flow growth. The team plans to build an oil and liquids-rich gas company that acquires exploits and explores for production and reserves in Western Canada. A high priority is being placed on positioning the Company in significant oil resource plays to provide a definable high rate of return drilling inventory and where it can utilize its proven experience with enhanced oil recovery and drilling horizontal multi-frac wells.

The Zapata assets form a cornerstone for the new management team to execute on the go forward business plan. The attributes of Zapata's assets include:

Solid Asset Base

- Low production decline rates
- Oil weighted medium gravity production, with greater than 90% operated
- Numerous exploitation and development opportunities

Large Undeveloped Land Base

- More than 300,000 net undeveloped acres with greater than 90% working interest

- Greater than 20 net sections of land in the Cardium/Viking oil horizontal multi-frac fairways
- New potential oil resource opportunities have been identified
- Top decile, high rate of return assets with historically low Finding & Development costs

The medium gravity oil weighted Zapata assets center on a large production and land base in central Alberta. These assets provide extensive exposure to water flood expansion, infill development and pool extension opportunities. Several new large 3D seismic surveys have been conducted to evaluate additional drilling opportunities on trend. Vertical development of these pools provides top decile rates of return in the Western Canadian Sedimentary Basin. The new management team is focusing on accelerating the development and exploitation of the significant upside potential in this area.

Additionally, the Zapata land base provides for an initial position in several emerging crude oil resource plays, including a combined land position of greater than 20 net sections of prospective land in the Cardium and Viking light oil resource plays. The new management team expects the recapitalized corporate structure to better allow for the exploitation of the strong oil weighted asset base and the expansion of the opportunity inventory through both internally generated prospects and strategic oil acquisitions.

During the growth of Breaker, the new management team was successful at exploiting crude oil resource assets at Irricana, East Prairie, Provost and Millard Lake, and liquids rich natural gas assets at Fireweed. The new management team is focused on oil resource opportunities, and plans to grow through a targeted acquisition strategy coupled with development and exploitation drilling.

Operations Update and Outlook

First Quarter Operations Summary

During the first quarter of 2010, the Company participated to its 50% working interest in a Bluesky, horizontal, multi-stage, high liquids gas well in the Kaybob area. This well will be tied in for production in third quarter of 2010. Additionally, a nine section 3D seismic program was conducted at Silver over highly prospective company lands. As a result of the program, a dual zone exploratory well will be drilled on the lands in Q2.

In the month of April, as part of the Company's strategy to focus on oil resource opportunities and plays, and with the recent and forecast low natural gas prices, the Company has shut in approximately 3.0 MMCFD of gas and associated liquids, representing a volume of approximately 560 BOEPD.

Outlook

In addition to tying in the liquids gas well at Kaybob and drilling an exploratory well at Silver (discussed above), The Company will also begin the implementation and execution of an 11 well development program at Silver in the second quarter of 2010. These wells will expand the Lloyd pool waterflood and further develop the Cummings zone in the area. On the acquisition front, the new management plans to acquire producing or undeveloped oil weighted properties within the next 12 months. The focus of the acquisition program is threefold: 1- establish producing assets in new core areas in Western Canada; 2- tuck-in acquisitions that are synergistic to Zapata's existing oil and gas assets; and 3- capture low cost land in areas of Western Canada that have significant potential for oil resource plays.

Financial Statements, Management's Discussion and Analysis and Annual General Meeting

Zapata has filed with Canadian securities regulatory authorities its unaudited financial statements for the quarter ended March 31, 2010 and the accompanying Management's Discussion and Analysis. These filings are available for review at www.sedar.com.

Zapata is also pleased to announce that its Annual General Meeting will be held at 10:00 am on Friday, June 25, 2010 at the Calgary Petroleum Club, Viking Room, 319 5th Avenue SW, in Calgary, Alberta T2P 0L5. Shareholders are encouraged to attend and participate in the business of the meeting.

Zapata Energy Corp. is an oil weighted junior oil and gas company with an aggressive growth strategy built on acquiring, exploiting and exploring for production and reserves in Western Canada and places a high priority on positioning itself in significant oil resource plays.

Zapata had 30.9 million common shares, 2.7 million warrants and 1.8 million options outstanding at May 28th, 2010.

Zapata trades on the TSXV under the symbol ZCO.

Forward-looking Statements:

This press release contains forward-looking statements. More particularly, this press release contains statements concerning

anticipated: (i) capital expenditures for 2010, (ii) exploration, development, and acquisition activities, and (iii) average oil & natural gas production during 2010.

The forward-looking statements are based on certain key expectations and assumptions made by Zapata, including expectations and assumptions concerning the performance of existing wells and success obtained in drilling new wells, anticipated expenses, cash flow and capital expenditures and the application of regulatory and royalty regimes.

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, 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 reserve 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 press release 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 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. Boe/d means barrel of oil equivalent per day.

In this press release: (i) mcf means thousand cubic feet; (ii) mcf/d means thousand cubic feet per day (iii) mmcf means million cubic feet; (iv) mmcf/d means million cubic feet per day; (v) bbls means barrels; (vi) bbls/d means barrels per day; (vii) bcf means billion cubic feet; and (viii) mboe means thousand barrels of oil equivalent

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