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COSTO DE TRANSPORTE
Y OTROS GASTOS NECESARIOS PARA LA
VENTA

-0000000-
VENEZUELA GULF - LAGO PET. CORP.
1931

-Costo de transporte y otros gastos
necesarios para la venta,
VENEZUELA GULF - LAGO PET. CORP.

EXHIBIT I

1930 COST OF MOVING OIL FROM FIELD STORAGE TANKS TO AND ON

BOARD OCEAN VESSELS AT PARAGUANA

(Based on 25,071,391 barrels carried by V. G. O. Tankers).

	Total Investment	Interest at 6%	Interest Per bbl.	Depreciation 15 %	Depreciation Per Bbl	Operating & Maintenance	Op'g & Main Per Barrel	Total Per Barrel
Delivery Facilities	\$	\$	\$	\$	\$	\$	\$	\$
Field Storage to Lake Tankers	3,473,109	208,387	.0083	1520,966	.0208	254,248	.0101	.0392
Lake Tankers	4,672,439	280,346	.0112	1700,866	.0280	1,610,433	.0642	.1034
Paraguana Facilities	2,112,456	126,747	.0051	1316,868	.0125	130,974	.0052	.0228
Miscellaneous	619,786	37,187	.0015	92,968	.0037	--	--	.0052
Admin. Exp. - Ins. Losses etc (except Marine)	--	--	--	--	--	407,470	.0163	.0163
TOTAL \$	110,877,790	652,667	.0261	1631668	.0650	12,403,125	.0958	.1869

Note: For further detail see Schedules Ia, Ib, Ic, Id, and Ie.

SCHEDULE Ia OF EXHIBIT I

AUXILIARY DELIVERY FACILITIES

Based on the foregoing percentages the total investment on which interest and depreciation are calculated amounts to \$ 3,473,109.

Costs under this heading are therefore as follows:

<u>Interest</u> at 6% per annum		\$	208,387
Cost per bbl.		\$.0083	
<u>Depreciation</u> at 15% per annum			520,966
Cost per bbl.		.0208	
<u>Operating Charges</u>			
Ambrosio	\$ 16,389		
Lagunillas	105,886		
Cabimas	64,661		
Benites	17,847		
Tasajeras	29,884		
75% of Tel.& Tel.	<u>19,581</u>	.0101	<u>254,248</u>
		TOTAL	\$ 983,601
Cost per bbl.		.0392	

SCHEDULE I^D OF EXHIBIT I

LAKE TRANSPORTATION

Cost of transporting and delivering 25,071,391 barrels of oil by lake tankers from Cabimas and Lagunillas to the Paraguaná Terminal.

<u>Interest</u> at 6% on total investment of \$4,672,439		\$ 280,346
Cost per bbl.	\$.0112	
<u>Depreciation</u> at 15% on total investment as above		700,866
Cost per bbl.	.0280	
<u>Operating Expense</u> - including maintenance and general and administrative expense of the Marine Department		1,610,433
Cost per bbl.	.0642	
	TOTAL	<u>\$ 2,591,645</u>
Cost per bbl.	\$.1034	

SCHEDULE I^c OF EXHIBIT I

PARAGUANA TERMINAL

Cost of storing and delivering oil to oceangoing tankers at the Paraguana Terminal:

<u>Interest</u> at 6% per annum on total investment of \$2,112,456		\$ 126,747
Cost per barrel	\$.0051	
<u>Depreciation</u> at 15% per annum on total investment as above		316,868
Cost per barrel	.0125	
<u>Operating Expense</u>		130,974
Cost per barrel	.0052	
	TOTAL	<hr/> \$ 574,589
Total cost per barrel	\$.0228	

SCHEDULE I^d OF EXHIBIT I

MISCELLANEOUS CHARGES

Miscellaneous charges include 33-1/3% of the total investment in launches in the Lake Maracaibo district. Also 75% of the total investment in highway equipment in the Lake Maracaibo district; 75% of the total investment in Telephone and Telegraph Lines; and 90% of the total investment in the Cabimas Topping Plant.

