GENESIS ENERGY LP
Form 10-Q
August 07, 2009

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

Form 10-Q

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

For the quarterly period ended June 30, 2009

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	76-0513049
(State or other jurisdictions of incorporation or organization)	(I.R.S. Employer Identification No.)
919 Milam, Suite 2100, Houston, TX	77002
(Address of principal executive offices)	(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 R 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 £

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 R 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 R

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 7, 2009: 39,479,774

GENESIS ENERGY, L.P.

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

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$6,929	$18,985
Accounts receivable - trade, net of allowance for doubtful accounts of $1,554 and $1,132 at June 30, 2009 and December 31, 2008, respectively	118,325	112,229
Accounts receivable - related party	2,376	2,875
Inventories	38,594	21,544
Net investment in direct financing leases, net of unearned income -current portion - related party	3,975	3,758
Other	12,674	8,736
Total current assets	182,873	168,127
FIXED ASSETS, at cost	371,406	349,212
Less: Accumulated depreciation	(78,524)	(67,107)
Net fixed assets	292,882	282,105
NET INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income - related party	175,163	177,203
CO2 ASSETS, net of amortization	22,350	24,379
EQUITY INVESTEES AND OTHER INVESTMENTS	20,857	19,468
INTANGIBLE ASSETS, net of amortization	152,989	166,933
GOODWILL	325,046	325,046
OTHER ASSETS, net of amortization	15,922	15,413
TOTAL ASSETS	$1,188,082	$1,178,674
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable - trade	$98,821	$96,454
Accounts payable - related party	3,199	3,105
Accrued liabilities	23,415	26,713
Total current liabilities	125,435	126,272
LONG-TERM DEBT	399,400	375,300
DEFERRED TAX LIABILITIES	17,030	16,806
OTHER LONG-TERM LIABILITIES	3,169	2,834
COMMITMENTS AND CONTINGENCIES (Note 17)		
PARTNERS' CAPITAL:		
Common unitholders, 39,480 and 39,457 units issued and outstanding,respectively	603,263	616,971

General partner	16,364	16,649
Accumulated other comprehensive loss	(863)	(962)
Total Genesis Energy, L.P. partners' capital	618,764	632,658
Noncontrolling interests	24,284	24,804
Total partners' capital	643,048	657,462
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$1,188,082	$1,178,674

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUES:				
Supply and logistics:				
Unrelated parties	$290,236	$568,328	$478,054	$997,721
Related parties	1,128	1,149	2,372	1,874
Refinery services	34,594	55,727	82,888	99,639
Pipeline transportation, including natural gas sales:				
Transportation services - unrelated parties	4,032	5,168	7,433	11,077
Transportation services - related parties	7,904	4,115	16,198	5,167
Natural gas sales revenues	519	1,603	1,232	2,927
CO2 marketing:				
Unrelated parties	3,057	3,693	6,109	6,856
Related parties	734	757	1,411	1,464
Total revenues	342,204	640,540	595,697	1,126,725
COSTS AND EXPENSES:				
Supply and logistics costs:				
Product costs - unrelated parties	266,313	542,200	430,044	949,475
Product costs - related parties	41	-	1,754	-
Operating costs	17,921	17,785	35,190	34,367
Refinery services operating costs	21,218	38,111	56,551	68,435
Pipeline transportation costs:				
Pipeline transportation operating costs	2,638	2,490	5,132	4,846
Natural gas purchases	470	1,568	1,124	2,854
CO2 marketing costs:				
Transportation costs - related party	1,341	1,376	2,648	2,633
Other costs	15	15	31	30
General and administrative	8,306	9,166	17,060	17,690
Depreciation and amortization	16,133	16,721	31,552	33,510
Net loss (gain) on disposal of surplus assets	60	76	(158)	94
Total costs and expenses	334,456	629,508	580,928	1,113,934
OPERATING INCOME	7,748	11,032	14,769	12,791
Equity in earnings (losses) of joint ventures	264	(16)	2,170	162
Interest income	16	117	37	234
Interest expense	(3,389)	(2,156)	(6,445)	(3,942)
Income before income taxes	4,639	8,977	10,531	9,245
Income tax expense	(817)	(1,648)	(1,408)	(271)
NET INCOME	3,822	7,329	9,123	8,974
Noncontrolling interests	634	(1)	623	(1)

NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P.	$4,456	$7,328	$9,746	$8,973

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
NET INCOME ATTRIBUTABLE TO GENESIS ENERGY, L.P. PER COMMON UNIT:				
BASIC	$0.13	$0.17	$0.29	$0.20
DILUTED	$0.13	$0.17	$0.29	$0.20
WEIGHTED AVERAGE OUTSTANDING COMMON UNITS:				
BASIC	39,464	38,675	39,460	38,464
DILUTED	39,618	38,731	39,592	38,514

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$3,822	$7,329	$9,123	$8,974
Change in fair value of derivatives:				
Current period reclassification to earnings	158	-	290	-
Changes in derivative financial instruments - interest rate swaps	43	-	(85)	-
Comprehensive income	4,023	7,329	9,328	8,974
Comprehensive income attributable to noncontrolling interests	(103)	-	(106)	-
Comprehensive income attributable to Genesis Energy, L.P.	$3,920	$7,329	$9,222	$8,974

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

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

		Partners' Capital				
	Number of Common Units	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		12,051	(2,305)		(623)	9,123
Interest rate swap losses 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 12)			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

		Partners' Capital				
	Number of Common Units	Common Unitholders	General Partner	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total Capital
Partners' capital, January 1, 2008	38,253	$615,265	$16,539	$ -	$570	$632,374
Comprehensive income:						
Net income		8,045	928	-	1	8,974
Cash contributions			510	-	5	515
Cash distributions		(22,378)	(1,131)	-	(2)	(23,511)
Issuance of units	1,199	25,000	-	-	-	25,000
Partners' capital, June 30, 2008	39,452	$625,932	$16,846	$ -	$574	$643,352

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

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

	Six Months Ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$9,123	$8,974
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	31,552	33,510
Amortization of credit facility issuance costs	961	535
Amortization of unearned income and initial direct costs on direct financing leases	(9,092)	(1,772)
Payments received under direct financing leases	10,927	594
Equity in earnings of investments in joint ventures	(2,170)	(162)
Distributions from joint ventures - return on investment	800	815
Non-cash effect of unit-based compensation plans	5,988	(619)
Deferred and other tax liabilities	1,087	(926)
Other non-cash items	(1,270)	(19)
Net changes in components of operating assets and liabilities (See Note 13)	(28,840)	(18,234)
Net cash provided by operating activities	19,066	22,696
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire fixed and intangible assets	(26,597)	(9,543)
CO2 pipeline transactions and related costs	-	(228,833)
Distributions from joint ventures - return of investment	-	438
Investments in joint ventures and other investments	(21)	(2,210)
Other, net	578	(846)
Net cash used in investing activities	(26,040)	(240,994)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank borrowings	130,300	344,100
Bank repayments	(106,200)	(105,100)
General partner contributions	6	510
Net noncontrolling interest (distributions) contributions	(3)	3
Distributions to common unitholders	(26,338)	(22,378)
Distributions to general partner interest	(2,485)	(1,131)
Other, net	(362)	(370)
Net cash (used in) provided by financing activities	(5,082)	215,634
Net decrease in cash and cash equivalents	(12,056)	(2,664)
Cash and cash equivalents at beginning of period	18,985	11,851
Cash and cash equivalents at end of period	$6,929	$9,187

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

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GENESIS ENERGY, L.P.
NOTES TO UNAUDITED 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 by trucks and barges of crude oil and petroleum products; and
- Industrial gas activities, including wholesale marketing of CO_2 and processing of syngas through a joint venture.

