

GENESIS ENERGY LP
Form 10-Q
November 06, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

Commission file number 1-12295

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

77002
(Zip code)

Registrant's telephone number, including area code: (713) 860-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes ✓ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2) of the Exchange Act). Yes ☐ No ✓

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Class A Common Units outstanding as of November 1, 2012 was 81,162,755.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GENESIS ENERGY, L.P.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except units)

| | September 30, 2012 | December 31, 2011 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$15,461 | \$10,817 |
| Accounts receivable - trade, net | 318,892 | 237,989 |
| Inventories | 67,298 | 101,124 |
| Other | 25,616 | 26,174 |
| Total current assets | 427,267 | 376,104 |
| FIXED ASSETS, at cost | 684,663 | 541,138 |
| Less: Accumulated depreciation | (148,712) | (124,213) |
| Net fixed assets | 535,951 | 416,925 |
| NET INVESTMENT IN DIRECT FINANCING LEASES, net of unearned income | 158,698 | 162,460 |
| EQUITY INVESTEEES | 547,925 | 326,947 |
| INTANGIBLE ASSETS, net of amortization | 79,140 | 93,356 |
| GOODWILL | 325,046 | 325,046 |
| OTHER ASSETS, net of amortization | 33,128 | 30,006 |
| TOTAL ASSETS | \$2,107,155 | \$1,730,844 |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| CURRENT LIABILITIES: | | |
| Accounts payable - trade | \$254,688 | \$199,357 |
| Accrued liabilities | 63,691 | 50,071 |
| Total current liabilities | 318,379 | 249,428 |
| SENIOR SECURED CREDIT FACILITY | 483,000 | 409,300 |
| SENIOR UNSECURED NOTES | 350,924 | 250,000 |
| DEFERRED TAX LIABILITIES | 11,598 | 12,549 |
| OTHER LONG-TERM LIABILITIES | 15,321 | 16,929 |
| COMMITMENTS AND CONTINGENCIES (<u>Note 14</u>) | | |
| PARTNERS' CAPITAL: | | |
| Common unitholders, 81,202,752 and 71,965,062 units issued and outstanding at September 30, 2012 and December 31, 2011, respectively | 927,933 | 792,638 |
| TOTAL LIABILITIES AND PARTNERS' CAPITAL | \$2,107,155 | \$1,730,844 |

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 September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2012 | 2011 | 2012 | 2011 |
| REVENUES: | | | | |
| Supply and logistics | \$875,193 | \$765,714 | \$2,597,809 | \$2,091,854 |
| Refinery services | 47,977 | 48,392 | 144,342 | 145,301 |
| Pipeline transportation services | 19,164 | 16,094 | 55,794 | 45,633 |
| Total revenues | 942,334 | 830,200 | 2,797,945 | 2,282,788 |
| COSTS AND EXPENSES: | | | | |
| Supply and logistics product costs | 811,896 | 710,355 | 2,412,404 | 1,961,038 |
| Supply and logistics operating costs | 40,953 | 33,478 | 119,576 | 83,516 |
| Refinery services operating costs | 29,243 | 30,136 | 91,072 | 89,986 |
| Pipeline transportation operating costs | 5,911 | 3,988 | 15,995 | 12,414 |
| General and administrative | 10,375 | 8,905 | 29,934 | 25,339 |
| Depreciation and amortization | 14,838 | 14,706 | 45,447 | 43,100 |
| Total costs and expenses | 913,216 | 801,568 | 2,714,428 | 2,215,393 |
| OPERATING INCOME | 29,118 | 28,632 | 83,517 | 67,395 |
| Equity in earnings (losses) of equity investees | 3,432 | (412) | 7,971 | 3,377 |
| Interest expense | (9,873) | (8,960) | (30,697) | (26,670) |
| Income before income taxes | 22,677 | 19,260 | 60,791 | 44,102 |
| Income tax benefit (expense) | 8,517 | (172) | 8,591 | (626) |
| NET INCOME | \$31,194 | \$19,088 | \$69,382 | \$43,476 |
| NET INCOME PER COMMON UNIT: | | | | |
| Basic and Diluted | \$0.39 | \$0.27 | \$0.90 | \$0.65 |
| WEIGHTED AVERAGE OUTSTANDING COMMON UNITS: | | | | |
| Basic and Diluted | 79,901 | 70,447 | 77,410 | 66,580 |

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 | |
|--|---------------------------|--------|-------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Partners' capital, January 1 | 71,965 | 64,615 | \$792,638 | \$669,264 |
| Net income | — | — | 69,382 | 43,476 |
| Cash distributions | — | — | (104,008 |) (82,067 |
| Issuance of common units for cash, net | 5,750 | 7,350 | 169,421 | 184,969 |
| Conversion of waiver units | 3,476 | — | — | — |
| Other | 12 | — | 500 | — |
| Partners' capital, September 30 | 81,203 | 71,965 | \$927,933 | \$815,642 |

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)

| | Nine Months Ended September 30, | |
|---|------------------------------------|-----------|
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$69,382 | \$43,476 |
| Adjustments to reconcile net income to net cash provided by operating activities - | | |
| Depreciation and amortization | 45,447 | 43,100 |
| Amortization of debt issuance costs and premium | 2,655 | 2,102 |
| Amortization of unearned income and initial direct costs on direct financing leases | (12,641) | (12,968) |
| Payments received under direct financing leases | 16,389 | 16,389 |
| Equity in earnings of investments in equity investees | (7,971) | (3,377) |
| Cash distributions of earnings of equity investees | 16,151 | 6,725 |
| Non-cash effect of equity-based compensation plans | 4,617 | (1,505) |
| Deferred and other tax liabilities | (9,156) | (27) |
| Unrealized gains on derivative transactions | (1,251) | (4,370) |
| Other, net | 438 | 339 |
| Net changes in components of operating assets and liabilities (<u>Note 11</u>) | 18,878 | (50,738) |
| Net cash provided by operating activities | 142,938 | 39,146 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments to acquire fixed and intangible assets | (116,702) | (15,157) |
| Cash distributions received from equity investees - return of investment | 10,918 | 8,577 |
| Investments in equity investees | (57,072) | (194) |
| Acquisitions | (205,576) | (143,489) |
| Proceeds from asset sales | 667 | 4,444 |
| Other, net | (1,012) | 129 |
| Net cash used in investing activities | (368,777) | (145,690) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings on senior secured credit facility | 1,407,000 | 571,700 |
| Repayments on senior secured credit facility | (1,333,300) | (563,800) |
| Proceeds from issuance of senior unsecured notes, including premium | 101,000 | — |
| Debt issuance costs | (7,109) | (3,018) |
| Issuance of common units for cash, net | 169,421 | 184,969 |
| Distributions to common unitholders | (104,008) | (82,067) |
| Other, net | (2,521) | (2,626) |
| Net cash provided by financing activities | 230,483 | 105,158 |
| Net increase (decrease) in cash and cash equivalents | 4,644 | (1,386) |
| Cash and cash equivalents at beginning of period | 10,817 | 5,762 |
| Cash and cash equivalents at end of period | \$15,461 | \$4,376 |

