GENESIS ENERGY LP
Form 10-Q
August 06, 2010

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

Form 10-Q

x 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

o 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 þ No o

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 o No o

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 o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

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

Yes o No þ

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

GENESIS ENERGY, L.P.

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PART I. FINANCIAL INFORMATION

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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
ASSETS		
CURRENT ASSETS:		
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
Total current assets	233,423	189,244
FIXED ASSETS, at cost	373,314	373,927
Less: Accumulated depreciation	(98,813)	(89,040)
Net fixed assets	274,501	284,887
INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income	170,785	173,027
CO2 ASSETS, net of accumulated amortization	18,129	20,105
EQUITY INVESTEES AND OTHER INVESTMENTS	14,378	15,128
INTANGIBLE ASSETS, net of accumulated amortization	127,179	136,330
GOODWILL	325,046	325,046
OTHER ASSETS, net of accumulated amortization	11,010	4,360
TOTAL ASSETS	$1,174,451	$1,148,127
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable - trade	$121,835	$114,428
Accounts payable - related parties	1,200	3,197
Accrued liabilities	22,205	23,803
Total current liabilities	145,240	141,428
LONG-TERM DEBT, $44,900 and $46,900 nonrecourse to Genesis Energy, L.P. at June 30, 2010 and December 31, 2009, respectively	404,900	366,900
DEFERRED TAX LIABILITIES	14,639	15,167
OTHER LONG-TERM LIABILITIES	5,519	5,699
COMMITMENTS AND CONTINGENCIES (Note 13)		
PARTNERS' CAPITAL:		

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
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$1,174,451	$1,148,127

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
REVENUES:				
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
Total revenues	456,538	342,204	923,069	595,697
COSTS AND EXPENSES:				
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)
Total costs and expenses	438,239	334,456	894,732	580,928
OPERATING INCOME	18,299	7,748	28,337	14,769
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)
NET INCOME	13,921	3,822	20,246	9,123
Net loss attributable to noncontrolling interests	317	634	877	623
	$14,238	$4,456	$21,123	$9,746

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 June 30,		Six Months Ended 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 June 30,		Six Months Ended 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	Partners' Capital Common Unitholders	General Partner	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
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	Partners' Capital Common Unitholders	General Partner	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
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 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
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	10,927
Equity in earnings of investments in joint ventures	(545)	(2,170)
Distributions from joint ventures - return on investment	1,122	800
Non-cash effect of unit-based compensation plans	72	1,489
Non-cash compensation charge	(1,676)	4,499
Deferred and other tax liabilities	414	1,087
Other non-cash items	(802)	(1,270)
Net changes in components of operating assets and liabilities (See Note 10)	(38,452)	(28,840)
Net cash provided by operating activities	10,713	19,066
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire fixed and intangible assets	(5,980)	(26,597)
Distributions from joint ventures - return of investment	180	-
Other, net	640	557
Net cash used in investing activities	(5,160)	(26,040)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank borrowings	345,029	130,300
Bank repayments	(307,029)	(106,200)
Credit facility issuance fees	(7,428)	-
General partner contributions	37	6
Noncontrolling interests distributions	(3)	(3)
Distributions to common unitholders	(28,799)	(26,338)
Distributions to general partner interest	(4,964)	(2,485)
Other, net	(511)	(362)
Net cash used in financing activities	(3,668)	(5,082)
Net increase (decrease) in cash and cash equivalents	1,885	(12,056)
Cash and cash equivalents at beginning of period	4,148	18,985
Cash and cash equivalents at end of period	$6,033	$6,929

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

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation and Consolidation

Organization

We are a growth-oriented limited partnership focused on the midstream segment of the oil and gas industry in the Gulf Coast area of the United States. We conduct our operations through our operating subsidiaries and joint ventures. We manage our businesses through four divisions:

- Pipeline transportation of crude oil and carbon dioxide;
- Refinery services involving processing of high sulfur (or "sour") gas streams for refineries to remove the sulfur, and sale of the related by-product, sodium hydrosulfide (or NaHS, commonly pronounced nash);
- Supply and logistics services, which includes terminaling, blending, storing, marketing, and transporting crude oil and petroleum products by trucks and barges; and
- Industrial gas activities, including wholesale marketing of CO2 and processing of syngas through a joint venture.

Our 2% general partner interest is held by Genesis Energy, LLC, a Delaware limited liability company. Our general partner manages our operations and activities and employs our officers and personnel, who devote 100% of their efforts to our management.

