U.S. Department of Energy

NAVAL PETROLEUM RESERVE NUMBER 1

Quarterly Financial Statements

December 31, 1996 and 1995

memorandum

DATE: April 25, 1997

REPLY TO

ATTN OF: IG-35

SUBJECT: Report on U. S. Department of Energy Naval Petroleum Reserve Number 1, Quarterly Financial Statements, December 31, 1996 and 1995 (WR-FC-97-06)

TO: Deputy Assistant Secretary for Naval Petroleum and Oil Shale Reserves (FE-60)

The attached report presents the results of the independent certified public accountants' review of the Department of Energy's Naval Petroleum Reserve Number 1 interim financial statements as of December 31, 1996 and 1995. The review was done in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A review of interim financial statements consists principally of inquiries of NPR-1 personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, the certified public accountants do not express such an opinion.

The auditors have stated that, except for the omission of certain disclosures, they are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with the other comprehensive basis of accounting described in Note 1 to the financial statements.

The review was conducted at the request of the Office of Naval Petroleum and Oil Shale Reserves. To fulfill our responsibilities, we contracted with the independent public accounting firm of KPMG Peat Marwick LLP to conduct the review for us, subject to our review of their work.

Since this report does not contain any recommendations, a formal response is not required. In accordance with Department Order 2320.2B, "Establishment of Departmental Position on Inspector General Reports," as amended by the October 11, 1994, memorandum on "Implementing Guidelines for Streamlining Pilot," no further action is needed because the report does not contain any recommendations.

We appreciate the cooperation of your staff throughout this review.

Lawrence R. Ackerly, Regional Manager
Western Regional Audit Office
Office of Inspector General

Attachment

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KPMG Peat Marwick LLP

60 East South Temple
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Salt Lake City, UT 84111

Independent Accountants' Review Report

Deputy Assistant Secretary
Naval Petroleum and Oil Shale Reserves
United States Department of Energy:

We have reviewed the accompanying statement of financial position of the U.S. Department of Energy (DOE) Naval Petroleum Reserve Number 1 (NPR-1) as of December 31, 1996 and the related statements of operations and changes in net position, and cash flows for the three-month periods ended December 31, 1996 and 1995, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the responsibility of the management of NPR-1.

A review of interim financial statements consists principally of inquiries of NPR-1 personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, the financial statements were prepared in conformity with the hierarchy of accounting principles and standards defined in the U.S. Office of Management and Budget Bulletin No. 94-01, *Form and Content of Agency Financial Statements*. This hierarchy is a comprehensive basis of accounting other than generally accepted accounting principles.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the other comprehensive basis of accounting, as described in Note 1.

Management has elected to omit certain disclosures required by the comprehensive basis of accounting other than generally accepted accounting principles, as described in Note 1. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of NPR-1 as of September 30, 1996 and the related statements of operations and changes in net position, and cash flows for the year then ended (not presented herein); and in our report dated November 15, 1996, we expressed an unqualified opinion on those financial statements, but we have not performed any auditing procedures since that date.

KPMG Peat Marwick LLP

March 18, 1997

U.S. DEPARTMENT OF ENERGY
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Statements of Financial Position