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 limited partnership focused on the midstream segment of the oil and gas industry in the Gulf Coast region of the United States, primarily Texas, Louisiana, Arkansas, Mississippi, Alabama, Florida and in the Gulf of Mexico. We have a diverse portfolio of assets, including pipelines, refinery-related plants, storage tanks and terminals, barges and trucks. We were formed in 1996 and are owned 100% by our limited partners. Genesis Energy, LLC, our general partner, is a wholly-owned subsidiary. Our general partner has sole responsibility for conducting our business and managing our operations. We conduct our operations and own our operating assets through our subsidiaries and joint ventures. We manage our businesses through the following three divisions that constitute our reportable segments:

• Pipeline transportation of interstate, intrastate and offshore crude oil, and, to a lesser extent, carbon dioxide (or "CO₂");

• Refinery services involving processing of high sulfur (or "sour") gas streams for refineries to remove the sulfur and selling the related by-product, sodium hydrosulfide (or "NaHS", commonly pronounced "nash"); and

• Supply and logistics services, which include terminaling, blending, storing, marketing, and transporting crude oil and petroleum products and, on a smaller scale, CO₂.

Basis of Presentation and Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include Genesis Energy, L.P. and its subsidiaries, including Genesis Energy, LLC, our general partner.

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 annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") 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, 2011.

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. Acquisitions

Interests in Gulf of Mexico Crude Oil Pipeline Systems

On January 3, 2012, we acquired from Marathon Oil Company interests in several Gulf of Mexico crude oil pipeline systems. The acquired pipeline interests include a 28% interest in Poseidon Oil Pipeline Company, L.L.C. (or "Poseidon"), a 100% interest in Marathon Offshore Pipeline, LLC (subsequently re-named GEL Offshore Pipeline, LLC, or "GOPL") and a 29% interest in Odyssey Pipeline L.L.C. (or "Odyssey"). GOPL owns a 23% interest in the Eugene Island crude oil pipeline system and a 100% interest in two smaller offshore pipelines. The purchase price, net of post-closing adjustments, was \$205.6 million. We funded the purchase price with cash available under our credit facility. We account for our interests in Poseidon and Odyssey under the equity method of accounting. We have recorded the assets acquired and liabilities assumed of GOPL in the Unaudited Condensed Consolidated Financial Statements at their estimated fair values on a preliminary basis. Management developed these preliminary fair values and we do not expect any material adjustments to these preliminary purchase price allocations as a result of the final valuation.

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The preliminary allocation of the purchase price is summarized as follows:

| | | |
|-------------------------------------|-----------|---|
| Property and equipment | \$28,456 | |
| Equity investees | 182,993 | |
| Asset retirement obligation assumed | (5,873 |) |
| Total allocation | \$205,576 | |

The Poseidon pipeline system is comprised of a 367-mile network of crude oil pipelines, varying in diameter from 16 to 24 inches, with capacity to deliver approximately 400,000 barrels per day of crude oil from developments in the central and western offshore Gulf of Mexico to other pipelines and terminals onshore and offshore Louisiana. The Eugene Island pipeline system is primarily comprised of a 183-mile network of crude oil pipelines, the main pipeline of which is 20 inches in diameter, with capacity to deliver approximately 200,000 barrels per day of crude oil from developments in the central Gulf of Mexico to other pipelines and terminals onshore Louisiana. The Odyssey pipeline system is comprised of a 120-mile network of crude oil pipelines, varying in diameter from 12 to 20 inches, with capacity to deliver up to 300,000 barrels per day of crude oil from developments in the eastern Gulf of Mexico to other pipelines and terminals onshore Louisiana.

Our Unaudited Condensed Consolidated Financial Statements include the results of the acquired pipeline interests since the effective closing date of the acquisition in January 2012. The following table presents selected financial information included in our Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2012:

| | Three Months Ended September 30, 2012 | Nine Months Ended September 30, |
|--|--|---|
| Revenues | \$1,180 | \$4,334 |
| Equity in earnings of equity investees | \$3,497 | \$9,194 |
| Net income | \$3,950 | \$11,128 |

The table below presents selected unaudited pro forma financial information for the three and nine months ended September 30, 2011 incorporating the historical results of the acquired pipeline interests. The pro forma financial information below has been prepared as if the acquisition had been completed at the beginning of the prior year and is based upon assumptions deemed appropriate by us and may not be indicative of actual results.

| | Three Months Ended September 30, 2011 | Nine Months Ended September 30, |
|--|--|---|
| Pro forma earnings data: | | |
| Revenues | \$831,956 | \$2,288,056 |
| Equity in earnings of equity investees | \$2,605 | \$11,963 |
| Net income | \$20,903 | \$48,941 |
| Basic and diluted earnings per unit: | | |
| As reported net income per unit | \$0.27 | \$0.65 |
| Pro forma net income per unit | \$0.30 | \$0.74 |
| As reported units outstanding | 70,447 | 66,580 |

| | | |
|-----------------------------|--------|--------|
| Pro forma units outstanding | 70,447 | 66,580 |
|-----------------------------|--------|--------|

FMT Black Oil Barge Transportation Business

In August 2011, we completed the acquisition of the black oil barge transportation business of Florida Marine Transporters, Inc. and its affiliates (“FMT”). The purchase price was \$143.5 million (including \$2.5 million for fuel inventory and other costs). The acquired business was comprised of 30 barges (seven of which were initially sub-leased under terms similar to those of an existing FMT lease, which we subsequently purchased in February 2012 for \$30.6 million) and 14 push/tow boats which transport heavy refined products, primarily serving refineries and storage terminals along the Gulf Coast,

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Intracoastal Canal and western river systems of the United States, including the Red, Ouachita and Mississippi Rivers. The August 2011 acquisition and related transaction costs were funded with a portion of the net proceeds from the July 2011 public offering of our common units, whereby we raised approximately \$185 million in net proceeds of equity capital. The February 2012 vessels purchase was funded with cash available under our credit facility. The financial results of the acquired business are included in our supply and logistics segment from the date of the acquisition.

