

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000854219-96-000003**

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FILER

ENEX 88 89 INCOME & RETIREMENT FUND SERIES 4 L P

CIK: **854219** | IRS No.: **760251418** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-18328** | Film No.: **96664773**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
*THREE KINGWOOD PLACE
SUITE 200
KINGWOOD TX 77339*

Business Address
*800 ROCKMEAD DR
THREE KINGWOOD PL
KINGWOOD TX 77339
7133588401*

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from.....to.....

Commission file number 0-18328

ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 4, L.P.
(Exact name of small business issuer as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

76-0251418
(I.R.S. Employer
Identification No.)

Suite 200, Three Kingwood Place
Kingwood, Texas 77339
(Address of principal executive offices)

Issuer's telephone number:
(713) 358-8401

Check whether the issuer (1) has filed all reports required to be filed
by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
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 No

Transitional Small Business Disclosure Format (Check one):

Yes No

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

<CAPTION>

ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 4, L.P.
BALANCE SHEET

	September 30, 1996
ASSETS	
CURRENT ASSETS:	
<S>	<C>
Cash	\$ 3,031
Accounts receivable - oil & gas sales	13,663

Total current assets	16,694
<hr/>	
OIL & GAS PROPERTIES	
(Successful efforts accounting method) - Proved mineral interests	1,614,435
Less accumulated depletion	1,553,087
<hr/>	
Property, net	61,348
<hr/>	
TOTAL	\$ 78,042
<hr/>	
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)	
CURRENT LIABILITIES:	
Payable to general partner	\$ 14,270
<hr/>	
Total current liabilities	14,270
NONCURRENT PAYABLE TO GENERAL PARTNER	71,338
<hr/>	
PARTNERS' CAPITAL (DEFICIT):	
Limited partners	(15,149)
General partner	7,583
<hr/>	
Total partners' capital	(7,566)
<hr/>	
TOTAL	\$ 78,042
<hr/>	
Number of \$500 Limited Partner units outstanding	3,645

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
<CAPTION>
ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 4, L.P.
STATEMENTS OF OPERATIONS

(UNAUDITED)	QUARTER ENDED		NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
REVENUES:				
<S>	<C>	<C>	<C>	<C>
Oil and gas sales	\$ 12,061	\$ 12,249	\$ 37,446	\$ 32,878
EXPENSES:				
Depletion and amortization	7,843	9,208	21,295	30,745
Impairment of property	-	-	240,044	-
Production taxes	98	107	279	328
General and administrative	2,283	2,522	8,565	7,386

Total expenses	10,224	11,837	270,183	38,459
NET INCOME (LOSS)	\$ 1,837	\$ 412	\$ (232,737)	\$ (5,581)

</TABLE>

See accompanying notes to financial statements.

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<TABLE>
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 ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 4, L.P.
 STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net (loss)	\$ (232,737)	\$ (5,581)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depletion and amortization	21,295	30,745
Impairment of property	240,044	-
(Increase) decrease in:		
Accounts receivable - oil & gas sales	(902)	5,530
(Decrease) in:		
Accounts payable	(2,356)	(3,327)
Payable to general partner	(22,440)	(27,801)
Total adjustments	235,641	5,147
Net cash provided (used) by operating activities	2,904	(434)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions	-	(5,822)
NET INCREASE (DECREASE) IN CASH	2,904	(6,256)
CASH AT BEGINNING OF YEAR	127	6,490
CASH AT END OF PERIOD	\$ 3,031	\$ 234

</TABLE>

See accompanying notes to financial statements.

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ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 4, L.P.

1. The interim financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim periods.
2. The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires certain assets to be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. Prior to this pronouncement, the Company assessed properties on an aggregate basis. Upon adoption of SFAS 121, the Company began assessing properties on an individual basis, wherein total capitalized costs may not exceed the property's fair market value. The fair market value of each property was determined by H. J. Gruy and Associates, ("Gruy"). To determine the fair market value, Gruy estimated each property's oil and gas reserves, applied certain assumptions regarding price and cost escalations, applied a 10% discount factor for time and certain discount factors for risk, location, type of ownership interest, category of reserves, operational characteristics, and other factors. In the first quarter of 1996, the Company recognized a non-cash impairment provision of \$50,639 for certain oil and gas properties due market indications that the carrying amounts were not fully recoverable.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Third Quarter 1995 Compared to Third Quarter 1996

Oil and gas sales for the third quarter decreased to \$12,061 in 1996 from \$12,249 in 1995. This represents a decrease of \$188 (2%). Oil sales decreased by \$6. This decrease was due mainly to a 8% decrease in oil production which decreased sales by \$540, offset by an 8% increase in the average net oil sales price. Gas sales decreased by \$182. A 19% decrease in the average net gas sales price decreased sales by \$1,257. This decrease was partially offset by a 20% increase in gas production. The decrease in oil production was primarily due to natural production declines. The increase in gas production was primarily due to increased production from the Speary acquisition on which a compressor was successfully reworked. The increases in average net oil sale prices corresponds with higher prices in the overall market for the sale of oil. The decrease in average net gas sales price was primarily due to lower net profits received on the Speary acquisition which, incurred workover costs during the third quarter of 1996.