Our 2% general partner interest is held by Genesis Energy, LLC, a Delaware limited liability company and an indirect subsidiary of Denbury Resources Inc. Denbury and its subsidiaries are hereafter referred to as Denbury. Our general partner and its affiliates also own 10.2% of our outstanding common units.

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

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end and the 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 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, 2008.

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.

The accompanying unaudited consolidated financial statements and related notes present our consolidated financial position as of June 30, 2009 and December 31, 2008 and our results of operations and changes in comprehensive income for the three and six months ended June 30, 2009 and 2008, and cash flows and changes in partners' capital for the six months ended June 30, 2009 and 2008. Intercompany transactions have been eliminated. The accompanying unaudited consolidated financial statements include Genesis Energy, L.P. and its operating subsidiaries, Genesis Crude Oil, L.P. and Genesis NEJD Holdings, LLC, and their subsidiaries.

We participate in three joint ventures: DG Marine Transportation, LLC (DG Marine), T&P Syngas Supply Company (T&P Syngas) and Sandhill Group, LLC (Sandhill). We acquired our interest in DG Marine in July 2008, and, since then DG Marine has been consolidated in our financial statements. We account for our 50% investments in T&P Syngas and Sandhill by the equity method of accounting.

Our general partner owns a 0.01% general partner interest in Genesis Crude Oil, L.P. and TD Marine, LLC (TD Marine), a related party, owns the remaining 51% economic interest in DG Marine. The net interest of our general partner and TD Marine in our results of operations and financial position are reflected in our financial statements as noncontrolling interests.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

We have considered subsequent events through August 7, 2009, the date of issuance, in preparing the consolidated financial statements and notes thereto.

2. Recent Accounting Developments

Implemented

SFAS 165

In May 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 165, "Subsequent Events". SFAS 165 establishes the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. See "Subsequent Events" included in "Note 1 – Organization and Basis of Presentation and Consolidation" for the related disclosure. The provisions of SFAS 165 are being applied prospectively beginning in the second quarter of 2009 and did not have a material impact on our consolidated financial statements.

FASB Staff Position No 107-1 and APB 28-1

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP 107-1"). FSP 107-1 requires fair value disclosures on an interim basis for financial instruments that are not reflected in the consolidated balance sheets at fair value. Prior to the issuance of FSP 107-1, the fair values of those financial instruments were only disclosed on an annual basis. We adopted FSP 107-1for our quarter ended June 30, 2009, and it did not have a material impact on our consolidated financial statements.

SFAS 141(R)

In December 2007, the FASB issued SFAS No. 141(R) "Business Combinations." SFAS 141(R) replaces FASB Statement No. 141, "Business Combinations." This statement retains the purchase method of accounting used in business combinations but replaces SFAS 141 by establishing principles and requirements for the recognition and measurement of assets, liabilities and goodwill, including the requirement that most transaction costs and restructuring costs be charged to expense as incurred. In addition, the statement requires disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) will apply to acquisitions we make after December 31, 2008. The impact to us will be dependent on the nature of the business combination.

SFAS 160

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" (SFAS 160). This statement establishes accounting and reporting standards for noncontrolling interests, which have been referred to as minority interests in prior literature. A noncontrolling interest is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent company. This new standard requires, among other things, that (i) ownership interests of noncontrolling interests be presented as a component of equity on the balance sheet (i.e. elimination of the mezzanine "minority interest" category); (ii) elimination of minority interest expense as a line item on the statement of operations and, as a result, that net income be allocated between the parent and the noncontrolling interests on the face of the statement of operations; and (iii) enhanced disclosures regarding noncontrolling interests. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We adopted SFAS 160 on January 1, 2009. SFAS 160 changed the presentation of the interests in Genesis Crude Oil, L.P. held by our general partner and the interests in DG Marine held by our joint venture partner in our consolidated financial statements. Amounts for prior periods have been changed to be consistent with the presentation required by SFAS 160.