December 31, 1996 and September 30, 1996

<u>Assets</u>	December 31, 1996	September 30, 1996
Current assets:		
Fund balance with U.S. Treasury and cash	\$ 503,718,668	516,149,393
Accounts receivable	49,581,163	39,757,706
Inventories:		
Materials and supplies, net	2,834,129	2,893,002
Product inventories held for sale	2,784,526	1,891,318
Advances and prepayments, net	7,750	101,765
Total current assets	558,926,236	560,793,184
Property, plant, and equipment:		
Drilling and development	781,210,903	783,105,521
Production facilities	377,093,280	378,543,893
Gas plants	166,865,093	167,881,233
General property	30,770,217	30,082,240
Less joint owner share	279,413,934	280,156,692
	1,076,525,559	1,079,456,195
Less accumulated depreciation	593,005,788	584,287,797
	483,519,771	495,168,398
Construction in process, net	15,424,999	7,127,991
Net property and equipment	498,944,770	502,296,389
Total assets	\$ 1,057,871,006	1,063,089,573
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 14,840,807	21,504,989
Accrued liabilities	57,275,241	47,100,086
Total current liabilities	72,116,048	68,605,075
Unfunded liabilities, net	62,688,701	58,587,701
Total liabilities	134,804,749	127,192,776
<u>Net Position</u>		
Net position	923,066,257	935,896,797
Total liabilities and net position	\$ 1,057,871,006	1,063,089,573

Unaudited - see accountants review report.

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Statements of Operations and Changes in Net Position

Three-month periods ended December 31, 1996 and 1995

	December 31,	
	1996	1995
Product revenues:		
Crude	\$ 92,614,520	67,503,022
Dry gas	23,852,000	8,545,535
Natural gasoline	5,482,646	3,569,113
Propane	7,002,455	4,705,618
Butane	3,567,195	2,454,757
Isobutane	<u>1,268,765</u>	<u>1,102,343</u>
Total product revenues	133,787,581	87,880,388
Other revenues:		
Cogeneration	769,930	496,833
Pipeline tariff	92,758	100,170
Other	<u>39,046</u>	<u>17,589</u>
Total other revenues	<u>901,734</u>	<u>614,592</u>
Total revenues	<u>134,689,315</u>	<u>88,494,980</u>
Expenses (note 2):		
Operating expenses	17,599,352	17,307,236
General and administrative	<u>8,537,353</u>	<u>7,990,426</u>
Total gross operating expenses	26,136,705	25,297,662
Less joint owner interest	<u>4,873,245</u>	<u>5,090,049</u>
Net expenses	21,263,460	20,207,613
Depreciation	10,528,063	9,071,242
Unfunded expenses	<u>4,101,000</u>	<u>3,291,349</u>
Total expenses	<u>35,892,523</u>	<u>32,570,204</u>
Net income before appropriations and transfers	98,796,792	55,924,776
Appropriations	30,762,500	32,346,500
Transferred to U.S. Treasury	<u>(142,389,832)</u>	<u>(96,079,283)</u>
Shortage of net income and appropriations under transfers	<u>\$ (12,830,540)</u>	<u>(7,808,007)</u>
Net position:		
Net position, beginning balance, as previously stated	\$ 935,896,797	996,158,643
Adjustment (note 3)	<u>-</u>	<u>(21,888,178)</u>
Net position, beginning balance, as restated	935,896,797	974,270,465
Shortage of net income and appropriations under transfers	<u>(12,830,540)</u>	<u>(7,808,007)</u>
Net position, ending balance	<u>\$ 923,066,257</u>	<u>966,462,458</u>

Unaudited - see accountants review report.

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Statements of Cash Flows

Three-month periods ended December 31, 1996 and 1995

	December 31,	
	1996	1995
Cash flows from operating activities:		
Net income before appropriations and transfers	\$ 98,796,792	55,924,776
Adjustments affecting cash flow:		
Depreciation	10,528,063	9,071,242
Increase in unfunded environmental restoration liabilities	3,544,000	2,844,500
Increase in unfunded pension, other retirement benefits, and accrued annual leave	557,000	446,849
Increase in accounts receivable	(9,823,457)	(12,783,612)
Increase in inventories	(834,335)	(96,193)
Decrease in advances and prepayments	94,015	91,684
Decrease in accounts payable	(6,664,182)	(6,035,857)
Increase in accrued liabilities	10,175,155	34,849,628
Net cash provided by operating activities	<u>106,373,051</u>	<u>84,313,017</u>
Cash flows from investing activities - purchases of property and equipment	<u>(7,176,444)</u>	<u>(6,760,707)</u>
Cash flows from financing activities:		
Appropriations	30,762,500	32,346,500
Adjustment (note 3)	-	(21,888,178)
Transferred to U.S. Treasury	<u>(142,389,832)</u>	<u>(96,079,283)</u>
Net cash used in financing activities	<u>(111,627,332)</u>	<u>(85,620,961)</u>
Net cash used in operating, investing, and financing activities	<u>(12,430,725)</u>	<u>(8,068,651)</u>
Fund balance with U.S. Treasury and cash, beginning of year	<u>516,149,393</u>	<u>535,120,203</u>
Fund balance with U.S. Treasury and cash, end of year	<u>\$ 503,718,668</u>	<u>527,051,552</u>