3. Inventories

The major components of inventories were as follows:

| | September 30, 2012 | December 31, 2011 |
|--------------------|-----------------------|----------------------|
| Petroleum products | \$41,076 | \$70,769 |
| Crude oil | 12,014 | 11,701 |
| Caustic soda | 6,829 | 11,312 |
| NaHS | 7,376 | 7,337 |
| Other | 3 | 5 |
| Total | \$67,298 | \$101,124 |

Inventories are valued at the lower of cost or market. At September 30, 2012 and December 31, 2011, market values of our inventories exceeded recorded costs.

4. Fixed Assets and Asset Retirement Obligations

Fixed Assets

Fixed assets consisted of the following:

| | September 30, 2012 | December 31, 2011 |
|--|-----------------------|----------------------|
| Pipelines and related assets | \$218,155 | \$167,865 |
| Machinery and equipment | 63,091 | 46,233 |
| Transportation equipment | 20,280 | 21,732 |
| Marine vessels | 297,416 | 262,216 |
| Land, buildings and improvements | 14,037 | 13,140 |
| Office equipment, furniture and fixtures | 4,487 | 3,778 |
| Construction in progress | 53,135 | 14,236 |
| Other | 14,062 | 11,938 |
| Fixed assets, at cost | 684,663 | 541,138 |
| Less: Accumulated depreciation | (148,712) | (124,213) |
| Net fixed assets | \$535,951 | \$416,925 |

Our depreciation expense for the periods presented was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|-------------------------------------|---------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| Depreciation expense | \$9,202 | \$5,960 | \$27,246 | \$17,838 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Asset Retirement Obligations

A reconciliation of our liability for asset retirement obligations is as follows:

| | |
|--|----------|
| December 31, 2011 | \$5,900 |
| Liabilities incurred and assumed in the current period | 5,995 |
| Accretion expense | 600 |
| September 30, 2012 | \$12,495 |

We assumed asset retirement obligations of \$5.9 million related to pipelines in connection with our acquisition of GOPL. See Note 2 for information related to our acquisitions.

5. Equity Investees

We account for our ownership in our joint ventures under the equity method of accounting. The price we pay to acquire an ownership interest in a company may exceed the underlying book value of the capital accounts we acquire. Such excess cost amounts are included within the carrying values of our equity investees. At September 30, 2012 and December 31, 2011, the unamortized excess cost amounts totaled \$236.6 million and \$97.8 million, respectively. We amortize the excess cost as a reduction in equity earnings in a manner similar to depreciation.

The following table presents information included in our Unaudited Condensed Consolidated Financial Statements related to our equity investees.

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|--------------------|----------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Genesis' share of operating earnings | \$5,978 | \$729 | \$15,611 | \$6,800 |
| Amortization of excess purchase price | (2,546) | (1,141) | (7,640) | (3,423) |
| Net equity in earnings (losses) | \$3,432 | \$(412) | \$7,971 | \$3,377 |
| Distributions received | \$9,045 | \$3,289 | \$27,069 | \$15,302 |

The following tables present the combined unaudited balance sheet and income statement information (on a 100% basis) of our equity investees:

| | September 30, 2012 | December 31, 2011 |
|------------------------------|-----------------------|----------------------|
| Balance Sheet Information: | | |
| Assets | | |
| Current assets | \$65,250 | \$12,732 |
| Fixed assets, net | 760,788 | 441,894 |
| Other assets | 10,964 | 18,000 |
| Total assets | \$837,002 | \$472,626 |
| Liabilities and equity | | |
| Current liabilities | \$53,667 | \$5,891 |
| Other liabilities | 118,226 | 8,536 |
| Equity | 665,109 | 458,199 |
| Total liabilities and equity | \$837,002 | \$472,626 |

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------|--------------------|---------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Income Statement Information: | | | | |
| Revenues | \$39,799 | \$7,975 | \$113,769 | \$32,819 |

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| | | | | |
|------------------|----------|-------|----------|----------|
| Operating income | \$19,810 | \$576 | \$53,597 | \$11,768 |
| Net income | \$19,196 | \$576 | \$51,553 | \$11,778 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Intangible Assets

The following table summarizes the components of our intangible assets at the dates indicated:

| | September 30, 2012 | | | December 31, 2011 | | |
|-----------------------------------|-----------------------|--------------------------|----------------|-----------------------|--------------------------|----------------|
| | Gross Carrying Amount | Accumulated Amortization | Carrying Value | Gross Carrying Amount | Accumulated Amortization | Carrying Value |
| Refinery Services: | | | | | | |
| Customer relationships | \$94,654 | \$ 67,403 | \$27,251 | \$94,654 | \$ 62,111 | \$32,543 |
| Licensing agreements | 38,678 | 22,038 | 16,640 | 38,678 | 19,476 | 19,202 |
| Supplier relationships | 36,469 | 35,878 | 591 | 36,469 | 34,105 | 2,364 |
| Segment total | 169,801 | 125,319 | 44,482 | 169,801 | 115,692 | 54,109 |
| Supply & Logistics: | | | | | | |
| Customer relationships | 35,430 | 25,698 | 9,732 | 35,430 | 23,584 | 11,846 |
| Intangibles associated with lease | 13,260 | 2,447 | 10,813 | 13,260 | 2,092 | 11,168 |
| Trade names | 18,888 | 18,888 | — | 18,888 | 17,048 | 1,840 |
| Segment total | 67,578 | 47,033 | 20,545 | 67,578 | 42,724 | 24,854 |
| Other | 18,467 | 4,354 | 14,113 | 17,292 | 2,899 | 14,393 |
| Total | \$255,846 | \$ 176,706 | \$79,140 | \$254,671 | \$ 161,315 | \$93,356 |