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SFAS 161

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No.133" (SFAS 161). This Statement requires enhanced disclosures about our derivative and hedging activities. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We adopted SFAS No. 161 on January 1, 2009, and have included the enhanced disclosures in Note 15.

EITF 07-4

In March 2008, the FASB ratified the consensus reached by the Emerging Issues Task Force (or EITF) of the FASB in issue EITF 07-4, "Application of the Two-Class Method under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships." Under this consensus, the computation of earnings per unit will be affected by the incentive distribution rights ("IDRs") we are contractually obligated to distribute at the end of the current reporting period. In periods when earnings are in excess of cash distributions, we will reduce net income or loss for the current reporting period (for purposes of calculating earnings or loss per unit) by the amount of available cash that will be distributed to our limited partners and general partner for its general partner interest and incentive distribution rights for the reporting period, and the remainder will be allocated to the limited partner and general partner in accordance with their ownership interests. When cash distributions exceed current-period earnings, net income or loss (for purposes of calculating earnings or loss per unit) will be reduced (or increased) by cash distributions, and the resulting excess of distributions over earnings will be allocated to the general partner and limited partner based on their respective sharing of losses. EITF 07-4 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted EITF 07-4 on January 1, 2009 and have reflected the calculation of earnings per unit for the three and six months ended June 30, 2009 and 2008 in accordance with its provisions. See Note 9.

FASB Staff Position No. 142-3

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset under Statement of Financial Accounting Standards No. 142, "Goodwill and other Intangible Assets." The purpose of this FSP is to develop consistency between the useful life assigned to intangible assets and the cash flows from those assets. FSP 142-3 is effective for fiscal years beginning after December 31, 2008. We adopted FSP 142-3 on January 1, 2009 and adoption had no effect on our consolidated financial statements.

SFAS 157

We adopted SFAS No. 157, "Fair Value Measurements" (SFAS 157), on January 1, 2008. On February 12, 2008 the FASB issued Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" (FSP 157-2) which amends SFAS 157 to delay the effective date for all non-financial assets and non-financial liabilities, except for those that are recognized at fair value in the financial statements on a recurring basis, to January 1, 2009. Non-recurring non-financial assets and non-financial liabilities for which we did not apply the provisions of SFAS 157 included those measured at fair value in goodwill impairment testing and asset retirement obligations initially measured at fair value. We adopted the deferred provisions as of January 1, 2009. SFAS 157 does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. The adoption of FSP 157-2 as described above had no material impact on us. See Note 16 for further information regarding fair-value measurements.

3. Consolidated Joint Venture – DG Marine

DG Marine is a joint venture we formed with TD Marine. TD Marine owns (indirectly) a 51% economic interest in DG Marine, and we own (directly and indirectly) a 49% economic interest. This joint venture gives us the capability to provide transportation services of petroleum products by barge and complements our other supply and logistics operations.

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GENESIS ENERGY, L.P.
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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 a rate to be determined which is expected to be 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 specified payments under our subordinated loan agreement and distributions in respect of our equity interest. At June 30, 2009, $13 million was outstanding under the subordinated loan agreement; however this amount was eliminated in consolidation. At December 31, 2008, there were no amounts outstanding under the subordinated loan agreement.

At June 30, 2009 and December 31, 2008, our unaudited consolidated balance sheets included the following amounts related to DG Marine:

	June 30, 2009	December 31, 2008
Cash	$-	$623
Accounts receivable - trade	2,753	2,812
Other current assets	94	859
Fixed assets, at cost	125,211	110,214
Accumulated depreciation	(6,001)	(3,084)
Intangible assets, net	1,983	2,208
Other assets	1,749	2,178
Total assets	$125,789	$115,810
Accounts payable	$1,025	$1,072
Accrued liabilities	9,779	9,258
Long-term debt	53,100	55,300
Other long-term liabilities	976	1,393
Total liabilities	$64,880	$67,023

