ZAPATA ENERGY CORPORATION

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Ontario Securities Commission
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Attn: John Stevenson, Secretary

Re: Request for Comments 52-109

This letter is in response to the draft changes to 52-109. I have divided my response into two main areas. The first is in relation to the overall regulatory framework being established in Canada. The second is three specific areas of concern with the revised standards.

Regulatory Framework

In Canada we have a very real market advantage in that we have a vibrant and successful small capital public market. In fact a small handful of companies in the Canadian public market are large enough that they would be public in the US. Most of these also report in the US already and are therefore already subject to US regulations to some extent.

In times past it was possible and reasonable for Canadian companies to go public with $10 million or less of equity. Such companies are significant employers in Canada, they provided smaller investors with opportunities at the ground floor and they are responsible for much of the success, taxable income and innovation within Canada. I am concerned that the continuing regulation creep that we have seen is likely to “kill this golden goose”.

It is unlikely that many new small capital ventures will start as public entities. The regulatory cost of being public is now out of proportion with the benefit. Domestic and foreign private equity is very available. However, these tend to be larger investors. It is unfortunate that the smaller investors may be squeezed out of ground floor opportunities by the well meaning over-protectiveness of the regulatory bodies.

I expect to see a significant movement of resources to the private sphere. Not just capital but also human resources. Many experienced individuals will take their abilities to the private sector where they can be more effective (and face less liability) taking care of business than spending inordinate amounts of time and money in regulatory compliance.

It is my belief confirmed through discussions with many venture investors that they expect a higher level of risk in the venture exchange. Such risk is associated with the possibility of loss but also the possibility of much greater return. We do these investors a disservice to attempt to remove all risk from this market or to belittle their ability to judge the risks.

Finally, I would like to address the utility of much of the additional regulatory burden and disclosure. Most investors I know of do not read the information produced. There is simply too much of it and it is becoming far too complex. Few professionals fully understand many of the recent changes. I believe that much of the additional regulatory burden is a result of a few well published frauds. Additional regulations will not stop intentional frauds or collusions. They will however continue to erode the understandability and brevity of shareholder communication. Further, they will continue to erode the profitability of public corporations and therefore the return to shareholders. It is interesting that as we continue in Canada to add to the regulatory burden, the US is backing off having discovered that the results did not justify the cost.

Comments Specific to 52-109

The proposed accommodations for venture issuers are reasonable. However, I do not agree with the rather arbitrary distinction between venture and regular board issuers. It is only the largest of companies that can afford the luxury of sufficient staff and compliance experts that they might claim that they do not have any systemic control weaknesses. In fact, I suggest to you that claiming such a thing is misleading to shareholders. Therefore, I believe that the exemptions should be available to all issuers.

The 90 day limit on new acquisitions is simply too short. During the first 90 days it is likely that the systems previously used by the acquired company will simply be continued as they are whilst the business matters of the acquired entity are brought under the control of the new management. I would suggest a time period of at least six months.

The exemption for proportionate consolidation should be clarified to include working interests in the sense used in the oil and gas industry. The non-operator in such interests rarely has access to the type of information required for such disclosure.

Thank you,
Zapata Energy Corporation

Per: W. Howard Blacker, CFO
cc: Fred Snell, Alberta Securities Commission
Jim R. Screaton, CAPP