Our amortization expense for the periods presented was as follows:

| | Three Months Ended | | Nine Months Ended | |
|----------------------|--------------------|---------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Amortization expense | \$4,520 | \$7,721 | \$15,390 | \$22,367 |

We estimate that our amortization expense for the next five years will be as follows:

| | |
|-------------------|----------|
| Remainder of 2012 | \$4,520 |
| 2013 | \$14,597 |
| 2014 | \$12,297 |
| 2015 | \$10,489 |
| 2016 | \$9,028 |

7. Debt

Our obligations under debt arrangements consisted of the following:

| | September 30, 2012 | December 31, 2011 |
|---|--------------------|-------------------|
| Senior secured credit facility | \$483,000 | \$409,300 |
| 7.875% senior unsecured notes (including unamortized premium of \$924 and \$0 in 2012 and 2011, respectively) | 350,924 | 250,000 |
| Total long-term debt | \$833,924 | \$659,300 |

As of September 30, 2012, we were in compliance with the financial covenants contained in our credit agreement and senior unsecured notes indenture.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Senior Secured Credit Facility

In July 2012, we amended and restated our senior secured credit facility with a syndicate of banks to, among other things, increase the committed amount from \$775 million to \$1 billion and the accordion feature from \$225 million to \$300 million, giving us the ability to expand the size of the facility up to an aggregate \$1.3 billion for acquisitions or internal growth projects, subject to lender consent. The inventory financing sublimit tranche was increased from \$125 million to \$150 million, and the term of our credit facility was extended to July 25, 2017.

The key terms for rates under our credit facility, which are dependent on our leverage ratio (as defined in the credit agreement), are as follows:

• The applicable margin varies from 1.75% to 2.75% on eurodollar borrowings and from 0.75% to 1.75% on alternate base rate borrowings.

• Letter of credit fees range from 1.75% to 2.75%.

• The commitment fee on the unused committed amount will range from 0.375% to 0.50%.

At September 30, 2012, we had \$483 million borrowed under our credit facility, with \$48.6 million of the borrowed amount designated as a loan under the inventory sublimit. The credit agreement allows up to \$100 million of the capacity to be used for letters of credit, of which \$12.6 million was outstanding at September 30, 2012. Due to the revolving nature of loans under our credit facility, additional borrowings and periodic repayments and re-borrowings may be made until the maturity date. The total amount available for borrowings under our credit facility at September 30, 2012 was \$504.4 million.

Senior Unsecured Notes Issuance

On February 1, 2012, we issued an additional \$100 million of aggregate principal amount of senior unsecured notes under our existing 7.875% senior unsecured notes due 2018 indenture. The notes were issued at 101% of face value at an effective interest rate of 7.682%. The notes have the same terms and conditions as the notes previously issued under the indenture. The issuance increased the total aggregate principal amount under the indenture to \$350 million. The net proceeds were used to repay borrowings under our credit facility.

8. Partners' Capital and Distributions

On March 28, 2012, we issued 5,750,000 Class A common units in a public offering at a price of \$30.80 per unit. We received proceeds, net of underwriting discounts and offering costs, of \$169.4 million from the offering. The net proceeds were used for general corporate purposes, including the repayment of borrowings under our credit facility. At September 30, 2012, our outstanding common units consisted of 81,162,755 Class A units and 39,997 Class B units.

Waiver Units

Our waiver units are non-voting securities entitled to a minimal preferential quarterly distribution. At issuance our waiver units were comprised of four classes (designated Class 1, Class 2, Class 3 and Class 4) of 1,738,000 units. The waiver units in each class are convertible into Class A common units in the calendar quarter at a 1:1 conversion rate during which each of our common units receives a specified minimum quarterly distribution and our distribution coverage ratio (after giving effect to the then convertible waiver units) would be at least 1.1 times. The minimum distribution per common unit required for conversion is \$0.43 (Class 1), \$0.46 (Class 2), \$0.49 (Class 3) and \$0.52 (Class 4).

On February 14, 2012, our Class 1 waiver units became convertible as we paid a distribution of \$0.44 per common unit and satisfied the conversion coverage ratio requirement. All Class 1 waiver units were converted into common units by March 31, 2012.

On August 14, 2012, our Class 2 waiver units became convertible as we paid a distribution of \$0.46 per common unit and satisfied the conversion coverage ratio requirement. All Class 2 waiver units were converted into common units by September 30, 2012.

At September 30, 2012, we had 3,476,466 waiver units outstanding comprised of the last two classes.

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Distributions

We paid or will pay the following distributions in 2011 and 2012:

| Distribution For | Date Paid | Per Unit Amount | Total Amount |
|-------------------------|----------------------------------|--------------------|-----------------|
| 2011 | | | |
| 1 st Quarter | May 13, 2011 | \$0.4075 | \$26,343 |
| 2 nd Quarter | August 12, 2011 | \$0.4150 | \$29,878 |
| 3 rd Quarter | November 14, 2011 | \$0.4275 | \$30,777 |
| 4 th Quarter | February 14, 2012 | \$0.4400 | \$31,677 |
| 2012 | | | |
| 1 st Quarter | May 15, 2012 | \$0.4500 | \$35,759 |
| 2 nd Quarter | August 14, 2012 | \$0.4600 | \$36,554 |
| 3 rd Quarter | November 14, 2012 ⁽¹⁾ | \$0.4725 | \$38,368 |

(1) This distribution will be paid to unitholders of record as of November 1, 2012.

9. Business Segment Information

Our operations consist of three operating segments:

- (1) Pipeline Transportation – interstate, intrastate and offshore crude oil, and to a lesser extent, 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, NaHS and;
- (3) Supply and Logistics – terminaling, blending, storing, marketing, and transporting crude oil and petroleum products (primarily fuel oil, asphalt, and other heavy refined products) and, on a smaller scale, CO₂.

Substantially all of our revenues are derived from, and substantially all of our assets are located in, the United States.