Basis of Presentation and Consolidation

Our results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. The condensed consolidated financial statements included herein have been prepared by us without audit pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they reflect all adjustments (which consist solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the financial results for interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the information contained in the periodic reports we file with the SEC pursuant to the Securities Exchange Act of 1934, including the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Except per unit amounts, or as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars.

2. Consolidated Joint Venture – DG Marine

We formed DG Marine Transportation, LLC (DG Marine) as a joint venture with TD Marine (a related party) in 2008. TD Marine owned (indirectly) a 51% economic interest in DG Marine, and we owned (directly and indirectly) a 49% economic interest. DG Marine gives us the capability to provide transportation services of petroleum products by barge and complements our other supply and logistics operations. On July 28 2010, we acquired TD Marine's effective 51% interest in DG Marine, resulting in DG Marine becoming wholly-owned by us. In connection with this transaction, we paid off DG Marine's outstanding debt under its stand-alone credit facility. See Note 14.

Until July 28, 2010, DG Marine was a variable interest entity ("VIE") as certain of our voting rights were not proportional to our 49% economic interest. Accounting provisions require the primary beneficiary to consolidate VIEs. In determining the primary beneficiary of a VIE that is held between two or more related parties the primary beneficiary is considered to be the party that is "most closely associated" with the VIE. We were considered to be the primary beneficiary due to (i) our involvement in the design of DG Marine, (ii) the ongoing involvement with regards to financial and operating decision making of DG Marine, excluding matters related to new contracts and vessel disposal which are decided solely by TD Marine, and (iii) the financial support we provide to DG Marine. TD Marine has no requirements to make any additional contributions to DG Marine.

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We have entered into a subordinated loan agreement with DG Marine whereby we may (at our sole discretion) lend up to $25 million to DG Marine. The loan agreement provides for DG Marine to pay us interest on any loans at the prime rate plus 4%. Those loans will mature on January 31, 2012. Under that subordinated loan agreement, DG Marine is required to make monthly payments to us of principal and interest to the extent DG Marine has any available cash that otherwise would have been distributed to the owners of DG Marine in respect of their equity interest. DG Marine also has a revolving credit facility with a syndicate of financial institutions that includes restrictions on DG Marine's ability to make principal and interest payments under our subordinated loan agreement and distributions in respect of our equity interest. At both June 30, 2010 and December 31, 2009, $25 million was outstanding under the subordinated loan agreement; however this amount was eliminated in consolidation. Due to the credit facility restrictions, no interest payments were made by DG Marine to us during the six months ended June 30, 2010. The proceeds of the loan were used to reduce the amount outstanding under the DG Marine credit facility. Additionally, at June 30, 2010 and December 31, 2009, Genesis had provided a $7.5 million guaranty to the lenders under the DG Marine credit facility.

At June 30, 2010 and December 31, 2009, our condensed consolidated balance sheets included the following amounts related to DG Marine:

	June 30, 2010	December 31, 2009
Cash	$ 1,597	$ 585
Accounts receivable - trade	3,167	3,216
Other current assets	1,127	2,421
Fixed assets, at cost	124,360	124,276
Accumulated depreciation	(12,383)	(9,139)
Intangible assets, net	1,567	1,758
Other assets, net	794	1,174
Total assets	$ 120,229	$ 124,291
Accounts payable, trade	$ 1,191	$ 1,788
Accrued liabilities	3,119	3,601
Long-term debt	44,900	46,900
Other long-term liabilities	255	683
Total liabilities	$ 49,465	$ 52,972

3. Inventories

The major components of inventories were as follows:

	June 30, 2010	December 31, 2009
Crude oil	$ 17,340	$ 13,901
Petroleum products	60,244	22,150
Caustic soda	1,761	1,985
NaHS	3,806	2,154
Other	5	14
Total inventories	$ 83,156	$ 40,204

Inventories are valued at the lower of cost or market. The costs of inventories exceeded market values by approximately $0.2 million at June 30, 2010, and we reduced the value of inventory in our unaudited condensed consolidated financial statements for this difference. The costs of inventories did not exceed market values at December 31, 2009.

