

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. **0000862023-96-000007**

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FILER

ENEX 88 89 INCOME & RETIREMENT FUND SERIES 7 L P

CIK: **862023** | IRS No.: **760259724** | State of Incorporation: **NJ** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-18396** | Film No.: **96664935**
SIC: **1311** Crude petroleum & natural gas

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

Business Address
*THREE KINGWOOD PLACE
800 ROCKMEAD DRIVE
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 0-18396

ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 7, L.P.
(Exact name of small business issuer as specified in its charter)

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

76-0259724
(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 7, L.P.
BALANCE SHEET

ASSETS
September 30,
1996

CURRENT ASSETS:
<S> <C>
Cash \$ 24,862

Accounts receivable - oil & gas sales	8,218

Total current assets	33,080

OIL & GAS PROPERTIES	
(Successful efforts accounting method) - Proved mineral interests	1,341,371
Less accumulated depletion	983,220

Property, net	358,151

TOTAL	\$ 391,231
	=====

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:

Payable to general partner	\$ 2,662

PARTNERS' CAPITAL:	
Limited partners	376,780
General partner	11,789

Total partners' capital	388,569

TOTAL	\$ 391,231
	=====

Number of \$500 Limited Partner units outstanding 3,089
</TABLE>

See accompanying notes to financial statements.

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<TABLE>
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ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 7, 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> Oil and gas sales	<C> \$ 37,806	<C> \$ 23,909	<C> \$ 108,426	<C> \$ 78,103
	-----	-----	-----	-----
EXPENSES:				
Depletion and amortization	19,273	17,653	54,560	55,376
Production taxes	2,646	1,801	7,960	8,007
General and administrative	3,321	3,014	11,221	8,627
	-----	-----	-----	-----
Total expenses	25,240	22,468	73,741	72,010

NET INCOME	\$ 12,566	\$ 1,441	\$ 34,685	\$ 6,093
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</TABLE>

See accompanying notes to financial statements.

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<TABLE>
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 ENEX 88-89 INCOME AND RETIREMENT FUND - SERIES 7, 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 income	\$ 34,685	\$ 6,093
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and amortization	54,560	55,376
Decrease in:		
Accounts receivable - oil & gas sales	144	1,797
(Decrease) in:		
Accounts payable	(1,058)	(2,887)
Payable to general partner	(36,558)	(20,595)
Total adjustments	17,088	33,691
Net cash provided by operating activities	51,773	39,784
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions	(35,915)	(32,226)
NET INCREASE (DECREASE) IN CASH	15,858	7,558
CASH AT BEGINNING OF YEAR	9,004	8,149
CASH AT END OF PERIOD	\$ 24,862	\$ 15,707

</TABLE>

See accompanying notes to financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

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. A cash distribution was made to the limited partners of the Company in the amount of \$10,965, representing net revenues from the sale of oil and gas produced from properties owned by the Company. This distribution was made on July 31, 1996.
3. On August 9, 1996, the Company's General Partner submitted preliminary proxy material to the Securities Exchange Commission with respect to a proposed consolidation of the Company with 33 other managed limited partnerships. On November 13, 1996, the Company submitted amended preliminary proxy material to the SEC with respect to this consolidation. The terms and conditions of the proposed consolidation are set forth in such preliminary proxy material.

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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 increased to \$37,806 in 1996 from \$23,909 in 1995. This represents an increase of \$13,897 (58%). Oil sales increased by \$2,269 or 80%. A 37% increase in the average net oil sales price increased sales by \$2,557. This increase was partially offset by a 4% decrease in oil production. Gas sales increased by \$11,628 or 70%. A 5% increase in gas production increased sales by \$788. A 63% increase in average net gas prices increased sales by an additional \$10,840. The decrease in oil production was primarily the result of natural production declines. The increase in gas production was primarily the result of higher production from the Wardner Ranch acquisition which was shut-in for a rework during the third quarter of 1995. The changes in average net sales prices correspond with changes in the overall market for the sale of oil and gas.

Depletion expense increased to \$19,273 in the third quarter of 1996 from \$17,653 in the third quarter of 1995. This represents an increase of \$1,620 (9%). A 12% increase in the depletion rate increased depletion expense by \$2,086. This increase was partially offset by the changes in production, noted above. The increase in the depletion rate was primarily the result of a downward revision of the gas reserves during December 1995, partially offset by an upward revision of the oil reserves during December 1995.

General and administrative expenses increased to \$3,321 in 1996 from \$3,014 in 1995. This increase of \$307 (10%) is primarily due to more 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 \$108,426 in 1996 from \$78,103 in 1995. This represents an increase of \$30,323 (39%). Oil sales increased by \$521 or 2%. A 16% increase in the net average oil sales price increased sales by \$3,592. This increase was partially offset by a 12% decrease in oil production. Gas sales increased by \$29,802 or 56%. A 5% increase in gas production increased sales by \$2,632. A 49% increase in average net gas prices increased sales by an additional \$27,170. The decrease in oil production was primarily the result of natural production declines. The increase in gas production was due to higher production from the Wardner Ranch acquisition which

was shut-in for a rework in the second quarter of 1995. The changes in average net sales prices correspond with changes in the overall market for the sale of oil and gas.

Depletion expense increased to \$54,560 in the first nine months of 1996 from \$53,832 in the first nine months of 1995. This represents an increase of \$728 (1%). The changes in production, noted above, increased depletion expense by \$405. A 1% increase in the depletion rate increased depletion expense by an additional \$323. The increase in the depletion rate was a result of a

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downward revision of the gas reserves during December 1995, partially offset by an upward revision of the oil reserves during December 1995.

General and administrative expenses increased to \$11,221 in 1996 from \$8,627 in 1995. This increase of \$2,594 (30%) 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's "available cash flow" is essentially equal to the net amount of cash provided by operating activities.

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. Distribution amounts are subject to change if net revenues are greater or less than expected. Nonetheless, the general partner believes the Company will continue to have sufficient cash flow to fund operations and to maintain a regular pattern of distributions.

On August 9, 1996, the Company's General Partner submitted preliminary proxy material to the Securities Exchange Commission with respect to a proposed consolidation of the Company with 33 other managed limited partnerships. On November 13, 1996, the Company submitted amended preliminary proxy material to the SEC with respect to this consolidation. The terms and conditions of the proposed consolidation are set forth in such preliminary proxy material.

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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 7, 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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