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Zapata Energy Corporation (ZCO: TSX-V)

Date: June 26, 2008

Price: \$4.35



SHARE DATA (as at June 11, 2008)

| | |
|--|-----------------|
| 52-Week High/Low | \$4.95 - \$2.10 |
| 3-Mth Avg. Trading Volume | 15,560 |
| Shares (millions) Basic | 17.3 |
| F/D | 18.7 |
| Market Capitalization | \$75.7 million |
| Market Cap per Flowing boe (3,000 boepd) | \$25,233 |
| Enterprise Value | \$111.0 million |
| Net Asset Value per Share | \$8.15 |

| KEY INFORMATION | 2006A | 2007A | 2008E |
|----------------------------|--------|--------|--------|
| Average Production (boepd) | 3,128 | 2,967 | 3,050 |
| Cash Flow (000's) | 23,840 | 21,065 | 35,000 |
| per share | 1.41 | 1.21 | 2.03 |
| Price/CF | 3.1 | 3.6 | 2.1 |
| Debt/CF | 1.9 | 2.0 | 1.2 |
| Production Costs per boe | 13.43 | 14.49 | 16.50 |
| Netback | 25.43 | 25.48 | 33.50 |

FINANCIAL DATA (000's of Canadian Dollars)

| | 3 Months Mar. 31 | | Yr Ended Dec. 31 | |
|------------|------------------|--------|------------------|--------|
| | 2008 | 2007 | 2007 | 2006 |
| Revenues | 14,993 | 13,710 | 54,399 | 54,886 |
| Cash Flow | 6,736 | 5,401 | 21,065 | 23,840 |
| per share | 0.39 | 0.31 | 1.21 | 1.41 |
| Net Income | 1,085 | 818 | 1,881 | 5,931 |
| per share | 0.06 | 0.05 | 0.11 | 0.35 |

PRODUCTION DATA

| | | | | |
|------------------|-------|--------|-------|-------|
| Nat. Gas (mcf/d) | 8,580 | 10,411 | 9,252 | 9,079 |
| Oil & NGLs (bpd) | 1,283 | 1,439 | 1,425 | 1,615 |
| Boepd (6:1) | 2,713 | 3,174 | 2,967 | 3,128 |

BALANCE SHEET (as at March 31, 2008)

| | |
|----------------------|---------------|
| Current Assets | \$ 11,608,025 |
| Total Assets | 131,560,595 |
| Current Liabilities | 58,839,190 |
| Long-Term Debt | nil |
| Shareholders' Equity | 49,633,688 |

Highlights:

- improved cash flow of \$6.7M (0.39/share) in Q1/08
- enhanced capex of \$31M to boost production in second half of 2008
- proved plus probable reserves NPV of \$163M
- production to surpass 3,000 boepd during Q2/08
- trading at low price to cash flow multiple and significant discount to NAV

Zapata Energy Corporation is actively engaged in the exploration, development and production of natural gas, crude oil and NGLs in Western Canada. The company is conservatively managed for consistent growth through a balance of drilling and acquisition activity. The corporation was founded and commenced trading in 1999.

Zapata focuses on four key locations that include East Central, Southwest, Northwest, and West Central Alberta. Zapata has a large undeveloped land base and over 100 identified drilling locations.

East Central Alberta contributed 50% of total production and 79% of liquids production during 2007. This area is comprised of 66,542 (60,884 net) acres of undeveloped land and interests in 130 (122 net) oil wells and 33 (26 net) gas wells producing from the Dina, Lloydminster, Cummings, Rex, and Viking formations. Additionally, 120 (104 net) shut-in wells are being evaluated for economic potential. Zapata also operates 7 oil batteries and an oil blending facility to provide integrated infrastructure for continued development. Net production from this region was 1,541 boepd in 2007.

The company has 13 to 100% working interests in 16,974 (14,574 net) acres of undeveloped land in Southeast Alberta. Zapata has 36 (26 net) gas wells and 6 (6 net) oil wells in the area producing from the Belly River, Bow Island, Mannville and Mississippian formations. An additional 23 (18 net) shut-in wells are being assessed for reactivation. The region produced 410 boepd in 2007 comprised of 80% gas.

In West Central Alberta, Zapata has various working interests in 31,913 (22,762 net) acres of undeveloped land, 26 (13 net) gas wells, 27 (4 net) oil wells, and 8 (5.6 net) CBM wells. Production is derived from the Elkton, Viking, Mannville, and Cardium formations. A total of 24 (5.9 net) shut-in wells are being assessed for reactivation.

Zapata has working interests in 43,884 (40,960 net) acres of undeveloped land, 8 producing gas wells, 1 oil well, and 2 shut-in wells in the Northwest Alberta area. Production sales from the region were 1,290 boepd in 2007.

In order to take maximum advantage of increasing commodity prices, management accelerated its capital budget in the first quarter of 2008 with expenditures of \$10.1 million. In addition, the 2008 capex program has been significantly increased from \$20 million to \$31 million. Eight wells are expected to be drilled during June/July and at least 2 high impact wells are slated for drilling in the last half of the year. Zapata is also completing a seismic survey in Southeast Alberta which should firm up new drilling locations.

During the first quarter of 2008, the company drilled three 100% owned wells in the Southeast and East Central Alberta core areas, 2 (1 net) deep exploratory wells in central Alberta and British Columbia, and 4 (1 net) non-operated gas wells in the Delburne area of Alberta. The 2 deep wells tested at a combined rate of 5.8 mmcf/d of natural gas with an average of 37 bbls of NGLs per mmcf. The 3 wells drilled in the core areas were tested from multiple zones at a combined rate in excess of 7.0 mmcf/d of natural gas and 25 bbls/d of oil. Management anticipates an additional 500 boepd production from these wells to commence starting in May 2008, pushing corporate production to over 3,100 boepd by the end of the second quarter.

For the 3 months ended March 31, 2008, production sales were 2,713 boepd compared to 3,174 boepd during the same period in 2007. Production was split 53% natural gas and 47% oil and NGLs. The decline in average sales volume was primarily attributable to workover shutdowns, winter operating issues, and normal declines. During the first quarter, the company achieved cash flow of \$6.7 million or \$0.39 per share as compared to \$5.4 million or \$0.31 per share for the comparable period in 2007 driven by a 46% increase in commodity pricing.

As at December 31, 2007, Zapata's proven plus probable reserves were evaluated by Sproule Associates Limited to be 8.7 million boe of which proven reserves represented 66% of the total. Zapata also had an undeveloped land base of 188,440 (150,423 net) acres at year-end. The net asset value of the corporation was estimated to be \$142.6 million or \$8.15 per share. The company presently has a reserve life index of over 8 years.

Zapata presently has several commodity marketing arrangements which are priced below the current market value for oil and natural gas. These contracts expire from June 30 through October 31, 2008.

Zapata is a value play benefiting from the significant improvement in commodity prices. While production volumes have been sliding for the past few years, the company is again projecting growth in 2008 through a more aggressive drilling campaign and the tie-in of behind pipe production. Zapata expects to exceed \$35 million or \$2.03 per share in cash flow during 2008, resulting in a price to cash flow ratio of just over 2 times. The company is also trading at just half of its estimated net asset value of \$8.15 per share. Zapata has also become an attractive takeover candidate given its production volumes and steady cash flow.

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