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Intangible Assets and Goodwill

Intangible Assets

The following table reflects the components of intangible assets being amortized at the dates indicated:

	June 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Customer relationships:						
Refinery services	$94,654	$ 47,295	$47,359	$94,654	$ 41,450	$53,204
Supply and logistics	35,430	17,737	17,693	35,430	15,493	19,937
Supplier relationships -						
Refinery services	36,469	30,014	6,455	36,469	28,551	7,918
Licensing Agreements -						
Refinery services	38,678	13,733	24,945	38,678	11,681	26,997
Trade names -						
Supply and logistics	18,888	6,487	12,401	18,888	5,444	13,444
Favorable lease -						
Supply and logistics	13,260	1,381	11,879	13,260	1,144	12,116
Other	8,008	1,561	6,447	3,823	1,109	2,714
Total	$245,387	$ 118,208	$127,179	$241,202	$ 104,872	$136,330

Estimated amortization expense for each of the five subsequent fiscal years is expected to be as follows:

Year Ended December 31	Amortization Expense to be Recorded
Remainder of 2010	$ 13,497
2011	$ 21,918
2012	$ 18,261
2013	$ 14,264
2014	$ 11,790
2015	$ 9,856

Goodwill

The carrying amount of goodwill by business segment at both June 30, 2010 and December 31, 2009 was $301.9 million to refinery services and $23.1 million to supply and logistics.

5. Debt

Our obligations under credit facilities consisted of the following:

	June 30, 2010	December 31, 2009
Genesis Credit Facility, variable rate, due June 2015	$ 360,000	$ 320,000
DG Marine Credit Facility, variable rate, due July 2011	44,900	46,900
Total Long-Term Debt	$ 404,900	$ 366,900

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On June 29, 2010, we restructured our senior secured credit agreement with a syndicate of banks led by BNP Paribas. Among other changes, our credit agreement:

- Now matures on June 30, 2015;
- provides for a $525 million senior secured revolving credit facility, with the ability to increase the size of the facility up to $650 million, with approval of lenders;
- includes a $75 million petroleum products inventory loan sublimit; and
- no longer includes “borrowing base” limitations except with respect to inventory loans.

Our inventory borrowing base is recalculated monthly. At June 30, 2010, our inventory borrowing base was $37.9 million.

At June 30, 2010, we had $360.0 million borrowed under our credit agreement, with $37.9 million of that amount designated as a loan under the inventory sublimit. Additionally, we had $4.3 million in letters of credit outstanding.

The key terms for rates under our credit agreement are as follows:

- The interest rate on borrowings may be based on a eurodollar rate (“LIBOR”) or an Alternate Base Rate (“ABR”), at our option. The interest rate on LIBOR borrowings is equal to the sum of (a) the LIBOR rate for the applicable interest period multiplied by the statutory reserve rate and (b) a margin that can range from 2.50% to 3.50%. The interest rate on ABR borrowings is equal to the sum of (a) the greatest of (i) the prime rate established by BNP Paribas, (ii) the federal funds effective rate plus ½ of 1% and (iii) the LIBOR rate for a one-month maturity plus 1%, and (b) a margin that can range from 1.50% to 2.50%. The applicable margin under either option is based on our leverage ratio as computed under our credit agreement. Our leverage ratio is recalculated quarterly and in connection with each material acquisition. At June 30, 2010, our borrowing rate margins were 2.75% and 1.75% for LIBOR and ABR borrowings, respectively.

- Letter of credit fees will range from 2.50% to 3.50% based on our leverage ratio as computed under our credit agreement. This rate can fluctuate quarterly. At June 30, 2010, our letter of credit rate was 2.75%.

- We pay a commitment fee on the unused portion of the $525 million facility amount. The commitment fee is 0.50%.

Collateral under the credit facility consists of substantially all of our assets, excluding our security interest in the NEJD pipeline and our ownership interest in the Free State pipeline. Our credit agreement is recourse to our general partner only with respect to its general partner interest in certain of our subsidiaries.

Our credit agreement contains customary covenants (affirmative, negative and financial) that limit the manner in which we may conduct our business. Our credit agreement contains three primary financial covenants – a maximum leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio. In general, our leverage ratio calculations compare our consolidated funded debt (excluding the amounts borrowed under the inventory sublimit in our credit agreement) to EBITDA (as defined and adjusted in accordance with our credit agreement). Our interest coverage ratio compares EBITDA (as adjusted) to interest expense. Our credit agreement includes provisions for the temporary adjustment of the required ratios following material acquisitions and with lender approval. So long as we are in compliance with the terms of our credit agreement, we have no limitations on our ability to distribute all of our available cash (as defined in our partnership agreement). We were in compliance with all applicable covenants of our credit

The DG Marine revolving credit facility is non-recourse to us and TD Marine (other than with respect to each of their investments in DG Marine). Although DG Marine's debt is non-recourse to us, our ownership interest in DG Marine is pledged to secure its indebtedness. In connection with our purchase of TD Marine's interest in DG Marine on July 29 2010, we paid off the balance outstanding on the DG Marine credit facility. See Note 14.

GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

We were in compliance with all applicable covenants of our credit agreement and the DG Marine credit facility at June 30, 2010.