4. Inventories

Inventories are valued at the lower of cost or market. The costs of inventories did not exceed market values at June 30, 2009. The costs of inventories at December 31, 2008 exceeded market values by approximately $1.2 million, and are reflected below at those market values. The major components of inventories were as follows:

	June 30, 2009	December 31, 2008
Crude oil	17,606	1,878
Petroleum products	15,528	5,589
Caustic soda	2,371	7,139
NaHS	3,067	6,923
Other	22	15
Total inventories	$38,594	$21,544

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

5. Fixed Assets and Asset Retirement Obligations

Fixed assets consisted of the following:

	June 30, 2009	December 31, 2008
Land, buildings and improvements	$13,609	$13,549
Pipelines and related assets	152,598	139,184
Machinery and equipment	24,553	22,899
Transportation equipment	33,173	32,833
Barges and push boats	123,847	96,865
Office equipment, furniture and fixtures	4,616	4,401
Construction in progress	6,361	27,906
Other	12,649	11,575
Subtotal	371,406	349,212
Accumulated depreciation and impairment	(78,524)	(67,107)
Total	$292,882	$282,105

Depreciation expense was $7.8 million and $15.2 million for the three and six months ended June 30, 2009 and 2008, respectively. For the three and six months ended June 30, 2008, depreciation expense was $5.1 million and $10.3 million, respectively.

Asset Retirement Obligations

The following table summarizes the changes in our asset retirement obligations for the six months ended June 30, 2009.

Asset retirement obligations as of December 31, 2008	$1,430
Liabilities incurred and assumed in the period	726
Liabilities settled in the period	(75)
Accretion expense	49
Asset retirement obligations as of June 30, 2009	2,130
Less current portion included in accrued liabilities	(150)
Long-term asset retirement obligations as of June 30, 2009	$1,980

Certain of our unconsolidated affiliates have asset retirement obligations recorded at June 30, 2009 and December 31, 2008 relating to contractual agreements. These amounts are immaterial to our financial statements.

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

6. Intangible Assets and Goodwill

Intangible Assets

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

		June 30, 2009			December 31, 2008		
	Weighted Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Customer relationships:							
Refinery services	5	$ 94,654	$ 33,734	$ 60,920	$ 94,654	$ 26,017	$ 68,637
Supply and logistics	5	35,430	12,725	22,705	35,430	9,957	25,473
Supplier relationships -							
Refinery services	2	36,469	26,517	9,952	36,469	24,483	11,986
Licensing Agreements -							
Refinery services	6	38,678	9,428	29,250	38,678	7,176	31,502
Trade names -							
Supply and logistics	7	18,888	4,281	14,607	18,888	3,118	15,770
Favorable lease -							
Supply and logistics	15	13,260	908	12,352	13,260	671	12,589
Other	5	3,822	619	3,203	1,322	346	976
Total	5	$ 241,201	$ 88,212	$ 152,989	$ 238,701	$ 71,768	$ 166,933

We are recording amortization of our intangible assets based on the period over which the asset is expected to contribute to our future cash flows. Generally, the contribution to our cash flows of the customer and supplier relationships, licensing agreements and trade name intangible assets is expected to decline over time, such that greater value is attributable to the periods shortly after the acquisition was made. The favorable lease and other intangible assets are being amortized on a straight-line basis. Amortization expense on intangible assets was $8.3 million and $16.4 million for the three and six months ended June 30, 2009, respectively. Amortization expense on intangible assets was $11.6 million and $23.2 million for the three and six months ended June 30, 2008, respectively.

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 2009	$ 16,656
2010	$ 26,635
2011	$ 21,918
2012	$ 18,261
2013	$ 14,264
2014	$ 11,790

Goodwill

The carrying amount of goodwill by business segment at June 30, 2009 and December 31, 2008 was $302.0 million to refinery services and $23.1 million to supply and logistics.

