

GENESIS ENERGY LP  
Form 10-Q  
August 06, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12295

GENESIS ENERGY, L.P.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

76-0513049  
(I.R.S. Employer Identification No.)

919 Milam, Suite 2100, Houston, TX  
(Address of principal executive offices)

77002  
(Zip code)

Registrant's telephone number, including area code:

(713) 860-2500

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. Common Units outstanding as of August 2, 2010: 39,585,692

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GENESIS ENERGY, L.P.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$6,033	\$4,148
Accounts receivable - trade, net of allowance for doubtful accounts of \$1,553 and \$1,372 at June 30, 2010 and December 31, 2009, respectively	124,233	127,248
Accounts receivable - related parties	568	2,617
Inventories	83,156	40,204
Investment in direct financing leases, net of unearned income - current portion	4,405	4,202
Other	15,028	10,825
<b>Total current assets</b>	<b>233,423</b>	<b>189,244</b>
<b>FIXED ASSETS, at cost</b>	<b>373,314</b>	<b>373,927</b>
Less: Accumulated depreciation	(98,813 )	(89,040 )
<b>Net fixed assets</b>	<b>274,501</b>	<b>284,887</b>
<b>INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income</b>	<b>170,785</b>	<b>173,027</b>
<b>CO2 ASSETS, net of accumulated amortization</b>	<b>18,129</b>	<b>20,105</b>
<b>EQUITY INVESTEEs AND OTHER INVESTMENTS</b>	<b>14,378</b>	<b>15,128</b>
<b>INTANGIBLE ASSETS, net of accumulated amortization</b>	<b>127,179</b>	<b>136,330</b>
<b>GOODWILL</b>	<b>325,046</b>	<b>325,046</b>
<b>OTHER ASSETS, net of accumulated amortization</b>	<b>11,010</b>	<b>4,360</b>
<b>TOTAL ASSETS</b>	<b>\$1,174,451</b>	<b>\$1,148,127</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable - trade	\$121,835	\$114,428
Accounts payable - related parties	1,200	3,197
Accrued liabilities	22,205	23,803
<b>Total current liabilities</b>	<b>145,240</b>	<b>141,428</b>
<b>LONG-TERM DEBT, \$44,900 and \$46,900 nonrecourse to Genesis Energy, L.P. at June 30, 2010 and December 31, 2009, respectively</b>	<b>404,900</b>	<b>366,900</b>
<b>DEFERRED TAX LIABILITIES</b>	<b>14,639</b>	<b>15,167</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>5,519</b>	<b>5,699</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>PARTNERS' CAPITAL:</b>		

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Common unitholders, 39,586 and 39,488 units issued and outstanding, at June 30, 2010 and December 31, 2009, respectively	571,545	585,554
General partner	10,902	11,152
Accumulated other comprehensive loss	(653 )	(829 )
Total Genesis Energy, L.P. partners' capital	581,794	595,877
Noncontrolling interests	22,359	23,056
Total partners' capital	604,153	618,933
<b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>	<b>\$1,174,451</b>	<b>\$1,148,127</b>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In thousands, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>REVENUES:</b>				
Supply and logistics:				
Unrelated parties	\$400,612	\$290,236	\$820,314	\$478,054
Related parties	249	1,128	646	2,372
Refinery services	38,221	34,594	67,723	82,888
Pipeline transportation, including natural gas sales:				
Transportation services - unrelated parties	12,895	4,032	22,777	7,433
Transportation services - related parties	-	7,904	2,861	16,198
Natural gas sales revenues	530	519	1,445	1,232
CO2 marketing:				
Unrelated parties	3,259	3,057	5,995	6,109
Related parties	772	734	1,308	1,411
<b>Total revenues</b>	<b>456,538</b>	<b>342,204</b>	<b>923,069</b>	<b>595,697</b>
<b>COSTS AND EXPENSES:</b>				
Supply and logistics costs:				
Product costs - unrelated parties	369,228	266,313	761,419	430,044
Product costs - related parties	-	41	-	1,754
Operating costs	20,848	17,921	43,464	35,190
Operating costs - related parties	1,333	-	1,333	-
Refinery services operating costs	21,790	21,218	38,017	56,551
Pipeline transportation costs:				
Pipeline transportation operating costs	2,621	2,638	6,185	5,132
Natural gas purchases	492	470	1,357	1,124
CO2 marketing costs:				
Transportation costs	1,567	1,341	2,801	2,648
Other costs	15	15	31	31
General and administrative	6,801	8,306	13,095	17,060
Depreciation and amortization	13,606	16,133	27,012	31,552
Net (gain) loss on disposal of surplus assets	(62 )	60	18	(158 )
<b>Total costs and expenses</b>	<b>438,239</b>	<b>334,456</b>	<b>894,732</b>	<b>580,928</b>
<b>OPERATING INCOME</b>	<b>18,299</b>	<b>7,748</b>	<b>28,337</b>	<b>14,769</b>
Equity in earnings of joint ventures	363	264	545	2,170
Interest expense	(3,760 )	(3,373 )	(6,964 )	(6,408 )
Income before income taxes	14,902	4,639	21,918	10,531
Income tax expense	(981 )	(817 )	(1,672 )	(1,408 )
<b>NET INCOME</b>	<b>13,921</b>	<b>3,822</b>	<b>20,246</b>	<b>9,123</b>
Net loss attributable to noncontrolling interests	317	634	877	623
	<b>\$14,238</b>	<b>\$4,456</b>	<b>\$21,123</b>	<b>\$9,746</b>