Unaudited - see accountants review report.

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Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements for the three-month periods ended December 31, 1996 and 1995 have been prepared to report the financial position and results of operations and changes in net position of the Naval Petroleum Reserve Number 1 (NPR-1). They have been prepared from the books and records of NPR-1 based on a comprehensive basis of accounting other than generally accepted accounting principles. The hierarchy of accounting principles is defined in OMB Bulletin No. 94-01, *Form and Content of Agency Financial Statements*, and consists of individual standards agreed to and published by the Joint Financial Management Improvement Program principals; form and content requirements included in OMB Bulletin 94-01; accounting standards contained in Department of Energy (DOE) accounting policy, procedures manuals, and related guidance; and accounting principles published by authoritative standard setting bodies and other authoritative sources in the absence of other guidance in the first three parts of this hierarchy and if the use of such accounting principles improves the meaningfulness of the financial statements.

Primary differences between the comprehensive basis of accounting used by NPR-1 and generally accepted accounting principles include certain form and content changes to the financial statements and cash flows, and certain other disclosures. For example, the financial statements of NPR-1 include transactions with the U.S. Treasury that would not occur in the commercial sector.

The NPR-1 financial statements also do not follow all of the form and content requirements of OMB Bulletin No. 94-01. For example, they do not distinguish between intragovernmental and governmental assets and liabilities in the statement of financial position.

The financial information at December 31, 1996 and for the three month periods ended December 31, 1996 and 1995 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) which NPR-1 considers necessary for a fair presentation of the financial position at such date and the operating results and cash flows for those periods. Results of the December 31, 1996 period are not necessarily indicative of the results for the entire year ending September 30, 1997.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with the comprehensive basis of accounting principals described above have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the most recent audited financial statements for the fiscal year ended September 30, 1996.

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(b) Description of Reporting Entity

NPR-1 consists of the DOE's interest in petroleum reserves in California, excluding DOE's interest in Naval Petroleum Reserve No. 2. The principal interests are minerals under the surface lands in Kern County, California. The DOE's interest in NPR-1 is managed by the DOE through DOE's headquarters office in Washington, D.C. In addition to the headquarters, DOE has a site office located in Elk Hills, California, that is responsible for contractor oversight functions. Day-to-day operations are conducted under contract by a management and operating contractor. NPR-1 also contracts for certain services with other DOE field offices.

Except for certain limited acreage, NPR-1 is operated as a unit in accordance with a Unit Plan Contract (UPC) executed June 19, 1944, and amended December 22, 1948, by the United States of America and Standard Oil Company of California (Standard). Standard transferred its interest in the UPC to its wholly owned subsidiary, Chevron USA, Inc. (Chevron), effective January 1, 1977. The UPC enables the unit participants to develop the field on a reservoir basis rather than a parcel-by-parcel basis. Under the UPC, each participant shares in the unit costs and production of petroleum in proportion to the acre-feet of commercially productive oil and gas formations (zones) underlying their respective surface lands as of November 20, 1942.

Based on the most recent equity determination studies agreed-upon by the two parties, it is estimated that approximately 22 percent of the commercially productive formations within the unit is owned by Chevron. Chevron's share of NPR-1 production is delivered in kind. In addition, Chevron may purchase crude oil and natural gas via a competitive bid process open to the public.