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 equity investees. In addition, our Segment Margin definition excludes the non-cash effects of our stock appreciation rights plan 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 capital investment.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Segment information for the periods presented below was as follows:

| | Pipeline Transportation | Refinery Services | Supply & Logistics | Total |
|---|----------------------------|----------------------|-----------------------|----------------------|
| Three Months Ended September 30, 2012 | | | | |
| Segment margin (a) | \$23,295 | \$18,983 | \$23,651 | \$65,929 |
| Capital expenditures (b) | \$21,764 | \$1,025 | \$14,410 | \$37,199 |
| Revenues: | | | | |
| External customers | \$16,190 | \$50,378 | \$875,766 | \$942,334 |
| Intersegment (c) | 2,974 | (2,401) | (573) | — |
| Total revenues of reportable segments | \$19,164 | \$47,977 | \$875,193 | \$942,334 |
| Three Months Ended September 30, 2011 | | | | |
| Segment margin (a) | \$16,030 | \$17,992 | \$18,909 | \$52,931 |
| Capital expenditures (b) | \$1,582 | \$852 | \$146,999 | \$149,433 |
| Revenues: | | | | |
| External customers | \$12,658 | \$50,982 | \$766,560 | \$830,200 |
| Intersegment (c) | 3,436 | (2,590) | (846) | — |
| Total revenues of reportable segments | \$16,094 | \$48,392 | \$765,714 | \$830,200 |
| Nine Months Ended September 30, 2012 | | | | |
| Segment margin (a) | \$69,427 | \$53,510 | \$66,075 | \$189,012 |
| Capital expenditures (b) | \$300,093 | \$2,295 | \$77,414 | \$379,802 |
| Revenues: | | | | |
| External customers | \$44,564 | \$151,326 | \$2,602,055 | \$2,797,945 |
| Intersegment (c) | 11,230 | (6,984) | (4,246) | — |
| Total revenues of reportable segments | \$55,794 | \$144,342 | \$2,597,809 | \$2,797,945 |
| Nine Months Ended September 30, 2011 | | | | |
| Segment margin (a) | \$50,639 | \$54,887 | \$44,233 | \$149,759 |
| Capital expenditures (b) | \$3,264 | \$1,321 | \$149,126 | \$153,711 |
| Revenues: | | | | |
| External customers | \$37,302 | \$151,899 | \$2,093,587 | \$2,282,788 |
| Intersegment (c) | 8,331 | (6,598) | (1,733) | — |
| Total revenues of reportable segments | \$45,633 | \$145,301 | \$2,091,854 | \$2,282,788 |
| Total assets by reportable segment were as follows: | | | | |
| | | | September 30, 2012 | December 31, 2011 |
| Pipeline transportation | | | \$870,966 | \$594,728 |
| Refinery services | | | 413,888 | 426,993 |
| Supply and logistics | | | 774,002 | 659,576 |
| Other assets | | | 48,299 | 49,547 |
| Total consolidated assets | | | \$2,107,155 | \$1,730,844 |

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Segment Margin | \$65,929 | \$52,931 | \$189,012 | \$149,759 |
| Corporate general and administrative expenses | (9,428) | (8,194) | (26,756) | (23,267) |
| Depreciation and amortization | (14,838) | (14,706) | (45,447) | (43,100) |
| Interest expense | (9,873) | (8,960) | (30,697) | (26,670) |
| Distributable cash from equity investees in excess of equity in earnings | (5,613) | (3,701) | (19,098) | (11,925) |
| Non-cash items not included in segment margin | (2,222) | 3,061 | (2,475) | 2,729 |
| Cash payments from direct financing leases in excess of earnings | (1,278) | (1,171) | (3,748) | (3,424) |
| Income before income taxes | \$22,677 | \$19,260 | \$60,791 | \$44,102 |

Capital expenditures include maintenance and growth capital expenditures, such as fixed asset additions (including enhancements to existing facilities and construction of internal growth projects) as well as acquisitions of businesses and interests in equity investees. Capital spending in our pipeline transportation segment included \$5.7 million and \$57.1 million during the three and nine months ended September 30, 2012, respectively, representing (b) capital contributions to our SEKCO equity investee to fund our share of the construction costs for its pipeline. For the nine months ended September 30, 2012, capital spending in our pipeline transportation segment also included \$205.6 million for the acquisition of interests in several Gulf of Mexico pipelines. For the nine months ended September 30, 2012, capital spending in our supply and logistics segment also included \$30.6 million for the purchase of barge assets.

(c) Intersegment sales were conducted under terms that we believe were no more or less favorable than then-existing market conditions.

10. 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. The transactions with related parties were as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Petroleum products sales to an affiliate of the Quintana Group ⁽¹⁾ | \$6,376 | \$5,948 | \$21,142 | \$27,202 |
| Sales of CO ₂ to Sandhill Group, LLC ⁽²⁾ | 838 | 946 | 2,111 | 1,921 |
| Petroleum products sales to Davison family businesses ⁽¹⁾ | 326 | 737 | 1,012 | 1,224 |
| Costs and expenses: | | | | |
| Marine operating fuel and expenses provided by an affiliate of the Quintana Group ⁽¹⁾ | 1,980 | 902 | 6,181 | 2,722 |
| Amounts paid to our CEO in connection with the use of his aircraft | 150 | 166 | 450 | 166 |

(1) The Quintana Group, a private equity fund based in Houston, Texas, owned 10% of our Class A common units and 74% of our Class B common units at September 30, 2012. The Davison family owned 15% of our Class A common units at September 30, 2012. The Quintana Group monetized all of its remaining investment in us on October 5, 2012. Substantially in connection with that transaction, certain members of the Davison family,

collectively, increased their investment in us to 17.2% of our Class A common units and 76.9% of our Class B units. Solely for financial statement disclosure purposes, we will continue to treat the Davison family and their affiliates as related parties.

(2) We own a 50% interest in Sandhill Group, LLC.

Amounts due to and from Related Parties

At September 30, 2012 and December 31, 2011, an affiliate of the Quintana Group owed us \$1.2 million and \$1.9 million, respectively, for petroleum product sales. We owed such affiliate \$0.1 million at September 30, 2012 and December 31, 2011, respectively, for marine related costs. Sandhill Group, LLC owed us \$0.3 million and \$0.2 million at September 30, 2012 and December 31, 2011, respectively, for purchases of CO₂.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Supplemental Cash Flow Information

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

| | Nine Months Ended September 30, | |
|---|------------------------------------|---------------|
| | 2012 | 2011 |
| (Increase) decrease in: | | |
| Accounts receivable | \$(80,789 |) \$(52,355) |
| Inventories | 33,826 | (34,757) |
| Other current assets | 1,846 | 1,515 |
| Increase (decrease) in: | | |
| Accounts payable | 57,851 | 16,953 |
| Accrued liabilities | 6,144 | 17,906 |
| Net changes in components of operating assets and liabilities | \$18,878 | \$(50,738) |

Payments of interest and commitment fees were \$24.4 million and \$20.3 million for the nine months ended September 30, 2012 and 2011, respectively.

