

Blueknight Energy Partners, L.P.
Form 10-Q
August 09, 2010

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

For the transition period from _____ to _____

Commission File Number 001-33503

BLUEKNIGHT ENERGY PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

20-8536826
(IRS Employer
Identification No.)

Two Warren Place
6120 South Yale Avenue, Suite 500
Tulsa, Oklahoma 74136
(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (918) 237-4000

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes No

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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

As of August 4, 2010, there were 21,727,724 common units and 12,570,504 subordinated units outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BLUEKNIGHT ENERGY PARTNERS, L.P.
 CONSOLIDATED BALANCE SHEETS
 (in thousands, except per unit data)

	As of December 31, 2009	As of June 30, 2010
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,548	\$ 149
Accounts receivable, net of allowance for doubtful accounts of \$429 for both dates	10,549	11,584
Receivables from related parties, net of allowance for doubtful accounts of \$0 for both dates	1,253	927
Prepaid insurance	3,474	1,664
Other current assets	2,292	1,662
Total current assets	23,116	15,986
Property, plant and equipment, net of accumulated depreciation of \$99,948 and \$109,540 at December 31, 2009 and June 30, 2010, respectively	274,492	267,850
Goodwill	6,340	6,340
Debt issuance costs, net	6,384	5,151
Other assets, net	369	1,964
Total assets	\$ 310,701	\$ 297,291
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 7,061	\$ 6,063
Accrued interest payable	2,242	4,939
Accrued property taxes payable	3,175	2,425
Unearned revenue	5,205	4,109
Unearned revenue with related parties	1,185	2,136
Accrued payroll	3,425	4,174
Other accrued liabilities	2,339	3,419
Current portion of capital lease obligations	248	11
Current portion of long term debt	9,000	419,929
Total current liabilities	33,880	447,205
Long-term debt	419,000	—
Commitments and contingencies (Notes 4, 10 and 13)		
Partners' deficit:		
Common unitholders (21,727,724 units issued and outstanding for both dates)	471,701	466,908
	(290,257)	(293,045)

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Subordinated unitholders (12,570,504 units issued and outstanding for both dates)

General partner interest (2.0% interest with 690,725 general partner units outstanding for both dates)	(323,623)	(323,777)
Total partners' deficit	(142,179)	(149,914)
Total liabilities and partners' deficit	\$ 310,701	\$ 297,291

See accompanying notes to unaudited consolidated financial statements.

BLUEKNIGHT ENERGY PARTNERS, L.P.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010 (unaudited)	2009	2010
Service revenue:				
Third party revenue	\$ 30,494	\$ 32,820	\$ 54,604	\$ 66,781
Related party revenue	7,020	5,623	25,079	8,694
Total revenue	37,514	38,443	79,683	75,475
Expenses:				
Operating	24,733	24,157	46,945	50,000
General and administrative				