The accompanying financial statements of NPR-1 include the accounts of all funds under NPR-1 control.

(i) NPOSR - Headquarters

The Secretary of DOE has delegated the overall responsibility for achieving the mission and goal of the Naval Petroleum and Oil Shale Reserves (NPOSR) to the Assistant Secretary for Fossil Energy. Under the Assistant Secretary's direction, the Deputy Assistant Secretary for NPOSR is responsible for programmatic and operational management of NPOSR. The NPOSR headquarters office provides staff support to the Assistant Secretary and Deputy Assistant Secretary. Consequently, certain headquarters expenses including payroll, travel, office equipment purchases, and other administrative services and supplies expense are incurred in support of NPOSR. Headquarters expenses are not allocated to the individual units comprising NPOSR and therefore no headquarter expenses are reflected in the NPR-1 financial statements.

(ii) DOE - Site Office

The DOE site office is responsible for monitoring day-to-day operations, and performing contractor oversight functions. The site office reports directly to NPOSR headquarters. Expenses incurred primarily include payroll, certain subcontract costs, travel, and other administrative costs.

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Notes to Financial Statements

(iii) **Management and Operating Contractor**

Bechtel Petroleum Operations, Inc. (Bechtel) is the management and operating contractor performing operations, maintenance, logistics support, engineering, technical, and administrative services. In return, DOE reimburses all allowable costs under the contract, pays award fees, and provides the property, plant, and equipment necessary for the operations of NPR-1. Bechtel has served as the management and operating contractor for NPR-1 in accordance with DOE contract (No. DE-ACO1-85FE60520) since July 31, 1985. As authorized by the Defense Authorization Act (Public Law 104-106), the Bechtel contract has been extended through July 30, 1997.

Bechtel integrates their accounting system with DOE through the use of reciprocal accounts. Bechtel is required under provisions of its contract to maintain a separate set of accounts and records for recording and reporting all financial related transactions in accordance with DOE accounting practices and procedures.

(c) **Basis of Accounting**

Transactions are recorded on an accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The statements of financial position exclude Chevron's interests in NPR-1 for the respective asset and liability amounts, except for current liabilities. Current liabilities are presented gross with an offsetting receivable for Chevron's interest. Joint interest reimbursements billed to Chevron for its respective share of the costs incurred to operate NPR-1 are presented in the accompanying statements of operations and changes in net position; however, such reimbursements are not a component of net income.

NPR-1 includes primarily lands withdrawn from public sale initially in 1912, with additional withdrawals in 1942. The Secretary of the Navy was granted authority to take possession of all properties within NPR-1 for the sole control and use of the United States. Therefore, no value is shown for crude oil and gas reserves underlying these lands.

(d) **Appropriations and Revenues**

Congress annually adopts a budget appropriation providing NPR-1 with funding to meet operating and capital expense requirements.

Crude oil, natural gas, and liquid gas products are sold under contracts to public customers at bid prices. Gross revenue is recorded at the time the product is delivered to the customer at the pipeline or truck terminal. Proceeds from sales at NPR-1 are deposited into the U.S. Treasury as required by the Production Act of 1976. Revenues included in the statements of operations and changes in net position are net of Chevron's interest.

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(e) **Funds with the U.S. Treasury**

NPR-1's fund balance with the U.S. Treasury is the aggregate amount of appropriated funds in NPR-1's accounts with the U.S. Treasury for which NPR-1 is authorized to make expenditures and pay liabilities. Fund balance with the U.S. Treasury is an intragovernmental asset; that is, it is a claim of a federal entity against another federal entity. From the NPR-1's perspective, a fund balance with Treasury is an asset because it represents NPR-1's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability.

Revenues from the sale of petroleum products are deposited in the U.S. Treasury's Miscellaneous Receipts account and are not available for expenditure by NPR-1.