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7. Equity Investees and Other Investments

T&P Syngas Supply Company

We are accounting for our 50% ownership in T&P Syngas under the equity method of accounting. We received distributions from T&P Syngas of $0.8 million and $1.1 million during the six months ended June 30, 2009 and 2008, respectively. During the first quarter of 2009, "Equity in earnings of joint ventures" included $1.7 million of non-cash items related to T&P Syngas that increased earnings.

The tables below reflect summarized information for T&P Syngas:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues	$986	$1,224	$2,151	$2,433
Operating expenses and depreciation	(524)	(365)	(1,098)	(732)
Other income (expense)	5	22	13	15
Net income	$467	$881	$1,066	$1,716

	June 30, 2009	December 31, 2008
Current assets	$ 3,468	$ 3,131
Non-current assets	18,139	18,906
Total assets	$ 21,607	$ 22,037
Current liabilities	$ 637	$ 543
Non-current liabilities	208	198
Partners' capital	20,762	21,296
Total liabilities and partners' capital	$ 21,607	$ 22,037

8. Debt

At June 30, 2009, our obligations under credit facilities consisted of the following:

	June 30, 2009	December 31, 2008
Genesis Credit Facility	$346,300	$320,000
DG Marine Credit Facility	53,100	55,300
Total Long-Term Debt	$399,400	$375,300

Genesis Credit Facility

We have a $500 million credit facility, $100 million of which can be used for letters of credit, with a group of banks led by Fortis Capital Corp. and Deutsche Bank Securities Inc. Due to the revolving nature of loans under our credit facility, we may repay and re-borrow amounts until the maturity date of November 15, 2011. Our borrowing base is recalculated quarterly and at the time of material acquisitions. Our borrowing base represents the amount that we can borrow or utilize for letters of credit, and it is calculated based on our EBITDA (earnings before interest, taxes, depreciation and amortization), as defined in accordance with the provisions of our credit facility. Our borrowing base may be increased to the extent of pro forma additional EBITDA, (as defined in the credit agreement), attributable to acquisitions or internal growth projects with approval of the lenders.

As of June 30, 2009, our borrowing base exceeded $500 million, and we had $346.3 million borrowed and $4.4 million in letters of credit outstanding. Thus, our total remaining availability at June 30, 2009 was $149.3 million under our credit facility. Effective August 14, 2009, our borrowing base will decrease to $419 million as a result of changes in covenant requirements beginning in the period after the one-year anniversary of a material acquisition and changes in our EBITDA.

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DG Marine Credit Facility

DG Marine has a $90 million revolving credit facility with a syndicate of banks led by SunTrust Bank and BMO Capital Markets Financing, Inc. That facility, which matures on July 18, 2011, is secured by all of the equity interests issued by DG Marine and substantially all of DG Marine's assets. Other than the pledge of our equity interest in DG Marine, that facility is non-recourse to us and TD Marine. At June 30, 2009, our Unaudited Consolidated Balance Sheet included $125.8 million of DG Marine's assets in our total assets.

At June 30, 2009, DG Marine had $53.1 million outstanding under its credit facility. Although the total amount available for borrowings at June 30, 2009 was $36.9 million under this credit facility, we do not anticipate utilizing this availability for working capital needs.

In August 2008, DG Marine entered into a series of interest rate swap agreements to effectively fix the underlying LIBOR rate on $32.9 million of its borrowings under its credit facility through July 18, 2011. The fixed interest rates in the swap agreements range from the three-month interest rate of 3.37% in effect at June 30, 2009 to 4.68% at July 18, 2011.

We have estimated the total fair value of our long-term debt under our credit agreement and the DG Marine credit facility to be approximately $384.3 million, or $15.1 million less than the carrying value of that debt.

9. Partners' Capital and Distributions

Partners' Capital

Partner's capital at June 30, 2009 consists of 39,479,774 common units, including 4,028,096 units owned by our general partner and its affiliates, representing a 98% aggregate ownership interest in the Partnership and its subsidiaries (after giving effect to the general partner interest), and a 2% general partner interest.