We are unable to estimate the fair value of the debt under our revolving credit facilities due to the potential variability of expected outstanding balances under the facilities; however we believe the amounts included in our balance sheet approximate fair value due to the recent restructuring of our credit agreement.

6. Distributions and Net Income Per Common Unit

Distributions

We paid or will pay the following distributions in 2009 and 2010:

Distribution For	Date Paid	Per Unit Amount	Limited Partner Interests Amount	General Partner Interest Amount	General Partner Incentive Distribution Amount	Total Amount
First quarter 2009	May 2009	$ 0.3375	$ 13,317	$ 271	$ 1,125	$ 14,713
Second quarter 2009	August 2009	$ 0.3450	$ 13,621	$ 278	$ 1,427	$ 15,326
Third quarter 2009	November 2009	$ 0.3525	$ 13,918	$ 284	$ 1,729	$ 15,931
Fourth quarter 2009	February 2010	$ 0.3600	$ 14,251	$ 291	$ 2,037	$ 16,579
First quarter 2010	May 2010	$ 0.3675	$ 14,548	$ 297	$ 2,339	$ 17,184
Second quarter 2010	August 2010 (1)	$ 0.3750	$ 14,845	$ 303	$ 2,642	$ 17,790

(1) This distribution will be paid on August 13, 2010 to our general partner and unitholders of record as of August 3, 2010.

Net Income Allocation to Partners

Net income is allocated to our partners in the Unaudited Condensed Consolidated Statements of Partners' Capital as follows:

- To our general partner – income in the amount of the incentive distributions paid in the period.
- To our general partner – expense in the amount of the executive compensation expense to be borne by our general partner (See Note 9).
-

To our limited partners and general partner – the remainder of net income in the ratio of 98% to the limited partners and 2% to our general partner.

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Net Income Per Common Unit

The following table sets forth the computation of basic and diluted net income per common unit.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Numerators for basic and diluted net income per common unit:				
Income attributable to Genesis Energy, L.P.	$14,238	$4,456	$21,123	$9,746
Less: General partner's incentive distribution to be paid for the period	(2,642)	(1,427)	(4,981)	(2,552)
Add: Expense (Credit) for Class B and Series B Awards (Note 9)	301	2,353	(1,676)	4,499
Subtotal	11,897	5,382	14,466	11,693
Less: General partner 2% ownership	(238)	(108)	(289)	(234)
Income available for common unitholders	$11,659	$5,274	$14,177	$11,459
Denominator for basic per common unit:				
Common Units	39,586	39,464	39,567	39,460
Denominator for diluted per common unit:				
Common Units	39,586	39,464	39,567	39,460
Phantom Units (1)	-	154	24	132
	39,586	39,618	39,591	39,592
Basic net income per common unit	$0.29	$0.13	$0.36	$0.29
Diluted net income per common unit	$0.29	$0.13	$0.36	$0.29

(1) See Note 9 for description of Phantom Units.

7. Business Segment Information

We define Segment Margin as revenues less product costs, operating expenses (excluding non-cash charges, such as depreciation and amortization), and segment general and administrative expenses, plus our equity in distributable cash generated by our joint ventures. Our segment margin definition also excludes the non-cash effects of our stock-based compensation plans, and includes the non-income portion of payments received under direct financing leases. Our chief operating decision maker (our Chief Executive Officer) evaluates segment performance based on a variety of measures including Segment Margin, segment volumes where relevant and maintenance capital investment.

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	Pipeline Transportation	Refinery Services	Supply & Logistics	Industrial Gases	Total
Three Months Ended June 30, 2010					
Segment margin (a)	$ 11,437	$16,190	$7,221	$3,001	$37,849
Maintenance capital expenditures	$ 78	$356	$484	$-	$918
Revenues:					
External customers	$ 11,498	$40,348	$400,661	$4,031	$456,538
Intersegment (b)	1,927	(2,127)	200	-	-
Total revenues of reportable segments	$ 13,425	$38,221	$400,861	$4,031	$456,538
Three Months Ended June 30, 2009					
Segment margin (a)	$ 10,347	$13,190	$6,600	$2,869	$33,006
Maintenance capital expenditures	$ 476	$51	$947	$-	$1,474
Revenues:					
External customers	$ 10,883	$35,923	$291,607	$3,791	$342,204
Intersegment (b)	1,572	(1,329)	(243)	-	-
Total revenues of reportable segments	$ 12,455	$34,594	$291,364	$3,791	$342,204