<u>Interest</u> at 6% per annum on \$ 619,786		\$ 37,187
Cost per barrel	\$.0015	
<u>Depreciation</u> at 15% per annum on total investment as above		92,968
Cost per barrel	.0037	
	<u>TOTAL</u>	<u>\$130,155</u>
Total cost per barrel	\$.0052	

SCHEDULE I^o OF EXHIBIT I

GENERAL ADMINISTRATIVE EXPENSE - INSURANCE - LOSSES - TAXES

25% of the total general administrative expense of all offices, excluding the Marine Department; 25% of all insurance and losses, excluding lake tanker insurance; and all poliza taxes: \$ 407,470

Cost per barrel \$.0163

EXHIBIT II

1930 TANKER CHARTER RATES FROM U.S.GULF AND CARIBBEAN PORTS TO NO. OF
HATTIERAS AS QUOTED IN NEW YORK JOURNAL OF COMMERCE

	<u>U.S.Gulf</u>	<u>Caribbean</u>	<u>Mch. (C'nd)</u>	<u>U.S.Gulf</u>	<u>Caribbean</u>
Jan. Caloria	27-1/2		S.S.Koolmotor	38	
Clement Smith	27-1/2		Durango	37	
Rochester	30-1/2		D.S.Scotland(April)	34 & 32	
S.S.Spalding(jan)	30		Imlay	35-1/2	
W.H.Doheny	32		Wm.Green (April)		35
Hagood	38		Mary Luckenbach		
J.M.Danzinger(Feb)		Curacao 39	(Lube)(April)	41	
Madrono	38		C.S	38	
W.F.Burdell (Feb)	39		Apr.Brandywine(July- Feb.1931)	34-1/2	Cur.34-1/2
Feb. Eliz.Kellogg	32		Halo (may 1-15)	option	42
Clement Smith	40	Curacao 40	Vacum (may)	40	
Garnet Rulings		" 40			
W.Miller(Feb)	39-1/2		May Hexbar	41	
C.S.Fuel	39-1/2		Byron D.Benson	35	
Herman Falk(March)	40		Tidewater ?	35	
W.W.Bruce "	40		Madrono		39
W.W.Mills "	40				
C.S.Toledo "	40-41		June Madrono (First Trip)	31	31
Merita or Madrono			Madrono(Second Trip)	30	30
(To Nov)	35-1/2				
Frontenac(Feb)		Curacao 45	July Dixiano	22-25	
Paul Shoup		" 40	Gulfwax	18	
J.M.Danzinger(March)	45				
Gargoyle	45		Dec. Cities Service	14	
			Hagood (Nov-Dec)	14	
Mch. Beta (Thru 1930)	36-1/2		W.F.Burdell	17	
Cecil County(1930)	38				
Frederic Ewing(March)	46				
C.S.Empire(To Dec.)	38				
C.S.Missouri(")	38				
W.Miller(March-April)	38				

Total of 57 Charters during 1930 at
an average of \$.3512 per barrel for
the year.

EXHIBIT III

BAYONNE - NEW YORK
Refinery and Terminal
Costs for First Quarter 1931

March 31, 1931

	<u>Allocated</u> <u>Refinery</u>	<u>Allocated</u> <u>Terminal</u>	<u>Total</u>
<u>Plant Investment</u>			
Land	\$ 323,341	\$ 1,279,748	\$ 1,603,089
Bldgs, Tanks, Stills, Pipe, etc.	<u>2,977,573</u>	<u>8,776,576</u>	<u>11,754,149</u>
TOTAL	\$ <u>3,300,914</u>	\$ <u>10,056,324</u>	\$ <u>13,357,238</u>

	<u>Refinery</u>	<u>Terminal</u>	<u>Total</u>
<u>Total Cost</u>			
Depreciation			
15% on Physical Ref. Plant	\$ 91,437	\$ 224,414	\$ 315,851
10% on all other improvements			
Interest at 6%			
Land and Improvements	49,514	150,845	200,359
Operating Expense			
All Direct Costs plus Administrative Expenses, Taxes, Ins. & Losses	<u>201,600</u>	<u>150,070</u>	<u>351,670</u>
TOTAL	\$ <u>342,551</u>	\$ <u>525,329</u>	\$ <u>867,880</u>

<u>Cost Per Barrel</u>			
Depreciation	\$0.0359	\$0.0552	\$0.0911
Interest	.0194	.0371	.0565
Operating Expense	<u>.0790</u>	<u>.0369</u>	<u>.1159</u>
TOTAL	\$0.1343	\$0.1292	\$0.2635

"Refinery" Divisor - Bbls. Charged to Stills - 1st. Quarter 1931, 2,550,531.