Our general partner owns all of our general partner interest, our incentive distribution rights, and all of the 0.01% general partner interest in Genesis Crude Oil, L.P. (which is reflected as a noncontrolling interest in our Unaudited Consolidated Balance Sheets) and operates our business.

Without obtaining unitholder approval, we may issue an unlimited number of additional limited partner interests and other equity securities, the proceeds from which could be used to provide additional funds for acquisitions or other needs.

Distributions

We will distribute 100% of our available cash (as defined by our partnership agreement) within 45 days after the end of each quarter to unitholders of record and to our general partner. Available cash consists generally of all of our cash receipts less cash disbursements adjusted for net changes to reserves.

Pursuant to our partnership agreement, our general partner receives incremental incentive cash distributions when unitholders' cash distributions exceed certain target thresholds. The allocations of distributions between our common unitholders and our general partner (including its general partner interest and the incentive distribution rights) are as follows:

	Unitholders	General Partner
Quarterly Cash Distribution per Common Unit:		
Up to and including $0.25 per Unit	98.00%	2.00%
First Target - $0.251 per Unit up to and including $0.28 per Unit	84.74%	15.26%
Second Target - $0.281 per Unit up to and including $0.33 per Unit	74.53%	25.47%
Over Second Target - Cash distributions greater than $.033 per Unit	49.02%	50.98%

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We paid or will pay the following distributions in 2008 and 2009:

Distribution For	Date Paid	Per Unit Amount	Limited Partner Interests Amount	General Partner Interest Amount	General Partner Incentive Distribution Amount	Total Amount
First quarter 2008	May 2008	$ 0.3000	$ 11,476	$ 234	$ 429	$ 12,139
Second quarter 2008	August 2008	$ 0.3150	$ 12,427	$ 254	$ 633	$ 13,314
Third quarter 2008	November 2008	$ 0.3225	$ 12,723	$ 260	$ 728	$ 13,711
Fourth quarter 2008	February 2009	$ 0.3300	$ 13,021	$ 266	$ 823	$ 14,110
First quarter 2009	May 2009	$ 0.3375	$ 13,317	$ 271	$ 1,125	$ 14,713
Second quarter 2009	August 2009 (1)	$ 0.3450	$ 13,621	$ 278	$ 1,427	$ 15,326

(1) This distribution will be paid on August 14, 2009 to our general partner and unitholders of record as of August 4, 2009.

Net Income Allocation to Partners

Net income is allocated to our partners in the 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 12).
- 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.

Net Income Per Common Unit

Our net income is first allocated to our general partner based on the amount of incentive distributions to be paid for the quarter. The adoption of EITF 07-4 effective January 1, 2009 resulted in a change in the calculation of net income per common unit by changing the amount of the incentive distributions to be considered in the calculation from the distributions paid during the quarter to the distributions to be paid with respect to the quarter. As required by EITF 07-4, we have retrospectively applied the provisions of EITF 07-4 to the calculation of net income per common unit for the first quarter of 2008 in the table below. As a result, basic and diluted net income per common unit remained the same as compared to amounts previously reported for the three month ended June 30, 2008 and decreased by $0.01 from the amount previously reported for the six months ended June 30, 2008.

We then allocate to our general partner the expense related to the Class B Membership Awards to our executive officers, as our general partner will bear the cash cost of those awards. The remainder of our net income is then allocated 98% to our limited partners and 2% to our general partner. Basic net income per limited partner unit is determined by dividing net income attributable to limited partners by the weighted average number of outstanding limited partner units during the period. Diluted net income per common unit is calculated in the same manner, but also considers the impact to common units for the potential dilution from phantom units outstanding. (See Note 12 for discussion of phantom units.)