NET INCOME ATTRIBUTABLE TO GENESIS  
ENERGY, L.P.

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GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS  
 OF OPERATIONS - CONTINUED  
 (In thousands, except per unit amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P. PER COMMON UNIT:				
BASIC AND DILUTED	\$0.29	\$0.13	\$0.36	\$0.29

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS  
 OF COMPREHENSIVE INCOME  
 (In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net income	\$ 13,921	\$ 3,822	\$ 20,246	\$ 9,123
Change in fair value of derivatives:				
Current period reclassification to earnings	279	158	559	290
Changes in derivative financial instruments - interest rate swaps	4	43	(200 )	(85 )
Comprehensive income	14,204	4,023	20,605	9,328
Comprehensive loss (income) attributable to noncontrolling interests	172	(103 )	694	(106 )
Comprehensive income attributable to Genesis Energy, L.P.	\$ 14,376	\$ 3,920	\$ 21,299	\$ 9,222

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL  
 (In thousands)

	Number of Common Units	Common Unitholders	General Partner	Partners' Capital		Total Capital
				Accumulated Other Comprehensive Loss	Non-Controlling Interests	
Partners' capital, January 1, 2010	39,488	\$ 585,554	\$ 11,152	\$ (829 )	\$ 23,056	\$ 618,933
Comprehensive income:						
Net income (loss)	-	14,770	6,353	-	(877 )	20,246
Interest rate swap losses reclassified to interest expense	-	-	-	274	285	559
Interest rate swap loss	-	-	-	(98 )	(102 )	(200 )
Cash contributions	-	-	37	-	-	37
Cash distributions	-	(28,799 )	(4,964 )	-	(3 )	(33,766 )
Contribution for executive compensation (See Note 9)	-	-	(1,676 )	-	-	(1,676 )
Unit based compensation expense	98	20	-	-	-	20
Partners' capital, June 30, 2010	39,586	\$ 571,545	\$ 10,902	\$ (653 )	\$ 22,359	\$ 604,153

	Number of Common Units	Common Unitholders	General Partner	Partners' Capital		Total Capital
				Accumulated Other Comprehensive Loss	Non-Controlling Interests	
Partners' capital, January 1, 2009	39,457	\$ 616,971	\$ 16,649	\$ (962 )	\$ 24,804	\$ 657,462
Comprehensive income:						
Net income (loss)	-	12,051	(2,305 )	-	(623 )	9,123
Interest rate swap loss reclassified to interest expense	-	-	-	142	148	290
Interest rate swap loss	-	-	-	(43 )	(42 )	(85 )
Cash contributions	-	-	6	-	-	6
Cash distributions	-	(26,338 )	(2,485 )	-	(3 )	(28,826 )
Contribution for executive compensation (See Note 9)	-	-	4,499	-	-	4,499
Unit based compensation expense	23	579	-	-	-	579
Partners' capital, June 30, 2009	39,480	\$ 603,263	\$ 16,364	\$ (863 )	\$ 24,284	\$ 643,048

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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GENESIS ENERGY, L.P.  
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)

	Six Months Ended June	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$20,246	\$9,123
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation of fixed assets	11,701	13,082
Amortization of intangible and CO2 assets	15,311	18,470
Amortization and write-off of credit facility issuance costs	1,269	961
Amortization of unearned income and initial direct costs on direct financing leases	(8,873 )	(9,092 )
Payments received under direct financing leases	10,926	