At September 30, 2012 and 2011, we had incurred liabilities for fixed and intangible asset additions totaling \$4.8 million and \$1.3 million, respectively, that had not been paid at the end of the third quarter, and, therefore, were not included in the caption "Payments to acquire fixed and intangible assets" under Cash Flows from Investing Activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

At September 30, 2012, we had incurred liabilities for other asset additions totaling \$0.6 million that had not been paid at the end of the third quarter, and, therefore, were not included in the caption "Other, net" under Cash Flows from Investing Activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

12. Derivatives

Commodity Derivatives

We have exposure to commodity price changes related to our inventory and purchase commitments. We utilize derivative instruments (primarily futures and options contracts traded on the NYMEX) to hedge our exposure to commodity prices, primarily of crude oil, fuel oil and petroleum products. Our decision as to whether to designate derivative instruments as fair value hedges for accounting purposes relates to our expectations of the length of time we expect to have the commodity price exposure and our expectations as to whether the derivative contract will qualify as highly effective under accounting guidance in limiting our exposure to commodity price risk. Most of the petroleum products, including fuel oil that we supply, cannot be hedged with a high degree of effectiveness with derivative contracts available on the NYMEX; therefore, we do not designate derivative contracts utilized to limit our price risk related to these products as hedges for accounting purposes. Typically we utilize crude oil and other petroleum products futures and option contracts to limit our exposure to the effect of fluctuations in petroleum products prices on the future sale of our inventory or commitments to purchase petroleum products, and we recognize any changes in fair value of the derivative contracts as increases or decreases in our cost of sales. The recognition of changes in fair value of the derivative contracts not designated as hedges for accounting purposes can occur in reporting periods that do not coincide with the recognition of gain or loss on the actual transaction being hedged. Therefore we will, on occasion, report gains or losses in one period that will be partially offset by gains or losses in a future period when the hedged transaction is completed.

In accordance with NYMEX requirements, we fund the margin associated with our loss positions on commodity derivative contracts traded on the NYMEX. The amount of the margin is adjusted daily based on the fair value of the commodity contracts. The margin requirements are intended to mitigate a party's exposure to market volatility and the associated contracting party risk. We offset fair value amounts recorded for our NYMEX derivative contracts against margin funding as required by the NYMEX in Current Assets - Other in our Unaudited Condensed Consolidated

Balance Sheets.

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At September 30, 2012, we had the following outstanding derivative commodity futures and options contracts that were entered into to economically hedge inventory or fixed price purchase commitments. We had no outstanding derivative contracts that were designated as hedges under accounting rules.

| | Sell (Short) Contracts | Buy (Long) Contracts |
|--|---------------------------|-------------------------|
| Not qualifying or not designated as hedges under accounting rules: | | |
| Crude oil futures: | | |
| Contract volumes (1,000 bbls) | 59 | 25 |
| Weighted average contract price per bbl | \$92.69 | \$92.19 |
| Crude oil LLS/WTI swap: | | |
| Contract volumes (1,000 bbls) | 100 | — |
| Weighted average contract price per bbl | \$18.63 | \$— |
| Heating oil futures: | | |
| Contract volumes (1,000 bbls) | 94 | 66 |
| Weighted average contract price per gal | \$3.12 | \$3.16 |
| #6 Fuel oil futures: | | |
| Contract volumes (1,000 bbls) | 640 | 200 |
| Weighted average contract price per bbl | \$97.59 | \$98.05 |
| Crude oil options: | | |
| Contract volumes (1,000 bbls) | 360 | 105 |
| Weighted average premium received | \$1.69 | \$0.54 |
| Heating oil options: | | |
| Contract volumes (1,000 bbls) | 10 | — |
| Weighted average premium received | \$0.08 | \$— |

Financial Statement Impacts

Unrealized gains are subtracted from net income and unrealized losses are added to net income in determining cash flows from operating activities. To the extent that we have fair value hedges outstanding, the offsetting change recorded in the fair value of inventory is also eliminated from net income in determining cash flows from operating activities. Changes in margin deposits necessary to fund unrealized losses also affect cash flows from operating activities.

The following tables reflect the estimated fair value gain (loss) position of our derivatives at September 30, 2012 and December 31, 2011:

Fair Value of Derivative Assets and Liabilities

| | Unaudited Condensed Consolidated Balance Sheets Location | Fair Value September 30, 2012 | December 31, 2011 |
|---|--|-------------------------------------|--------------------------|
| Asset Derivatives: | | | |
| Commodity derivatives - futures and call options: | | | |
| Undesignated hedges | Current Assets - Other | \$178 | \$306 |
| Total asset derivatives | | \$178 | \$306 |
| Liability Derivatives: | | | |
| Commodity derivatives - futures and call options: | | | |
| Undesignated hedges | Current Assets - Other | \$(1,440) ⁽¹⁾ | \$(2,820) ⁽¹⁾ |

Total liability derivatives \$(1,440) \$(2,820)

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

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Effect on Operating Results

| | Unaudited Condensed Consolidated Statements of Operations Location | Amount of Gain (Loss) Recognized in Income | | | |
|---|--|--|---------|------------------------------------|-------------|
| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | | 2012 | 2011 | 2012 | 2011 |
| Commodity derivatives - futures and call options: | | | | | |
| Contracts designated as hedges under accounting guidance | Supply and logistics product costs | \$— | \$— | \$— | \$(173) |
| Contracts not considered hedges under accounting guidance | Supply and logistics product costs | (5,817) | 2,587 | (2,959) | (11,050) |
| Total commodity derivatives | | \$(5,817) | \$2,587 | \$(2,959) | \$(11,223) |

13. Fair-Value Measurements

We classify financial assets and liabilities into the following three levels based on the inputs used to measure fair value:

(1) Level 1 fair values are based on observable inputs such as quoted prices in active markets;

(2) Level 2 fair values are based on pricing inputs other than quoted prices in active markets and are either directly or indirectly observable as of the measurement date; and

(3) Level 3 fair values are based on unobservable inputs in which little or no market data exists. 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.