(f) **Inventories**

NPR-1 inventories held for sale consist primarily of crude oil in the pipeline that is valued at the current market price. NPR-1 operating materials and supplies consist of inventories that will be consumed in future operations. The consumable inventory is stated at the lower of cost, using the weighted-average method, or estimated realizable value. Recorded values for consumable inventory are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

(g) **Property, Plant, and Equipment**

Costs for real property with an expected life in excess of two years, and costs for personal property with an expected life in excess of two years and an initial cost of at least \$25,000, are capitalized. Costs of major additions, improvements, and replacement of equipment are capitalized. Costs of maintenance and repairs are charged to expense as incurred. Costs and accumulated depreciation of equipment retired, abandoned, or otherwise disposed of are removed from the accounts upon disposal, and any resulting gain or loss is included in operations in the year of disposition.

Exploration and development operations are accounted for by the successful-efforts method, in accordance with Statement of Financial Accounting Standards No. 19 of the Financial Accounting Standards Board. Tangible and intangible costs of drilling and equipping development wells and development-type stratigraphic test wells are capitalized, whether or not the wells are productive. Costs of drilling exploratory wells are initially capitalized pending determination of whether or not such wells have found proven reserves. If such wells do not find proven reserves, the costs, net of any salvage value, are charged to exploratory expenses.

Depreciation is computed on DOE's interest in drilling and development costs, well equipment, and production facilities based on the units-of-production method. Depreciation of gas plant, buildings, structures, office, and other equipment is computed on the straight-line method over the estimated useful lives, which range from 6 to 30 years. Depreciation on used plant, consisting of plant and equipment temporarily out of service, is computed on the straight-line method over the estimated useful lives, which range from 5 to 50 years.

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(h) Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods or services are received.

(i) Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by NPR-1 as the result of a transaction or event that has already occurred. However, no liability can be paid by NPR-1 absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as unfunded liabilities, and there is no certainty that the appropriations will be enacted. Also, liabilities of NPR-1 arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

(j) Accrued Annual Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the accrued annual leave balance is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expended as leave is taken.

(k) Retirement Plans

NPR-1 personnel, as employees of either DOE or Bechtel, may be participants in certain benefit plans. Bechtel sponsors a defined-benefit pension plan and a defined-benefit health care plan for certain retirees and employees. DOE does not report plan assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management and the Federal Employees Retirement System.

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, directs the full cost reporting of employment benefits by employing entity. Under this concept, NPR-1 will be required to accrue the costs to the Federal government of providing pension, life, health, and other post-employment benefits (severance payments, counseling and training, workers' compensation benefits, etc.) "regardless of whether the benefits are funded by the reporting entity or by direct appropriations to the trust funds." SFFAS No. 4 is effective for fiscal years beginning after September 30, 1996. SFFAS No. 4 has not been implemented as of December 31, 1996, however management anticipates implementing SFFAS No. 4 for the fiscal year ending September 30, 1997.

(l) Use of Estimates

NPR-1 management has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements. Actual results could differ from these estimates.

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Notes to Financial Statements

(2) Expenses

DOE and Chevron share all unit expenses, excluding DOE direct expenses, in accordance with the Unit Plan Contract. Depreciation and unfunded expenses shown here are net of Chevron's share. Unit expenses included the following during the three-month periods ended December 31, 1996 and 1995:

	December 31,	
	1996	1995
Operating expenses (includes Chevron's share):		
Oil and gas production:		
Wages and benefits	\$ 4,020,251	4,337,024
Subcontract services	6,560,230	5,259,571
Materials and supplies	2,025,754	2,149,750
Other	1,159,262	1,814,480
	<u>13,765,497</u>	<u>13,560,825</u>
Gas gathering and processing:		
Wages and benefits	1,181,128	1,186,348
Subcontract services	961,398	693,186
Materials and supplies	948,647	1,384,728
Other	45,932	71,973
	<u>3,137,105</u>	<u>3,336,235</u>
Congeneration:		
Wages and benefits	80,100	74,959
Subcontract services	223,867	31,746
Materials and supplies	78,379	79,147
Other	4,523	21,853
	<u>386,869</u>	<u>207,705</u>
Environmental:		
Wages and benefits	134,574	118,172
Subcontract services	42,389	6,966
Materials and supplies	1,830	1,779
Other	131,088	75,554
	<u>309,881</u>	<u>202,471</u>
Total operating expenses	<u>17,599,352</u>	<u>17,307,236</u>

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(2) Expenses (continued)

	December 31,	
	1996	1995
General and administrative:		
Bechtel expenses (includes Chevron's share):		
Wages and benefits	\$ 2,588,685	2,393,274
Contract operator award fee	1,295,250	1,415,200
Subcontract services	67,051	55,454
Materials and supplies	71,562	69,521
Other	2,186,916	2,091,656
	<u>6,209,464</u>	<u>6,025,105</u>
DOE direct expenses:		
Wages and benefits	808,813	812,376
Subcontract services	1,547,382	1,255,046
Other	(28,306)	(102,101)
	<u>2,327,889</u>	<u>1,965,321</u>
Total general and administrative	<u>8,537,353</u>	<u>7,990,426</u>
Gross expenses	26,136,705	25,297,662
Less joint owner share	4,873,245	5,090,049
Net expenses	<u>21,263,460</u>	<u>20,207,613</u>
Depreciation:		
Wells and production equipment	8,696,497	7,442,872
Gas gathering and processing	1,570,269	1,345,613
Other	261,297	282,757
	<u>10,528,063</u>	<u>9,071,242</u>
Unfunded expenses:		
Pension expense	225,000	204,464
Postretirement other than pension	332,000	242,385
Environmental restoration	3,544,000	2,844,500
	<u>4,101,000</u>	<u>3,291,349</u>
Total expenses	<u>\$ 35,892,523</u>	<u>32,570,204</u>

The oil and gas production expenses include exploration costs of \$1,627,054 and \$141,085 and dry hole costs of \$-0- and \$630,685 for the three month periods ending December 31, 1996 and 1995, respectively. These costs are contained primarily in the subcontract services line.

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Notes to Financial Statements

(3) Change in Recording Liabilities to the U.S. Treasury

Effective October 1, 1995, NPR-1 adopted DOE Accounting Handbook (Handbook), Chapter 13, paragraph 10 *Miscellaneous Receipts*. The Handbook requires that miscellaneous receipts be recorded in conformity with account codes as defined in the United States Government Standard General Ledger (SGL) chart of accounts. The SGL requires that certain miscellaneous receipts, which pursuant to law are required to be remitted to the U.S. Treasury be accrued as a liability to the U. S. Treasury at the time the miscellaneous receipt receivable is established. As of October 1, 1995, NPOSR established a liability and reduced fund balance for the amount of miscellaneous receipts receivable at that date. This resulted in an adjustment to beginning fund balance of \$21,888,178.

(4) Divestment of Naval Petroleum Reserve Number 1

The Defense Authorization Act for fiscal year 1996 (Act), which authorizes and outlines the process for the sale of NPR-1, was approved by Congress and signed into law by President Clinton on February 10, 1996. The Act requires that the sale be completed within two years from the date of enactment, or February 10, 1998. As outlined in the Act, DOE must contract the services of a team of divestment advisors to administer the sale, prepare a reserve report, finalize equity with Chevron, and establish a minimum acceptable price for the Government's approximate 78 percent share of the Elk Hills field. The current time line established by DOE for the divestiture calls for a solicitation of offers to be issued in April 1997, with purchase proposals due in September 1997. Sale of the Government's interest in the Elk Hills field could be the largest sale of a single federal asset since the privatization of Conrail in 1987.

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