"Terminal" Divisor - Bbls. Received (Ven. & Other) at Terminal, 1st. Quarter 1931, 4,068,122

NOTE: The figures of refinery and terminal costs have been taken as of the first quarter of the year 1931 and not as of the year 1930 as has been done in the other tables. The reason for this is that these figures represent more closely the approximate mean between the maximum overload capacity of the stills and their rated capacity.

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EXHIBIT IV

Sales Expense

The cost of selling refined products is as much a part of the value of the refined products as is the cost of refining the crude or in handling the crude or the refined products themselves.

There is no value in a barrel of oil unless it can be marketed. Competition is very keen and oil a drug on the market, hence the Sales Department of the Company, in order to meet market conditions, has to maintain large staffs and complicated organizations. The retail as well as the wholesale markets are supplied by the large production companies.

The overhead of the sales departments is charged in a proportionate part to the selling of Venezuelan oil moved through the Bayonne-New York terminals and the figure of 10 cents represents an entire fair cost per barrel for these sales expenses. /

EXHIBIT V

BAYONNE-NEW YORK REFINERY

TYPICAL YIELDS (STRAIGHT RUN) OF FINISHED PRODUCTS

FROM VENEZUELAN CRUDE-PERCENT

	<u>1927</u>	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>First Quarter 1931</u>
Gasoline (U. S. Motor)..	12.1	11.3	9.0	8.4	8.3
Gas Oil (Solar 28°)....	12.6	8.3	9.3	7.6	5.8
Fuel Oil (Bunker "C")...	74.2	79.6	81.0	83.0	85.0
Loss	... 1.1	0.8	0.7	1.0	0.9
TOTAL	100 %	100 %	100 %	100 %	100 %

NOTE: The percentage yields shown for 1927-1928 and 1929 are those reported by Gulf to Tariff Commission. The Company also reported to Tariff Commission the following yields for 1st. half 1930: gasoline 8%, gas oil 7.6%, fuel oil 83.4% and loss 1%. All yields from "run-of-the-lake" crude --a mixture of La Rosa-Lagunillas crudes in varying proportions. The ratio of La Rosa to Lagunillas crude has materially declined since 1927. In 1930 the approximate ratio of shipments was 23 barrels La Rosa to 77 barrels Lagunillas with an average gravity of 18.2°, while in the 1st. quarter of 1931 the average gravity of Venezuelan crude charged to the refinery stills was 17° - 17.5°.-

Both the Bayonne and Philadelphia refineries were originally constructed to process Straight Venezuelan Crude Petroleum. Each of these refineries consists of a "straight run" or "topping" still.- There is a 10,000 bbls. "cracking" unit at the Philadelphia refinery, which was completed a short time over a year ago. This unit operates solely on certain domestic crudes.- Bayonne operates exclusively on Venezuelan crude and the original Philadelphia "straight run" still operates exclusively on Venezuelan crude.

EXHIBIT VI

INDICATED VALUE OF "RUN-OF-THE-LAKE"

(MIXTURE LA ROSA AND LAGUNILLAS CRUDE) - APRIL 23, 1931

	<u>Value Refined Product</u>		
	<u>Bbl. Venezuelan Crude</u>		
	<u>Percentage</u>	<u>Unit</u>	<u>Total Value</u>
	<u>Yield</u>	<u>Price</u>	<u>per Barrel.</u>
Gasoline (U. S. Motor)	8.3	\$ 0.06125	\$.2135
Gas Oil (Solar 28°)	5.8	.045	.1096
Fuel Oil (Bunker "C")	85.0	0.95 per bbl.	.8075
Loss	-.9	-	---
Market Value Refined Product			\$1.1306