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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,	
	2009	2008	2009	2008
Numerators for basic and diluted net income per common unit:				
Net income attributable to Genesis Energy, L.P.	$4,456	$7,328	$9,746	$8,973
Less: General partner's incentive distribution to to be paid for the period	(1,427)	(633)	(2,552)	(1,062)
Add: Expense for Class B Membership Awards (Note 12)	2,353	-	4,499	-
Subtotal	5,382	6,695	11,693	7,911
Less: General partner 2% ownership	(108)	(134)	(234)	(158)
Income available for common unitholders	$5,274	$6,561	$11,459	$7,753
Denominator for basic per common unit:				
Common Units	39,464	38,675	39,460	38,464
Denominator for diluted per common unit:				
Common Units	39,464	38,675	39,460	38,464
Phantom Units	154	56	132	50
	39,618	38,731	39,592	38,514
Basic net income per common unit	$0.13	$0.17	$0.29	$0.20
Diluted net income per common unit	$0.13	$0.17	$0.29	$0.20

10. Business Segment Information

Our operations consist of four operating segments: (1) Pipeline Transportation – interstate and intrastate crude oil and CO2; (2) Refinery Services – processing high sulfur (or "sour") gas streams as part of refining operations to remove the sulfur and selling the related by-product; (3) Supply and Logistics – terminaling, blending, storing, marketing, gathering and transporting by truck and barge crude oil and petroleum products, and (4) Industrial Gases – the sale of CO2 acquired under volumetric production payments to industrial customers and our investment in a syngas processing facility. Substantially all of our revenues are derived from, and substantially all of our assets are located in the United States.

During the fourth quarter of 2008, we revised the manner in which we internally evaluate our segment performance. As a result, we changed our definition of segment margin to include within segment margin all costs that are directly associated with the business segment. Segment margin now includes costs such as general and administrative expenses that are directly incurred by the business segment. Segment margin also includes all payments received under direct financing leases. In order to improve comparability between periods, we exclude from segment margin the non-cash effects of our stock-based compensation plans which are impacted by changes in the market price for our common units. Segment information for the three and six months ended June 30, 2008 has been retrospectively revised to conform to this segment presentation. We now define segment margin as revenues less cost of sales, 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 (a)	Total
Three Months Ended June 30, 2009					
Segment margin (b)	$ 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 (d)	1,572	(1,329)	(243)	-	-
Total revenues of reportable segments	$ 12,455	$34,594	$291,364	$ 3,791	$342,204
Three Months Ended June 30, 2008					
Segment margin (b)	$ 7,261	$16,279	$7,780	$ 3,686	$35,006
Maintenance capital expenditures	$ -	$208	$-	$ -	$208
Revenues:					
External customers	$ 8,885	$55,727	$571,478	$ 4,450	$640,540
Intersegment (d)	2,001	-	(2,001)	-	-
Total revenues of reportable segments	$ 10,886	$55,727	$569,477	$ 4,450	$640,540

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	Pipeline Transportation	Refinery Services	Supply & Logistics	Industrial Gases (a)	Total
Six Months Ended June 30, 2009					
Segment margin (b)	$ 20,572	$25,949	$ 12,556	$ 5,892	$64,969
Capital expenditures (c)	$ 2,458	$1,982	$ 21,497	$ 21	$25,958
Maintenance capital expenditures	$ 750	$544	$ 1,128	$ -	$2,422
Revenues:					
External customers	$ 22,198	$85,828	$ 480,151	$ 7,520	$595,697
Intersegment (d)	2,665	(2,940)	275	-	-
Total revenues of reportable segments	$ 24,863	$82,888	$ 480,426	$ 7,520	$595,697
Six Months Ended June 30, 2008					
Segment margin (b)	$ 11,922	$28,709	$ 11,841	$ 6,885	$59,357
Capital expenditures (c)	$ 78,524	$1,710	$ 4,603	$ 2,210	$87,047
Maintenance capital expenditures	$ 165	$489	$ 330	$ -	$984

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