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	Pipeline Transportation	Refinery Services	Supply & Logistics	Industrial Gases	Total
Six Months Ended June 30, 2010					
Segment margin (a)	$ 21,836	$29,450	$11,733	$5,495	$68,514
Maintenance capital expenditures	$ 134	$815	$594	$-	$1,543
Revenues:					
External customers	$ 22,910	$71,718	$821,138	$7,303	$923,069
Intersegment (b)	4,173	(3,995)	(178)	-	-
Total revenues of reportable segments	$ 27,083	$67,723	$820,960	$7,303	$923,069
Six Months Ended June 30, 2009					
Segment margin (a)	$ 20,572	$25,949	$12,556	$5,892	$64,969
Maintenance capital expenditures	$ 750	$544	$1,128	$-	$2,422
Revenues:					
External customers	$ 22,198	$85,828	$480,151	$7,520	$595,697
Intersegment (b)	2,665	(2,940)	275	-	-
Total revenues of reportable segments	$ 24,863	$82,888	$480,426	$7,520	$595,697

(a) A reconciliation of Segment Margin to income before income taxes for the periods presented is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Segment Margin	$37,849	$33,006	$68,514	$64,969
Corporate general and administrative expenses	(5,975)	(7,576)	(11,405)	(15,077)
Depreciation and amortization	(13,606)	(16,133)	(27,012)	(31,552)
Net gain (loss) on disposal of surplus assets	62	(60)	(18)	158
Interest expense, net	(3,760)	(3,373)	(6,964)	(6,408)
Non-cash expenses (credits) not included in segment margin	1,559	(126)	1,335	(842)
Other non-cash items affecting segment margin	(1,227)	(1,099)	(2,532)	(717)
Income before income taxes	$14,902	$4,639	$21,918	$10,531

(b) Intersegment sales were conducted on an arm's length basis.

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8. Transactions with Related Parties

Sales, purchases and other transactions with affiliated companies, in the opinion of management, are conducted under terms no more or less favorable than then-existing market conditions. An affiliate of Denbury Resources, Inc. sold its interest in our general partner on February 5, 2010. Transactions with Denbury are included in the table below as related party transactions through February 5, 2010.

The transactions with related parties were as follows:

	Six Months Ended June 30,			
	2010		2009	
Operations, general and administrative services provided by our general partner	$	23,131	$	27,645
Marine operating costs provided by Quintana affiliate	$	1,333	$	-
Sales of CO2 to Sandhill	$	1,308	$	1,411
Petroleum products sales to Davison family businesses	$	464	$	390
Truck transportation services provided to Denbury	$	182	$	1,982
Pipeline transportation services provided to Denbury	$	1,365	$	7,047
Payments received under direct financing leases from Denbury	$	99	$	10,927
Pipeline transportation income portion of direct financing lease fees from Denbury	$	1,502	$	9,191
Pipeline monitoring services provided to Denbury	$	10	$	60
Directors' fees paid to Denbury	$	-	$	110
CO2 transportation services provided by Denbury	$	373	$	2,507
Crude oil purchases from Denbury	$	-	$	1,754

Amounts due to and from Related Parties

At June 30, 2010 and December 31, 2009, we owed our general partner \$1.0 million and \$2.1 million for administrative services, respectively. We owed an affiliate of Quintana Capital Group II, L.P. \$0.2 million at June 30, 2010 for fuel and other expenses associated with our inland marine barge operations. Sandhill owed us \$0.5 million and \$0.7 million for purchases of CO2 at June 30, 2010 and December 31, 2009, respectively. Denbury owed us \$1.9 million for truck and pipeline transportation services and we owed Denbury \$1.0 million for CO2 transportation charges at December 31, 2009.

9. Equity-Based Compensation

We recorded charges and credits related to our equity-based compensation plans and awards for the three and six months ended June 30, 2010 and 2009 as follows:

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Expense (Credits) Related to Equity-Based Compensation

Statement of Operations	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Pipeline operating costs	$21	$51	$108	$84
Refinery services operating costs	(4)	74	174	150
Supply and logistics operating costs	(75)	219	294	429
General and administrative expenses	320	2,821	(1,010)	5,331
Total	$262	$3,165	$(434)	$5,994

In connection with the sale of our general partner on February 5, 2010, our general partner redeemed all of its Class B Member Interests and replaced its Class A Member Interest with Series A units and Series B units.

Series B Units

Our general partner uses the Series B Units, which have no voting rights, as part of its long-term compensation structure for our management team. A total of 1,000 Series B Units may be issued by our general partner. Pursuant to restricted unit agreements entered into with Genesis Energy, LLC, our general partner, on February 5, 2010, certain members of our management team received an aggregate of 767 Series B units in our general partner. The Series B Units will be converted into Series A Units on the seventh anniversary of the issuance date of the awards (unless a conversion occurs at a prior date due to a public offering or a change in control of our general partner) as long as the award recipients remain in service.