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 at the dates indicated.

| Recurring Fair Value Measures | Fair Value at September 30, 2012 | | | Fair Value at December 31, 2011 | | |
|-------------------------------|-------------------------------------|---------|---------|------------------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Commodity derivatives: | | | | | | |
| Assets | \$178 | \$— | \$— | \$306 | \$— | \$— |
| Liabilities | \$(1,440) | \$— | \$— | \$(2,820) | \$— | \$— |

Our commodity derivatives include exchange-traded futures and exchange-traded options 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.

See [Note 12](#) for additional information on our derivative instruments.

Nonfinancial Assets and Liabilities

We utilize fair value on a non-recurring basis to perform impairment tests as required on our property, plant and equipment, goodwill and intangible assets. Assets and liabilities acquired in business combinations are recorded at their fair value as of the date of acquisition. The inputs used to determine such fair value are primarily based upon internally developed cash flow models and would generally be classified in Level 3, in the event that we were required to measure and record such assets within our Unaudited Condensed Consolidated Financial Statements. Additionally, we use fair value to determine the inception value of our asset retirement obligations. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition, and would generally be classified in Level 3.

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Other Fair Value Measurements

We believe the debt outstanding under our credit facility approximates fair value as the stated rate of interest approximates current market rates for similar instruments with comparable maturities. At September 30, 2012, our senior unsecured notes had a carrying value of \$351 million and a fair value of \$371.4 million, compared to \$250 million and \$253.1 million, respectively, at December 31, 2011. The fair value of the senior unsecured notes is determined based on trade information in the financial markets of our public debt and is considered a Level 2 fair value measurement.

14. Contingencies

We are subject to various environmental laws and regulations. Policies and procedures are in place to monitor compliance and to detect and address any material releases of crude oil from our pipelines or other facilities; however, no assurance can be made that such environmental releases may not substantially affect our business.

We are subject to lawsuits in the normal course of business, as well as examinations by tax and other regulatory authorities. We do not expect such matters presently pending to have a material effect on our financial position, results of operations, or cash flows.

15. Income Taxes

In the third quarter of 2012, we reversed \$8.2 million of uncertain tax positions and recognized an income tax benefit in the Unaudited Condensed Consolidated Statements of Operations as a result of tax audit settlements and the expiration of statutes of limitations. These uncertain tax positions were included in Other Long-Term Liabilities in our Unaudited Condensed Consolidated Balance Sheets.

16. Condensed Consolidating Financial Information

Our \$350 million aggregate principal amount of senior unsecured notes co-issued by Genesis Energy, L.P. and Genesis Energy Finance Corporation are fully and unconditionally guaranteed jointly and severally by all of Genesis Energy, L.P.'s subsidiaries, except Genesis Free State Pipeline, LLC, Genesis NEJD Pipeline, LLC and certain other minor subsidiaries. Genesis NEJD Pipeline, LLC is 100% owned by Genesis Energy, L.P., the parent company. The remaining non-guarantor subsidiaries are owned by Genesis Crude Oil, L.P., a guarantor subsidiary. Genesis Energy Finance Corporation has no independent assets or operations. Each subsidiary guarantor and the subsidiary co-issuer are 100% owned, directly or indirectly, by Genesis Energy, L.P. See Note 7 for additional information regarding our consolidated debt obligations. The following is condensed consolidating financial information for Genesis Energy, L.P., the guarantor subsidiaries and the non-guarantor subsidiaries.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Balance Sheet
September 30, 2012

| | Genesis Energy, L.P. (Parent and Co-Issuer) | Genesis Energy Corporation (Co-Issuer) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Genesis Energy, L.P. Consolidated |
|--|---|---|---------------------------|-------------------------------|----------------|---|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 11 | \$— | \$ 14,753 | \$ 697 | \$— | \$ 15,461 |
| Other current assets | 744,217 | — | 387,772 | 38,521 | (758,704) | 411,806 |
| Total current assets | 744,228 | — | 402,525 | 39,218 | (758,704) | 427,267 |
| Fixed assets, at cost | — | — | 583,751 | 100,912 | — | 684,663 |
| Less: Accumulated depreciation | — | — | (136,459) | (12,253) | — | (148,712) |
| Net fixed assets | — | — | 447,292 | 88,659 | — | 535,951 |
| Goodwill | — | — | 325,046 | — | — | 325,046 |
| Other assets, net | 19,152 | — | 257,694 | 158,875 | (164,755) | 270,966 |
| Equity investees | — | — | 547,925 | — | — | 547,925 |
| Investments in subsidiaries | 1,007,650 | — | 100,005 | — | (1,107,655) | — |
| Total assets | \$ 1,771,030 | \$— | \$ 2,080,487 | \$ 286,752 | \$ (2,031,114) | \$ 2,107,155 |
| LIABILITIES AND PARTNERS' CAPITAL | | | | | | |
| Current liabilities | \$ 9,173 | \$— | \$ 1,047,542 | \$ 19,987 | \$ (758,323) | \$ 318,379 |
| Senior secured credit facility | 483,000 | — | — | — | — | 483,000 |
| Senior unsecured notes | 350,924 | — | — | — | — | 350,924 |
| Deferred tax liabilities | — | — | 11,598 | — | — | 11,598 |
| Other liabilities | — | — | 12,850 | 167,041 | (164,570) | 15,321 |
| Total liabilities | 843,097 | — | 1,071,990 | 187,028 | (922,893) | 1,179,222 |
| Partners' capital | 927,933 | — | 1,008,497 | 99,724 | (1,108,221) | 927,933 |
| Total liabilities and partners' capital | \$ 1,771,030 | \$— | \$ 2,080,487 | \$ 286,752 | \$ (2,031,114) | \$ 2,107,155 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Balance Sheet