Depletion expense decreased to \$7,843 in the third quarter of 1996 from \$9,208 in the third quarter of 1995. This represents a decrease of \$1,365 (15%). A 19% increase in the depletion rate increased depletion expense by \$1,855. This increase was partially offset by the changes in production, noted above. The decrease in the depletion rate was due to the lower property basis resulting from the recognition of a \$240,044 property impairment in the first quarter of 1996.

General and administrative expenses decreased to \$2,283 in 1996 from \$2,522 in 1995. This decrease of \$239 (9%) is primarily due to less staff time being required to manage the Company's operations.

First Nine Months in 1995 Compared to First Nine Months in 1996

Oil and gas sales for the first nine months increased to \$37,446 in 1996 from \$32,878 in 1995. This represents an increase of \$4,568 (14%). Oil sales increased by \$2,232 or 11%. A 26% increase in the average net oil sales price increased sales by \$4,513. This increase was partially offset by a 12% decrease in oil production. Gas sales increased by \$2,336 or 18%. An 18% increase in the

average net gas sales price increased sales by \$4,513. This increase was partially offset by a 1% decrease in gas production. The decreases in oil and gas production were primarily due to natural production declines, partially offset by higher gas production from the Speary acquisition on which a compressor was successfully reworked. The increases in average net sales prices correspond with higher prices in the overall market for the sale of oil and gas.

Depletion expense decreased to \$21,295 in the first nine months of 1996 from \$30,745 in the first nine months of 1995. This represents a decrease of \$9,450 (31%). The changes in production, noted above, reduced depletion expense by \$1,663. A 24% decrease in the depletion rate reduced depletion expense by an additional \$7,787. The decrease in the depletion rate was primarily due to the lower property basis resulting from the recognition of a \$240,044 property impairment in the first quarter of 1996.

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The Financial Accounting Standards Board has issued Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires certain assets to be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. Prior to this pronouncement, the Company assessed properties on an aggregate basis. Upon adoption of SFAS 121, the Company began assessing properties on an individual basis, wherein total capitalized costs may not exceed the property's fair market value. The fair market value of each property was determined by H. J. Gruy and Associates, ("Gruy"). To determine the fair market value, Gruy estimated each property's oil and gas reserves, applied certain assumptions regarding price and cost escalations, applied a 10% discount factor for time and certain discount factors for risk, location, type of ownership interest, category of reserves, operational characteristics, and other factors. In the first quarter of 1996, the Company recognized a non-cash impairment provision of \$240,044 for certain oil and gas properties due to market conditions and reserve revisions on the Lake Decade acquisition, which indicated that the carrying amounts were not fully recoverable.

General and administrative expenses increased to \$8,565 in 1996 from \$7,386 in 1995. This increase of \$1,179 (16%) is primarily due to more staff time being required to manage the Company's operations.

CAPITAL RESOURCES AND LIQUIDITY

The Company's cash flow from operations is a direct result of the amount of net proceeds realized from the sale of oil and gas production. Accordingly, the changes in cash flow from 1995 to 1996 are primarily due to the changes in oil and gas sales described above. It is the general partner's intention to distribute substantially all of the Company's available cash flow to the Company's partners.

The Company discontinued the payment of distributions during 1995. The Company will continue to recover its reserves and distribute to the limited partners the net proceeds realized from the sale of oil and gas production after payment of its debt obligations. Distribution amounts are subject to change if net revenues are greater or less than expected. Based upon current projected cash flows from the properties, it does not appear that the Company will have sufficient cash to pay its operating expenses, repay its debt obligations and pay distributions.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable

Item 5. Other Information.

Not Applicable

Item 6. Exhibits and Reports on Form 8-K.

(a) There are no exhibits to this report.

(b) The Company filed no reports on Form 8-K during the quarter ended September 30, 1996.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENEX 88-89 INCOME AND RETIREMENT
FUND - SERIES 4, L.P.
(Registrant)

By: ENEX RESOURCES CORPORATION
General Partner

By: /s/ R. E. Densford
R. E. Densford
Vice President, Secretary
Treasurer and Chief Financial
Officer

November 13, 1996

By: /s/ James A. Klein

James A. Klein
Controller and Chief
Accounting Officer

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