Subject to the rights of the holders of the Series A units in our general partner to receive distributions up to certain threshold amounts, holders of Series B units, upon vesting, have the right to receive a share of the distributions paid by us to our general partner. With regard to the right to receive a share of distributions, the Series B Units vest 25% per year on each of the next four anniversary dates of the award. The four-year vesting requirement would also be applicable to any conversion due to a public offering should that conversion occur in the first four years after issuance of the award.

Although the Series B units represent an equity interest in our general partner and our general partner will not seek reimbursement under our partnership agreement for the value of these compensation arrangements, we will record non-cash expense for the estimated fair value of the awards. The estimated fair value of the converted Series B units will be recomputed at each quarterly reporting date until conversion, and the expense to be recorded will be adjusted based on that fair value, with an offsetting entry to the capital account of our general partner.

Management's estimates of the fair value of these awards are based on a number of future events, including estimates of the distributions that would be received by our general partner in the future through the conversion date of February 5, 2017, the fair value of our general partner at February 5, 2017, and assumptions about an appropriate discount rate. Changes in our assumptions will change the amount of expense we record.

At June 30, 2010, management estimates that the fair value of the Series B Units granted to our management team is approximately $8.4 million. This estimate of the fair value was determined using a discount rate of 20%, representing the risks inherent in the assumptions we used and the time value until final conversion of the Series B Units. Due to the limited number of holders of Series B Units, we assumed a forfeiture rate of zero. For the three and six months ended June 30, 2010, we recorded non-cash expense of $0.3 million and $0.5 million, respectively for these awards.

2007 Long Term Incentive Plan

As a result of the sale of our general partner on February 5, 2010, all outstanding phantom units issued pursuant to our 2007 Long Term Incentive Plan vested. As a result of this acceleration of the vesting period, we recorded non-cash compensation expense of $0.5 million in the first quarter of 2010. In total, 123,857 phantom units vested.

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Class B Membership Interests

All of the Class B membership interests in our general partner held by the existing management team were either (i) converted into Series A units in our general partner or (ii) redeemed by our general partner on February 5, 2010. The amounts owed under the deferred compensation plan with the management team were similarly converted or redeemed. In total, the value of the Series A units issued and cash payments made by our general partner to settle its obligations under the Class B membership interests and deferred compensation totaled $14.9 million. This value, when combined with amounts previously paid to our management team during 2009 related to the Class B membership interests, resulted in total compensation expense of $15.4 million. The difference between the recorded cumulative compensation expense related to these interests through December 31, 2009 of $17.5 million and the total compensation expense of $15.4 million was recorded as a reduction of expense in the first quarter of 2010.

2010 Long Term Incentive Plan

In the second quarter of 2010, our general partner adopted the Genesis Energy, LLC 2010 Long-Term Incentive Plan (the “2010 Plan”). The 2010 Plan provides for the awards of phantom units and distribution equivalent rights to directors of our general partner, and employees and other representatives of our general partner and its affiliates who provide services to us. Phantom units are notional units representing unfunded and unsecured promises to pay to the participant a specified amount of cash based on the market value of our common units should specified vesting requirements be met. Distribution equivalent rights (“DERs”) are tandem rights to receive on a quarterly basis an amount of cash equal to the amount of distributions that would have been paid on the phantom units had they been limited partner units issued by us. The 2010 Plan is administered by the Governance, Compensation and Business Development Committee (the “GCBD Committee”) of the board of directors of our general partner.

The GCBD Committee (at its discretion) will designate participants in the 2010 Plan, determine the types of awards to grant to participants, determine the number of units to be covered by any award, and determine the conditions and terms of any award including vesting, settlement and forfeiture conditions. The GCBD Committee made the initial awards of 44,829 phantom units with tandem DERs under the 2010 Plan in April 2010. The phantom units will vest on the third anniversary of the date of issuance.

The compensation cost associated with the phantom units is re-measured each reporting period based on the fair value of the phantom units, and the liability recorded for the estimated amount to be paid to the participants will be adjusted. Management’s estimates of the fair value of these awards include assumptions about expectation of forfeitures prior to vesting. Due to the positions of the small group of employees and non-employee directors who received these awards, we have assumed that there will be no forfeitures of these phantom units in our fair value calculation as of June 30, 2010. At June 30, 2010, we estimate the fair value of these awards to be approximately $0.8 million, and we recorded $0.1 million of compensation expense related to the awards in the second quarter of 2010.