December 31, 2011

| | Genesis Energy, L.P. (Parent and Co-Issuer) | Genesis Energy Corporation (Co-Issuer) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Genesis Energy, L.P. Consolidated |
|--|---|---|---------------------------|-------------------------------|---------------|---|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$3 | \$— | \$9,182 | \$1,632 | \$— | \$10,817 |
| Other current assets | 597,966 | — | 341,131 | 31,897 | (605,707) | 365,287 |
| Total current assets | 597,969 | — | 350,313 | 33,529 | (605,707) | 376,104 |
| Fixed assets, at cost | — | — | 444,262 | 96,876 | — | 541,138 |
| Less: Accumulated depreciation | — | — | (114,655) | (9,558) | — | (124,213) |
| Net fixed assets | — | — | 329,607 | 87,318 | — | 416,925 |
| Goodwill | — | — | 325,046 | — | — | 325,046 |
| Other assets, net | 14,773 | — | 276,450 | 162,373 | (167,774) | 285,822 |
| Equity investees | — | — | 326,947 | — | — | 326,947 |
| Investments in subsidiaries | 841,725 | — | 96,303 | — | (938,028) | — |
| Total assets | \$1,454,467 | \$— | \$1,704,666 | \$283,220 | \$(1,711,509) | \$1,730,844 |
| LIABILITIES AND PARTNERS' CAPITAL | | | | | | |
| Current liabilities | \$2,529 | \$— | \$835,013 | \$17,562 | \$(605,676) | \$249,428 |
| Senior secured credit facility | 409,300 | — | — | — | — | 409,300 |
| Senior unsecured notes | 250,000 | — | — | — | — | 250,000 |
| Deferred tax liabilities | — | — | 12,549 | — | — | 12,549 |
| Other liabilities | — | — | 14,673 | 169,842 | (167,586) | 16,929 |
| Total liabilities | 661,829 | — | 862,235 | 187,404 | (773,262) | 938,206 |
| Partners' capital | 792,638 | — | 842,431 | 95,816 | (938,247) | 792,638 |
| Total liabilities and partners' capital | \$1,454,467 | \$— | \$1,704,666 | \$283,220 | \$(1,711,509) | \$1,730,844 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations

Three Months Ended September 30, 2012

| | Genesis Energy, L.P. (Parent and Co-Issuer) | Genesis Energy Finance Corporation (Co-Issuer) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Genesis Energy, L.P. Consolidated |
|---|--|---|---------------------------|-------------------------------|--------------------|---|
| REVENUES: | | | | | | |
| Supply and logistics | \$— | \$ — | \$869,726 | \$ 31,113 | \$(25,646) | \$875,193 |
| Refinery services | — | — | 48,809 | 4,367 | (5,199) | 47,977 |
| Pipeline transportation services | — | — | 12,596 | 6,568 | — | 19,164 |
| Total revenues | — | — | 931,131 | 42,048 | (30,845) | 942,334 |
| COSTS AND EXPENSES: | | | | | | |
| Supply and logistics costs | — | — | 852,009 | 26,488 | (25,648) | 852,849 |
| Refinery services operating costs | — | — | 29,339 | 4,565 | (4,661) | 29,243 |
| Pipeline transportation operating costs | — | — | 5,661 | 250 | — | 5,911 |
| General and administrative | — | — | 10,343 | 32 | — | 10,375 |
| Depreciation and amortization | — | — | 13,940 | 898 | — | 14,838 |
| Total costs and expenses | — | — | 911,292 | 32,233 | (30,309) | 913,216 |
| OPERATING INCOME | — | — | 19,839 | 9,815 | (536) | 29,118 |
| Equity in earnings of subsidiaries | 41,052 | — | 5,738 | — | (46,790) | — |
| Equity in earnings of equity investees | — | — | 3,432 | — | — | 3,432 |
| Interest (expense) income, net | (9,858) | — | 4,119 | (4,134) | — | (9,873) |
| Income before income taxes | 31,194 | — | 33,128 | 5,681 | (47,326) | 22,677 |
| Income tax benefit | — | — | 8,509 | 8 | — | 8,517 |
| NET INCOME | \$31,194 | \$ — | \$41,637 | \$ 5,689 | \$(47,326) | \$31,194 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations

Three Months Ended September 30, 2011

| | Genesis Energy, L.P. (Parent and Co-Issuer) | Genesis Energy Finance Corporation (Co-Issuer) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Genesis Energy, L.P. Consolidated |
|---|--|---|---------------------------|-------------------------------|--------------------|---|
| REVENUES: | | | | | | |
| Supply and logistics | \$— | \$ — | \$765,714 | \$ — | \$— | \$765,714 |
| Refinery services | — | — | 48,700 | 3,805 | (4,113) | 48,392 |
| Pipeline transportation services | — | — | 9,388 | 6,706 | — | 16,094 |
| Total revenues | — | — | 823,802 | 10,511 | (4,113) | 830,200 |
| COSTS AND EXPENSES: | | | | | | |
| Supply and logistics costs | — | — | 743,833 | — | — | 743,833 |
| Refinery services operating costs | — | — | 30,448 | 3,612 | (3,924) | 30,136 |
| Pipeline transportation operating costs | — | — | 3,818 | 170 | — | 3,988 |
| General and administrative | — | — | 8,905 | — | — | 8,905 |
| Depreciation and amortization | — | — | 14,057 | 649 | — | 14,706 |
| Total costs and expenses | — | — | 801,061 | 4,431 | (3,924) | 801,568 |
| OPERATING INCOME | — | — | 22,741 | 6,080 | (189) | 28,632 |
| Equity in losses of subsidiaries | 28,032 | — | 1,945 | — | (29,977) | — |
| Equity in earnings of equity investees | — | — | (412) | — | — | (412) |
| Interest (expense) income, net | (8,944) | — | 4,226 | (4,242) | — | (8,960) |
| Income before income taxes | 19,088 | — | 28,500 | 1,838 | (30,166) | 19,260 |
| Income tax (expense) benefit | — | — | (233) | 61 | — | (172) |
| NET INCOME | \$19,088 | \$ — | \$28,267 | \$ 1,899 | \$(30,166) | \$19,088 |

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GENESIS ENERGY, L.P.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Condensed Consolidating Statement of Operations

Nine Months Ended September 30, 2012

| | Genesis Energy, L.P. (Parent and Co-Issuer) | Genesis Energy Finance Corporation (Co-Issuer) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Genesis Energy, L.P. Consolidated |
|-----------|--|---|---------------------------|-------------------------------|--------------|---|
| REVENUES: | | | | | | |