DEDUCTIONS PER BBL COSTS

Refining	\$0.1343	
Terminal handling and sales	.2292	
Ocean Freight	.3512	
Coastwise movement-Field to Ocean Tankers	<u>.1869</u>	
	\$0.9016	<u>\$0.9016</u>
Value in Field Storage		\$0.2290



BUNKER "C" PLAN
BASED ON "RUN-OF-THE-LAKE" CRUDE - WITH NEW TABLES OF
FIGURES USED AS OF APRIL 30, 1951

Bunker "C" OIL

\$0.95 per barrel
.2290 value of barrel of Venezuelan crude after deducting cost of refined products.
 * .7210 Deductable Factor - Bunker "C" proportion of costs - Used as Yardstick.

BUNKER "C" PRICES

	\$0.95	\$1.05	\$1.15	\$1.25	\$1.35	\$1.45	\$1.55	\$1.65	\$1.75	\$1.85	\$1.95
	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>	<u>.72</u>
*	\$.23	\$.33	\$.43	\$.53	\$.63	\$.73	\$.83	\$.93	\$1.03	\$1.13	\$1.23

* Value of barrel of Venezuelan crude at port of embarkation.

LAGO PETROLEUM CORPORATION

COST SCHEDULE

<u>Per Barrel</u>	
Loading and Shipping Expense	\$.04609
Lake Tanker Expense	.09250
Refining Costs	.09684
Terminal Expense at Aruba	.02500
Ocean Freight - Aruba to North of Hatteras	.38000
Terminal and Selling Expense in United States	.14093
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Total Costs	\$.78136

NOTES:

- 1.- Ocean Freight - Aruba to North of Hatteras is average of fixtures for Year 1930.
- 2.- Other costs are average of first three months of 1931.

LAGO PETROLEUM CORPORATION

LAKE TANKER EXPENSES

	<u>First Three Months 1931</u>
Bunkers	\$ 90,150.32
Port Charges	85,118.37
Wages	120,925.53
Insurance	26,481.62
Provisions	45,898.34
Deck, Engine and Stewards Stores	22,039.08
Upkeep and repairs	80,064.20
Depreciation	168,651.86
Boyage	142,214.56
Supervision and Shore Office Expense	55,175.07
Interest and Exchange	101,191.12
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<u>Total Expenses:</u>	\$ 937,910.07
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Barrels Transported	10,139,473.00
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Per Barrel	.09250
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LAGO PETROLEUM CORPORATION

LOADING AND SHIPPING EXPENSES.

	First Three Months 1931
Superintendence	\$ 2,339.92
Repairs of oil tanks	2,909.06
Repairs of delivery facilities	7,528.24
Repairs of other Property	1,598.53
Depreciation	191,932.90
Retirements	533.59
Operation of Oil Tanks	10,844.18
Operation of Delivery Facilities	47,306.67
Other Transportation Expense	9,087.88
Interest on Investment	76,773.16
	<hr/>
<u>Total:</u>	\$ 350,630.13
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Barrels Handled	7,607,090.22
	<hr/> <hr/>
Per Barrel	.04609
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LAGO PETROLEUM CORPORATION

VALUE OF VENEZUELAN CRUDE OIL BASED ON AVERAGE YIELDS

TOPPING YIELDS - 1931

	<u>Yield</u> <u>Barrels</u>	<u>Per</u> <u>Barrel</u>	<u>Value</u>
Gasoline	7.69	\$2.62381	\$ 20.17710
Fuel Oil	90.54	1.02417	92.72835
Loss	1.77	----	-----
	100.00		\$112.90545
	<u>Per Barrel</u>		<u>\$1.12905</u>
Loading and Shipping Expense		.04609	
Lake Tanker Expense		.09250	
Refining Costs		.09684	
Terminal Expense at Aruba		.02500	
Ocean Freight - Aruba to North of Hatteras		.38000	
Terminal & Selling Expense in United States		.14093	
Total Charges			<u>.78136</u>
Value of Crude Oil at Maracaibo			<u>\$.34769</u>

- NOTES:
- 1 - Values of products based on quotations for first five months of 1931.
 - 2 - Ocean Freight - Aruba to North of Hatteras is average of fixtures for year 1930.
 - 3 - Other costs and yields are average of first three months of 1931.