10. Supplemental Cash Flow Information

The following table provides information regarding the net changes in components of operating assets and liabilities.

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	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Decrease (increase) in:		
Accounts receivable	$ 4,870	$ (7,606)
Inventories	(45,008)	(13,385)
Other current assets	(1,042)	(5,864)
Increase (decrease) in:		
Accounts payable	5,302	3,310
Accrued liabilities	(2,574)	(5,295)
Net changes in components of operating assets and liabilities, net of working capital acquired	$ (38,452)	$ (28,840)

Cash received by us for interest for the six months ended June 30, 2010 and 2009 was less than $0.1 million. Payments of interest and commitment fees were $6.1 million and $7.8 million for the six months ended June 30, 2010 and 2009, respectively.

Cash paid for income taxes during the six months ended June 30, 2010 and 2009 was $2.0 million and $1.6 million, respectively.

At June 30, 2010, we had incurred liabilities for fixed asset and other asset additions totaling $1.1 million that had not been paid at the end of the second quarter, and, therefore, are not included in the caption “Payments to acquire fixed and intangible assets” under investing activities on the Unaudited Condensed Consolidated Statements of Cash Flows. At June 30, 2009, we had incurred $1.5 million of such liabilities that had not been paid at that date and are not included in “Payments to acquire fixed and intangible assets” under investing activities.

11. Derivatives

Commodity Derivatives

At June 30, 2010, we had the following outstanding derivative commodity futures, forwards and options contracts that were entered into to hedge inventory or fixed price purchase commitments:

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	Sell (Short) Contracts	Buy (Long) Contracts
Designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	179	-
Weighted average contract price per bbl	$ 80.40	$ -
Not qualifying or not designated as hedges under accounting rules:		
Crude oil futures:		
Contract volumes (1,000 bbls)	494	62
Weighted average contract price per bbl	$ 76.64	$ 76.50
Heating oil futures:		
Contract volumes (1,000 bbls)	70	17
Weighted average contract price per gal	$ 2.18	$ 2.29
RBOB gasoline futures:		
Contract volumes (1,000 bbls)	20	-
Weighted average contract price per gal	$ 2.01	$ -
#6 Fuel oil futures:		
Contract volumes (1,000 bbls)	140	35
Weighted average contract price per bbl	$ 65.12	$ 64.20
Crude oil written calls:		
Contract volumes (1,000 bbls)	153	-
Weighted average premium received	$ 2.46	$ -

Interest Rate Derivatives

DG Marine utilizes swap contracts with financial institutions to hedge interest payments for $32.9 million of its outstanding debt through July 2011. The weighted average interest rate of these swap contracts at June 30, 2010 was 4.53%. DG Marine expected these interest rate swap contracts to be highly effective in limiting its exposure to fluctuations in market interest rates; therefore, we designated these swap contracts as cash flow hedges under accounting guidance. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in cash flows of the hedged item. The effective portion of the gain or loss in the fair value of these swap contracts was reported as a component of Accumulated Other Comprehensive Loss (AOCL) and reclassified into future earnings contemporaneously as interest expense associated with the underlying debt under the DG Marine credit facility was recorded. To the extent that the change in the fair value of the interest rate swaps did not perfectly offset the change in the fair value of our exposure to interest rates, the ineffective portion of the hedge will be immediately recognized in interest expense in our Unaudited Condensed Consolidated Statements of Operations. In the third quarter of 2010, we settled the DG Marine interest rate swaps in connection with our acquisition of the 51% of DG Marine that we did not own. See Note 14.

Financial Statement Impacts

The following tables reflect the estimated fair value gain (loss) position of our hedge derivatives and related inventory impact for qualifying hedges at June 30, 2010 and December 31, 2009:

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Fair Value of Derivative Assets and Liabilities

		Asset Derivatives					
	Unaudited Condensed Consolidated Balance Sheets Location		Fair Value				
			June 30, 2010			December 31, 2009	
Commodity derivatives - futures and call options:							
Hedges designated under accounting guidance as fair value hedges	Other Current Assets	$	852		$	53	
Undesignated hedges	Other Current Assets		1,354			307	
Total asset derivatives		$	2,206		$	360	

		Liability Derivatives					
	Unaudited Condensed Consolidated Balance Sheets Location		Fair Value				
			June 30, 2010			December 31, 2009	
Commodity derivatives - futures and call options:							
Hedges designated under accounting guidance as fair value hedges	Other Current Assets	$	(18	) (1)	$	(159	)
Undesignated hedges	Other Current Assets		(944	) (1)		(2,118	)
Total commodity derivatives			(962	)		(2,277	)
Interest rate swaps designated as cash flow hedges under accounting rules:							
Portion expected to be reclassified into earnings within one year	Accrued Liabilities		(1,254	)		(1,176	)
Portion expected to be reclassified into earnings after one year	Other Long-term Liabilities		(75	)		(512	)
Total liability derivatives		$	(2,291	)	$	(3,965	)

(1) These derivative liabilities have been funded with margin deposits recorded in our Unaudited Condensed Consolidated Balance Sheets in Other Current Assets.

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	Effect on Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Income					
	Amount of Gain (Loss) Recognized in Income					
	Supply & Logistics Product Costs Three Months Ended June 30,		Interest Expense Reclassified from AOCI Three Months Ended June 30,		Other Comprehensive Income Effective Portion Three Months Ended June 30,	
	2010	2009	2010	2009	2010	2009
Commodity derivatives - futures and call options:						
Contracts designated as hedges under accounting guidance	$1,032	$(4,323)	$-	$-	$-	$-
Contracts not considered hedges under accounting guidance	4,977	(2,545)	-	-	-	-
Total commodity derivatives	6,009	(6,868)	-	-	-	-
Interest rate swaps designated as cash flow hedges under accounting guidance	-	-	(279)	(158)	4	43
Total derivatives	$6,009	$(6,868)	$(279)	$(158)	$4	$43

	Effect on Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Income					
	Amount of Gain (Loss) Recognized in Income					
	Supply & Logistics Product Costs Six Months Ended June 30,		Interest Expense Reclassified from AOCI Six Months Ended June 30,		Other Comprehensive Income Effective Portion Six Months Ended June 30,	
	2010	2009	2010	2009	2010	2009
Commodity derivatives - futures and call options:						
Contracts designated as hedges under accounting guidance	$1,306 (1)	$(4,852) (1)	$-	$-	$-	$-
Contracts not considered hedges under accounting guidance	4,425	(2,363)	-	-	-	-
Total commodity derivatives	5,731	(7,215)	-	-	-	-
Interest rate swaps designated as cash flow hedges under accounting guidance	-	-	(559)	(290)	(200)	(85)

Total derivatives	$5,731	$(7,215)	$(559)	$(290)	$(200)	$(85)

(1) Represents the amount of gain (loss) recognized in income for derivatives related to the fair value hedge of inventory. The amount excludes the loss recorded on the hedged inventory under the fair value hedge of $0.3 million for the six months ended June 30, 2010 and excludes the gain on the hedged inventory under the fair value hedge of $6.2 million for the six months ended June 30, 2009.

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During the first six months of 2010 and 2009, DG Marine's interest rate hedges fully offset the hedged risk; therefore, there was no ineffectiveness recorded for the hedges.

We expect to reclassify $1.3 million in unrealized losses from AOCL into interest expense during the third quarter of 2010 as a result of the settlement of the interest rate swaps. See Note 14. We have no derivative contracts with credit contingent features.

12. Fair-Value Measurements

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2010. As required by fair value accounting guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value requires judgment and may affect the placement of assets and liabilities within the fair value hierarchy levels.

	Fair Value at June 30, 2010			Fair Value at December 31, 2009		
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Commodity derivatives:						
Assets	$2,206	$-	$-	$360	$-	$-
Liabilities	$(962)	$-	$-	$(2,277)	$-	$-
Interest rate swaps - Liabilities	$-	$-	$(1,329)	$-	$-	$(1,688)

Level 1

Included in Level 1 of the fair value hierarchy as commodity derivative contracts are exchange-traded futures and exchange-traded option contracts. The fair value of these exchange-traded derivative contracts is based on unadjusted quoted prices in active markets and is, therefore, included in Level 1 of the fair value hierarchy.

Level 2

At June 30, 2010, we had no Level 2 fair value measurements.

Level 3

Included within Level 3 of the fair value hierarchy are our interest rate swaps. The fair value of our interest rate swaps is based on indicative broker price quotations. These derivatives are included in Level 3 of the fair value hierarchy because broker price quotations used to measure fair value are indicative quotations rather than quotations whereby the broker or dealer is ready and willing to transact. However, the fair value of these Level 3 derivatives is not based upon significant management assumptions or subjective inputs.

The following table provides a reconciliation of changes in fair value of the beginning and ending balances for our derivatives measured at fair value using inputs classified as Level 3 in the fair value hierarchy:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Balance at beginning of period	(1,612)	(1,960)	(1,688)	(1,964)
Realized and unrealized gains (losses)-				
Reclassified into interest expense	279	158	559	290
Included in other comprehensive income	4			